

IMPORTANT NOTICE

THIS PROSPECTUS MAY ONLY BE DISTRIBUTED OUTSIDE THE UNITED STATES IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT (AS DEFINED BELOW) AND WITHIN THE UNITED STATES TO QUALIFIED INSTITUTIONAL BUYERS (QIBs) WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT (RULE 144A).

IMPORTANT: You must read the following notice before continuing. The following notice applies to the attached prospectus following this page (the **Prospectus**), whether received by email, accessed from an internet page or otherwise received as a result of electronic communication, and you are therefore advised to read this notice carefully before reading, accessing or making any other use of the Prospectus. In reading, accessing or making any other use of the Prospectus, you agree to be bound by the following terms and conditions and each of the restrictions set out in the Prospectus, including any modifications made to them from time to time, each time you receive any information from Mazoon Assets Company SAOC (the **Trustee**) or Mazoon Electricity Company S.A.O.C. (**Mazoon**) as a result of such access.

RESTRICTIONS: NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY THE CERTIFICATES IN ANY JURISDICTION. ANY CERTIFICATE TO BE ISSUED HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE **SECURITIES ACT**), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION. THE CERTIFICATES MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED DIRECTLY OR INDIRECTLY WITHIN THE UNITED STATES EXCEPT (1) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT TO PERSONS REASONABLY BELIEVED TO BE QIBs OR (2) IN AN OFFSHORE TRANSACTION PURSUANT TO REGULATION S, OF THE SECURITIES ACT.

THIS DOCUMENT IS NOT BEING DISTRIBUTED TO, AND MUST NOT BE PASSED ON TO, THE GENERAL PUBLIC IN THE UNITED KINGDOM. RATHER, THE COMMUNICATION OF THIS DOCUMENT AS A FINANCIAL PROMOTION IS ONLY BEING MADE TO THOSE PERSONS FALLING WITHIN ARTICLE 19(5) OR ARTICLE 49 OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005 (THE **FINANCIAL PROMOTION ORDER**), PERSONS FALLING WITHIN ANY OF THE CATEGORIES OF PERSONS DESCRIBED IN ARTICLE 49 OF THE FINANCIAL PROMOTION ORDER AND ANY OTHER PERSON TO WHOM THIS DOCUMENT MAY OTHERWISE LAWFULLY BE MADE IN ACCORDANCE WITH THE FINANCIAL PROMOTION ORDER. THIS COMMUNICATION IS BEING DIRECTED ONLY AT PERSONS HAVING PROFESSIONAL EXPERIENCE IN MATTERS RELATING TO INVESTMENTS AND ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THIS COMMUNICATION RELATES WILL BE ENGAGED IN ONLY WITH SUCH PERSONS. NO OTHER PERSON SHOULD RELY ON IT.

CONFIRMATION OF YOUR REPRESENTATION: By accepting this e-mail and accessing, reading or making any other use of the attached document, you shall be deemed to have represented to bank muscat SAOG, First Abu Dhabi Bank PJSC, J.P. Morgan Securities plc and KFH Capital Investment Company K.S.C.C. as joint lead managers (together, the **Joint Lead Managers**), Noor Bank PJSC and Warba Bank (K.S.C.) as co-managers (the **Co-Managers** and, together with the Joint Lead Managers, the **Managers**), Mazoon Electricity Company S.A.O.C. (in any capacity), the Trustee and Citibank, N.A., London Branch (the **Delegate**) that (1) you have understood and agree to the terms set out herein, (2) you are (or the person you represent is) either: (a) a QIB or (b) a person that is outside of the United States, and, if applicable, that the electronic mail (or e-mail) address to which, pursuant to your request, the attached document has been delivered by electronic transmission is not located in the United States, its territories, its possessions and other areas subject to its jurisdiction; where its possessions include Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands, (3) in respect of the Certificates being offered in the United Kingdom, you are (or the person you represent is) a Relevant Person, (4) you consent to delivery by electronic transmission, (5) you will not transmit the attached Prospectus (or any copy of it or part thereof) or disclose, whether orally or in writing, any of its contents to any other person except with the consent of the Managers, the Trustee and Mazoon and (6) you acknowledge that you will make your own assessment regarding any legal, taxation or other economic considerations with respect to your decision to subscribe for or purchase of any of the Certificates.

You are reminded that the Prospectus has been delivered to you on the basis that you are a person into whose possession the Prospectus may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver or disclose the contents of the Prospectus, electronically or otherwise, to any other person. Failure to comply with this directive may result in a violation of the Securities Act or the applicable laws of other jurisdictions.

If you received this Prospectus by e-mail, you should not reply by e-mail. Any reply e-mail communications, including those you generate by using the "Reply" function on your e-mail software, will be ignored or rejected. If you received this Prospectus by e-mail, your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where such offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Managers or any affiliate of the Managers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Managers or such affiliate on behalf of the Trustee in such jurisdiction.

Under no circumstances shall the Prospectus constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Certificates in any jurisdiction in which such offer, solicitation or sale would be unlawful. Recipients of the attached document who intend to subscribe for or purchase the Certificates are reminded that any subscription or purchase may only be made on the basis of the information contained in this Prospectus.

The Prospectus has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Managers, the Trustee, Mazoon or any person who controls or is a director, officer, employee or agent of the Managers, the Trustee, Mazoon or any affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Prospectus distributed to you in electronic format and the hard copy version available to you on request from the Managers.

The distribution of the Prospectus and the offer or sale of the Certificates in certain jurisdictions may be restricted by law. Persons into whose possession the attached document comes are required by the Managers, the Trustee and Mazoon to inform themselves about, and to observe, any such restrictions.



MAZOOON ASSETS COMPANY SAOC

(incorporated as a closed joint stock company in the Sultanate of Oman)

U.S.\$500,000,000 Certificates due 2027

The U.S.\$500,000,000 Certificates due 2027 (the **Certificates**) of Mazoon Assets Company SAOC (the **Trustee**) will be constituted by a declaration of trust (the **Declaration of Trust**) dated 8 November 2017 (the **Issue Date**) entered into between Mazoon Electricity Company S.A.O.C. (**Mazoon**), the Trustee, in its capacity as issuer and as trustee for and on behalf of holders of the Certificates (the **Certificateholders**) and Citibank, N.A., London Branch (the **Delegate**). Pursuant to the Declaration of Trust, the Trustee will declare that it will hold the Trust Assets (as defined herein) upon trust absolutely for the Certificateholders *pro rata* according to the face amount of the Certificates held by each Certificateholder in accordance with the Declaration of Trust and the terms and conditions of such Certificates (the **Conditions**).

On 8 May and 8 November in each year, commencing on 8 May 2018 (each a **Periodic Distribution Date**), the Trustee will pay Periodic Distribution Amounts (as defined herein) to the Certificateholders, calculated at the rate of 5.20 per cent. per annum on the outstanding face amount of the Certificates as at the beginning of the relevant Periodic Distribution Period (as defined herein) on a 30/360 day basis. Payments of Periodic Distribution Amounts in respect of the Certificates to non-Omani Certificateholders may be subject to withholding tax in Oman. However, Condition 11 provides that the Trustee is required to pay additional amounts in respect of any such withholdings or deductions in certain circumstances such that Certificateholders receive the full amount which would have otherwise been receivable by them in the absence of such withholding or deduction. Mazoon has, pursuant to the Declaration of Trust, undertaken to pay to the Trustee an amount equal to the liabilities of the Trustee in respect of any and all such additional amounts. See "*Terms and Conditions of the Certificates – Taxation*".

The Trustee will pay such Periodic Distribution Amounts solely from the proceeds received in respect of the Trust Assets which include rental payments by Mazoon in its capacity as lessee (the **Lessee**) under the Lease Agreement (as defined herein), which rental payments will be equal to the Periodic Distribution Amounts payable to the Certificateholders on each Periodic Distribution Date.

Unless previously redeemed or cancelled in the circumstances described in Condition 10.2, Condition 10.3, Condition 10.5 and Condition 10.6, the Certificates will be redeemed on the Periodic Distribution Date falling on 8 November 2027 (the **Scheduled Dissolution Date**) at the Dissolution Distribution Amount (as defined herein). The Trustee will pay the Dissolution Distribution Amount solely from the proceeds received in respect of the Trust Assets which include payments by Mazoon under the Purchase Undertaking (as defined herein).

The Certificates will be limited recourse obligations of the Trustee. An investment in the Certificates involves certain risks. Investors should carefully review the risks described herein under "Risk Factors".

The Certificates have not been and will not be registered under the United States Securities Act of 1933, as amended (the *Securities Act*) or with any securities regulatory authority of any state or other jurisdiction of the United States. The Certificates are being offered and sold outside the United States in accordance with Regulation S under the Securities Act (*Regulation S*), and may not be offered, sold or delivered within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Certificates are being offered, sold or delivered: (a) to qualified institutional buyers (*QIBs*) (as defined in Rule 144A (*Rule 144A*) under the Securities Act); and (b) to persons outside the United States in reliance on Regulation S. Each purchaser of the Certificates will be deemed to have made the representations described in "*Subscription and Sale*" and is hereby notified that the offer and sale of Certificates to it is being made in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A. In addition, until 40 days after the commencement of the offering, an offer or sale of any of the Certificates within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if the offer or sale is made otherwise than in accordance with Rule 144A.

This Prospectus has been approved by the Central Bank of Ireland (the **Central Bank of Ireland**), as competent authority under Directive 2003/71/EC, as amended including by Directive 2010/73/EU (the **Prospectus Directive**). The Central Bank of Ireland only approves this Prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Application has been made to the Irish Stock Exchange plc (the **Irish Stock Exchange**) for the Certificates to be admitted to the official list (the **Official List**) and to trading on its regulated market (the **Main Securities Market**). The Main Securities Market is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2004/39/EC). References in this Prospectus to the Certificates being **listed** (and all related references) shall mean that the Certificates have been admitted to the Official List and trading on the Main Securities Market.

The Certificates will be issued in registered form in minimum denominations of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof. The Certificates will initially be represented by two global certificates in registered form (the **Global Certificates**), one of which will be issued in respect of the Certificates (the **Restricted Certificates**) offered and sold in reliance on Rule 144A (the **Restricted Global Certificate**) and will be registered in the name of Cede & Co., as nominee for the Depository Trust Company (**DTC**) and the other of which will be issued in respect of the Certificates (the **Unrestricted Certificates**) offered and sold in reliance on Regulation S (the **Unrestricted Global Certificate**) and will be registered in the name of the nominee of a common depository for Euroclear Bank SA/NV (**Euroclear**) and Clearstream Banking, SA (**Clearstream, Luxembourg**). Interests in each Restricted Global Certificate will be subject to certain restrictions on transfer. See "*Transfer Restrictions*". Beneficial interests in each Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by DTC, Euroclear and Clearstream, Luxembourg and their participants. It is expected that delivery of the Global Certificates will be made on the Issue Date by the Trustee and the Joint Lead Managers (as defined under "*Subscription and Sale*"). Individual Certificates evidencing holdings of interests in the Certificates will be issued in exchange for interests in the relevant Global Certificate only in certain limited circumstances described herein.

The Certificates are expected to be assigned a rating of Baa2 with negative outlook by Moody's Investors Service Ltd. (**Moody's**) and a rating of BBB with negative outlook by Fitch Ratings Limited (**Fitch**). Mazoon has been rated Baa2 by Moody's and BBB with a negative outlook by Fitch.

Each of Fitch and Moody's is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**). As such, each of Fitch and Moody's is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency organisations.

The transaction structure relating to the Certificates (as described in this Prospectus) has been reviewed by the Shari'ah advisors of J.P. Morgan Securities plc and KFH Capital Investment Company K.S.C.C. (each a *Shari'ah Advisor* and together the *Shari'ah Advisors*). Prospective Certificateholders should not rely on this review in deciding whether to make an investment in the Certificates and should consult their own *Shari'ah* advisers as to whether the proposed transaction is in compliance with *Shari'ah* principles.

Joint Lead Managers

bank muscat First Abu Dhabi Bank J.P. Morgan KFH Capital

Co-Managers

Noor Bank Warba Bank

The date of this Prospectus is 6 November 2017

This Prospectus comprises a prospectus for the purposes of Article 5.4 of the Prospectus Directive.

Each of the Trustee and Mazoon accepts responsibility for the information contained in this Prospectus. To the best of the knowledge and belief of the Trustee and Mazoon (each having taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

Each reference in this Prospectus to the Joint Lead Managers shall be read and construed as reference to the Co-Managers also unless the context requires otherwise. No representation, warranty or undertaking, express or implied, is made and no responsibility accepted by the Joint Lead Managers, the Agents (as defined herein) or the Delegate as to the accuracy or completeness of the information contained in this Prospectus or any other information supplied in connection with the Certificates. Each person receiving the Prospectus acknowledges that such person has not relied on any of the Joint Lead Managers, the Agents or the Delegate in connection with its investigation of the accuracy of such information or its investment decision and each person must rely on its own assessment of the Trustee, Mazoon or the Certificates. Nothing contained in this Prospectus is, or is to be construed as, or shall be relied on, as a promise, warranty or representation, whether as to the past or future, by any of the Joint Lead Managers, the Agents or the Delegate in any respect. To the fullest extent permitted by law, neither the Joint Lead Managers, nor the Agents, nor the Delegate accepts any responsibility whatsoever for the contents of this Prospectus. Each of the Joint Lead Managers, the Agents and the Delegate accordingly disclaims all and any liability, whether arising in tort, contract or otherwise, which it might otherwise have in respect of this Prospectus.

No person is or has been authorised by the Trustee, Mazoon, the Joint Lead Managers, the Agents or the Delegate to give any information or to make any representation not contained in or not consistent with this Prospectus or any other information supplied in connection with the offering of the Certificates and, if given or made, such information or representation must not be relied upon as having been authorised by or on behalf of the Trustee, Mazoon, the Joint Lead Managers, the Agents or the Delegate.

Neither this Prospectus nor any other information supplied in connection with the offering of the Certificates (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Trustee, Mazoon, any of the Joint Lead Managers, the Agents or the Delegate that any recipient of this Prospectus or any other information supplied in connection with the offering of the Certificates should purchase any Certificates. Each investor contemplating purchasing any Certificates should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Trustee and/or Mazoon.

Neither the delivery of this Prospectus nor the offer, issue, sale or delivery of the Certificates shall, under any circumstances, imply that there has been no change in the affairs of the Trustee or Mazoon since the date hereof or that the information contained herein concerning the Trustee and/or Mazoon is correct as at any time subsequent to its date or that any other information supplied in connection with the offering of the Certificates is correct as at any time subsequent to the date indicated in the document containing the same. The Joint Lead Managers, the Agents and the Delegate expressly do not undertake to review the financial condition or affairs of the Trustee or Mazoon during the life of the Certificates or to advise any investor in the Certificates of any information coming to their attention or that there has been no change in the affairs of any party mentioned herein since that date.

In connection with the issue and sale of the Certificates, each of the Joint Lead Managers and any of their respective affiliates acting as an investor for its own account may take up Certificates and, in that capacity, may retain, purchase or sell for its own account such securities and any securities of the Trustee or Mazoon or related investments, and may offer or sell such securities or other investments otherwise than in connection with the issue and sale of the Certificates. Accordingly, references in this Prospectus to the Certificates being offered, issued or sold should be read as including any offer, issue or sale of securities to the Joint Lead Managers and any of their affiliates acting in such capacity. The Joint Lead Managers do not intend to disclose the extent of any such transactions or investments otherwise than in accordance with any legal or regulatory obligation to do so.

The Certificates may not be a suitable investment for all investors. Each potential investor in the Certificates must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the Certificates, the merits and risks of investing in the Certificates and the information contained in this Prospectus or any applicable supplement;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Certificates and the impact the Certificates will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Certificates, including Certificates with principal or payment payable in one or more currencies, or where the currency for principal or profit payments is different from the potential investor's currency;
- (iv) understand thoroughly the terms of the Certificates; and
- (v) be able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Each purchaser or holder of interests in the Certificates will be deemed, by its acceptance or purchase of any such Certificates, to have made certain representations and agreements as set out in "*Subscription and Sale*".

IMPORTANT INFORMATION RELATING TO THE USE OF THIS PROSPECTUS AND OFFERS OF CERTIFICATES GENERALLY

This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Certificates in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Prospectus and the offer or sale of Certificates may be restricted by law in certain jurisdictions. The Trustee, Mazoon, the Joint Lead Managers (as described under "*Subscription and Sale*"), the Agents and the Delegate do not represent that this Prospectus may be lawfully distributed, or that the Certificates may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Trustee, Mazoon, the Joint Lead Managers, the Agents or the Delegate which is intended to permit a public offering of the Certificates or the distribution of this Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Certificates may be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus or any Certificates may come must inform themselves about, and observe any such restrictions on the distribution of this Prospectus and the offering and sale of Certificates. In particular, there are restrictions on the distribution of this Prospectus and the offer or sale of Certificates in the United States, the United Kingdom, the Sultanate of Oman, the United Arab Emirates (the **UAE**) (excluding the Dubai International Financial Centre (the **DIFC**)), the DIFC, the State of Qatar (**Qatar**) (including the Qatar Financial Centre (the **QFC**)), the Kingdom of Saudi Arabia (**Saudi Arabia** or the **Kingdom**), the Kingdom of Bahrain (**Bahrain**), Japan, Kuwait, Hong Kong, Singapore and Malaysia. See also "*Subscription and Sale*".

No comment is made or advice given by the Trustee, Mazoon, the Joint Lead Managers, the Agents or the Delegate in respect of taxation matters relating to the Certificates or the legality of the purchase of the Certificates by an investor under any applicable law.

The contents of this Prospectus are not to be construed as, and shall not be relied on as legal, business or tax advice, and each investor should consult its own legal, business, tax and other advisers for any such advice that may be relevant to such investor.

U.S. INFORMATION

THE CERTIFICATES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR ANY OTHER SECURITIES COMMISSION OR OTHER REGULATORY AUTHORITY IN THE UNITED STATES, NOR HAVE THE FOREGOING AUTHORITIES REVIEWED OR PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

THE CERTIFICATES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE U.S. SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS. AS A PROSPECTIVE INVESTOR, YOU SHOULD BE AWARE THAT YOU MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME. PLEASE REFER TO THE SECTIONS IN THIS PROSPECTUS ENTITLED "SUBSCRIPTION AND SALE" AND "TRANSFER RESTRICTIONS".

This Prospectus is being submitted on a confidential basis in the United States to QIBs for informational use solely in connection with the consideration of the purchase of Certificates. Its use for any other purpose in the United States is not authorised. It may not be copied or reproduced in whole or in part nor may it be distributed or any of its contents disclosed to anyone other than the prospective investors to whom it is originally submitted.

The Certificates may be offered or sold within the United States only to QIBs in transactions exempt from registration under the Securities Act in reliance on, and in accordance with, Rule 144A or any other applicable exemption. Each U.S. purchaser of Registered Certificates is hereby notified that the offer and sale of any Registered Certificates to it may be made in reliance upon the exemption from the registration requirements of Section 5 of the Securities Act provided by Rule 144A.

Each purchaser or holder of Certificates represented by a Restricted Global Certificate or any Certificates issued in exchange or substitution therefor (together *Legended Certificates*) will be deemed, by its acceptance or purchase of any such Legended Certificates, to have made certain representations and agreements intended to restrict the resale or other transfer of such Certificates as set out in "Subscription and Sale" and "Transfer and Selling Restrictions".

AVAILABLE INFORMATION

To permit compliance with Rule 144A in connection with any resales or other transfers of Certificates that are "restricted securities" within the meaning of the Securities Act, Mazoon and the Trustee have undertaken to furnish, upon the request to the Trustee of a holder of such Certificates or any beneficial interest therein, to such holder or to a prospective purchaser designated by him, the information required to be delivered under Rule 144A(d)(4) under the Securities Act if, at the time of the request, any of the Certificates remain outstanding as "restricted securities" within the meaning of Rule 144(a)(3) of the Securities Act and Mazoon is neither a reporting company under Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the **Exchange Act**) nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder.

VOLCKER RULE

The Trustee is not, and solely after giving effect to any offering and sale of the Certificates and the application of the proceeds thereof will not be, a "covered fund" for purposes of regulations adopted under Section 13 of the Bank Holding Company Act of 1956, as amended (commonly known as the **Volcker Rule**). In reaching this conclusion, although other statutory or regulatory exclusions and/or exemptions under the Investment Company Act of 1940, as amended (the **Investment Company Act**) and under the Volcker Rule and its related regulations may be available, the Trustee has relied on the exemption from registration under the Investment Company Act provided by Rule 3a-5 of the Investment Company Act, and, accordingly, the Trustee is not a "covered fund" under the Volcker Rule.

Each investor is responsible for analysing its own position under the Volcker Rule.

NOTICE TO OMAN RESIDENTS

THE INFORMATION CONTAINED IN THIS PROSPECTUS DOES NOT CONSTITUTE A PUBLIC OFFER OF SECURITIES IN OMAN AS CONTEMPLATED BY THE COMMERCIAL COMPANIES LAW OF OMAN (SULTANI DECREE 4/74, AS AMENDED) OR ARTICLE 3 OF THE CAPITAL MARKET LAW OF OMAN (SULTANI DECREE 80/98, AS AMENDED). THIS PROSPECTUS WILL ONLY BE MADE AVAILABLE TO INVESTORS IN OMAN IN ACCORDANCE WITH THE PROVISIONS OF ARTICLE 139 OF THE EXECUTIVE REGULATIONS OF THE CAPITAL MARKET LAW (ISSUED BY DECISION NO.1/2009, AS AMENDED) (THE **EXECUTIVE REGULATIONS**) BY AN ENTITY DULY LICENCED BY THE OMAN CAPITAL MARKET AUTHORITY TO MARKET NON-OMANI SECURITIES IN OMAN.

THIS PROSPECTUS HAS NOT BEEN (AND WILL NOT BE) FILED WITH THE OMAN CAPITAL MARKET AUTHORITY (EXCEPT IN ACCORDANCE WITH ARTICLE 139 OF THE EXECUTIVE REGULATIONS), THE CENTRAL BANK OF OMAN (THE **CENTRAL BANK**) OR ANY OTHER REGULATORY AUTHORITY IN OMAN (OTHER THAN THE AUTHORITY FOR ELECTRICITY REGULATION, OMAN (THE **AER**)) AND NEITHER THE OMAN CAPITAL MARKET AUTHORITY, THE CENTRAL BANK NOR THE AER ASSUMES RESPONSIBILITY FOR THE ACCURACY AND ADEQUACY OF THE STATEMENTS AND INFORMATION CONTAINED IN THIS PROSPECTUS AND SHALL NOT HAVE ANY LIABILITY TO ANY PERSON FOR DAMAGE OR LOSS RESULTING FROM RELIANCE ON ANY STATEMENTS OR INFORMATION CONTAINED HEREIN.

NOTICE TO PROSPECTIVE INVESTORS IN THE KINGDOM OF SAUDI ARABIA

This Prospectus may not be distributed in Saudi Arabia except to such persons as are permitted under the Offers of Securities Regulations issued by the Capital Market Authority of Saudi Arabia (the **Capital Market Authority**). The Capital Market Authority does not make any representations as to the accuracy or completeness of this Prospectus, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Prospectus. Prospective purchasers of the securities offered hereby should conduct their own due diligence on the accuracy of the information relating to the securities. If a prospective purchaser does not understand the contents of this Prospectus he or she should consult an authorised financial adviser. By accepting this Prospectus and other information relating to the offering of the Certificates in the Kingdom of Saudi Arabia, each recipient represents that he is a "sophisticated investor", as set out in "*Subscription and Sale*".

NOTICE TO RESIDENTS OF MALAYSIA

The Certificates may not be offered for subscription or purchase and no invitation to subscribe for or purchase such Certificates in Malaysia may be made, directly or indirectly, and this Prospectus or any document or other materials in connection therewith may not be distributed in Malaysia other than to persons falling within the categories specified under Schedule 6 or Section 229(1)(b), Schedule 7 or Section 230(1)(b) and Schedule 8 or Section 257(3) of the Capital Market and Services Act, 2007 of Malaysia.

The Securities Commission of Malaysia shall not be liable for any non-disclosure on the part of the Trustee and assumes no responsibility for the correctness of any statements made or opinions or reports expressed in this Prospectus.

NOTICE TO RESIDENTS OF THE STATE OF QATAR

This Prospectus is not intended to constitute an offer, sale or delivery of bonds or other debt financing instruments under the laws of Qatar. The Certificates have not been and will not be authorised by the Qatar Financial Markets Authority, the QFC or the Qatar Central Bank in accordance with their regulations or any other regulations in Qatar. The Certificates and interests therein will not be offered to investors domiciled or resident in Qatar and do not constitute debt financing in Qatar under the Commercial Companies Law No. (5) of 2002 or otherwise under any laws of Qatar.

NOTICE TO PROSPECTIVE INVESTORS IN BAHRAIN

In relation to investors in the Kingdom of Bahrain, securities issued in connection with this Prospectus and related offering documents may only be offered in registered form to existing account holders and accredited investors as defined by the Central Bank of Bahrain (the **CBB**) in the Kingdom of Bahrain where such investors make a minimum investment of at least U.S.\$100,000, or any equivalent amount in other currency or such other amount as the CBB may determine.

This offer does not constitute an offer of securities in the Kingdom of Bahrain in terms of Article (81) of the Central Bank and Financial Institutions Law 2006 (decree Law No. 64 of 2006). This Prospectus and related offering documents have not been and will not be registered as a prospectus with the CBB. Accordingly, no securities may be offered, sold or made the subject of an invitation for subscription or purchase nor will this Prospectus or any other related document or material be used in connection with any offer, sale or invitation to subscribe or purchase securities, whether directly or indirectly, to persons in the Kingdom of Bahrain, other than to accredited investors for an offer outside Bahrain.

The CBB has not reviewed, approved or registered the Prospectus or related offering documents and it has not in any way considered the merits of the securities to be offered for investment, whether in or outside the Kingdom of Bahrain. Therefore, the CBB assumes no responsibility for the accuracy and completeness of the statements and information contained in this document and expressly disclaims any liability whatsoever for any loss howsoever arising from reliance upon the whole or any part of the content of this document. No offer of securities will be made to the public in the Kingdom of Bahrain and this Prospectus must be read by the addressee only and must not be issued, passed to, or made available to the public generally.

JURISDICTION AND ENFORCEABILITY OF ARBITRAL AWARDS AND FOREIGN JUDGMENTS

Mazoon

Mazoon is a closed joint stock company incorporated under the Commercial Companies Law (Sultani Decree 4/1974, as amended) of Oman (the **Oman Commercial Companies Law**). All of Mazoon's directors and executive officers reside outside the United Kingdom and the United States and all of the assets of Mazoon and of such persons are located outside of the United States and the United Kingdom. Accordingly, it may not be possible for investors to effect service of process within the United States or the United Kingdom on the directors and executive officers of Mazoon or to enforce judgments against Mazoon or such persons.

Immunity from suit

Under Oman law, no legal person in Oman is immune from suit. Further, any sovereign immunity of the Trustee, Mazoon and its administrative units (including quasi-governmental entities) from process before the Oman courts was abrogated by Sultani Decree 13/1997 and any claims in relation to contracts to which the Trustee and/or Mazoon is a party may now be brought before the Oman courts. This position is confirmed by the Law of Civil and Commercial Procedures promulgated by Sultani Decree 29/2002, as amended (the **Oman Civil Procedure Law**) which, pursuant to its Article 13, confirms where a summons may be delivered to departments of the state and public bodies and Article 46 which confirms that suits against departments of state and public authorities and public bodies shall be filed before the court within which their head offices are situated.

Immunity of public assets from attachment

Although no governmental entities are immune from suit, public assets are protected from attachment in the event of legal proceedings against the Trustee, Mazoon or quasi-governmental entities pursuant to Article 366 of the Oman Civil Procedure Law. This position was reinforced by the recent Civil Transactions Law (promulgated by Sultani Decree 29/2013) which, at Article 56, provides that immovable or movable assets owned by the state or public legal persons who have been allocated such assets for public benefit by virtue of law or by a royal decree or by a resolution of the Minister of Finance, shall be deemed to be public assets and such assets shall not be the subject of dispositions, attachment or acquisitive prescription. Furthermore, there are also restrictions on the transfer of assets of Mazoon pursuant to the Law for the Regulation and Privatisation of the Electricity and Related Water Sector, promulgated by Sultani Decree 78/2004 as amended (the **Sector Law**). See also "*Risk Factors — Risks related to the Certificates — Mazoon's waiver of immunity may not be effective under the laws of Oman*"

Assets of Mazoon or the Trustee which are not deemed to be public assets pursuant to Omani law also include those assets for the time being in use or intended for use for the purpose of, without limitation, the following transactions or activities:

- (i) any contract for the supply of goods and services and deposits or revenues therefrom;
- (ii) any loan or other transaction for the provision of finance and any indemnity or guarantee relating thereto or of any other financial obligation entered into by Mazoon or the Trustee; and
- (iii) any other transaction or activity of any commercial nature entered into or engaged in by Mazoon or the Trustee,

provided, however, that assets which can be characterised as: (A) "premises of the mission" as such term is defined in the Vienna Convention on Diplomatic Relations signed in 1961, or "consular premises" as such term is defined in the Vienna Convention on Consular Relations signed in 1963; (B) military or defence assets of Oman for military or defence use by Oman; or (C) assets used for public or governmental services (as opposed to commercial use) by the Sultanate of Oman, shall not, in any circumstances, constitute commercial assets.

Enforcement of Arbitral Awards in Oman

Foreign arbitration awards may be enforced in Oman pursuant to: (i) treaty obligations; or (ii) Oman Civil Procedure Law.

Oman has acceded to the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards of 1958 (Sultani Decree 36/1998) (the **New York Convention**), and ratified the Riyadh Arab Convention of 1983 (Sultani Decree 34/1999) (the **Riyadh Convention**). Although Oman has been a party to the New York Convention since 1998, Mazoon is aware of only one case which has come before the courts of Oman where a claimant has sought to enforce a foreign arbitral award issued by a contracting state. Whilst in

that case the Appeal Court of Oman (the **Appeal Court**) held that the arbitral award was recognised and enforceable in Oman, it should be noted that there is no doctrine of binding precedent under Omani Law, although decisions of the Oman Appeal Court may be persuasive. Mazoon has no reason to believe, however, that the courts of Oman would not enforce an arbitral award passed in a contracting state (without the need to re-examine or re-litigate), subject only to no valid argument being raised that the enforcement of that arbitral award should be refused on one or more of the grounds set out in Article V of the New York Convention, or that the subject matter of the award is against public order or morality in Oman. The enforcement in Oman of any of the obligations of any party under any of the Certificates, or the Transaction Documents (as defined herein) (irrespective of whether the courts of Oman have given a judgment in favour of a party) will ultimately require an order for enforcement by the courts of Oman, which order is subject to discretion, including as to the manner in which such court would interpret and apply the New York Convention.

If the foreign arbitral award is not enforceable pursuant to a treaty obligation (for example, an award is passed in a country that is not a signatory to the New York Convention or Riyadh Convention), it may nevertheless be possible to enforce such award in Oman subject to the satisfaction of the conditions set out in Articles 352 to 355 of the Oman Civil Procedure Law, pursuant to which the courts of Oman possess an inherent jurisdiction to enforce foreign awards. When considering the enforcement of arbitral awards in the above circumstances, the courts of Oman will need to be satisfied that the following conditions have been met (reading "judgment" as "award"):

- (i) it is passed by a competent judicial authority in accordance with the international jurisdiction rules applicable in the country in which the judgment or order is passed, and becomes final according to that law and was not grounded on deception;
- (ii) the parties to the dispute were summoned to appear and were properly represented;
- (iii) it does not include any requests, the basis of which breaches the laws enforced in Oman;
- (iv) it does not contradict any judgment or order previously issued by the courts of Oman, and it does not include anything contravening public order or morals;
- (v) the country in which the said judgment or award was signed accepts the execution of judgments of courts of Oman within its territories; and
- (vi) the matter that has been arbitrated upon in the foreign jurisdiction is capable of being determined by arbitration under Omani law (Article 353).

In the event that the conditions of Articles 352 to 355 of the Oman Civil Procedure Law are not met by a foreign arbitral award, such foreign arbitral award may be of evidentiary value only in a full hearing before the courts of Oman and the matter may have to be litigated *de novo* before the courts of Oman.

The enforcement in Oman of any of the obligations of any party under any of the Certificates or the Transaction Documents (irrespective of whether the courts of Oman have given a judgment in favour of a party) will ultimately require an order for enforcement by the courts of Oman, which order is subject to discretion, including as to the manner in which such court would interpret and apply the New York Convention.

Enforcement of Foreign Judgments in Oman

Foreign judgments may be enforced in Oman pursuant to: (i) treaty obligations; or (ii) the Oman Civil Procedure Law. The only treaties of note are the Gulf Cooperation Council (**GCC**) Treaty for the Enforcement of Judgments, Judicial Delegation and Court Summons signed in 1996 (the **AGCC Protocol**) and the Riyadh Convention.

Although Omani law provides for the enforcement of foreign judgments in Oman subject to the conditions set out in Articles 352 to 355 of the Oman Civil Procedure Law being met, Mazoon is not aware of a foreign (i.e. non-Omani and non-Arab GCC) judgment ever having been enforced in Oman. In the absence of the conditions set out in Articles 352 to 355 of the Oman Civil Procedure Law being met, an English or U.S. judgment against Mazoon would not be enforced by the courts of Oman without a re-examination of the merits and the English or U.S. judgment, as applicable, may be of evidential value only in any such proceedings filed before the Courts of Oman.

If any proceedings were brought in Oman (whether in connection with the enforcement of an English or U.S. judgment or otherwise), pursuant to the Civil Transactions Law (SD 29/3013) (the **Civil Code**), the courts of Oman would recognise and give effect to the choice of English law as the governing law, unless any provision

of English law were considered to be contrary to a mandatory provision of Omani law, public order or morality or Islamic *Shari'ah* principles.

If enforcement of the Certificates were sought before the courts of Oman, it is difficult to forecast in advance with any degree of certainty how some of the provisions relating to the Certificates would be interpreted and applied by those courts and whether all of the provisions of the Certificates would be enforceable.

Oman is a civil law jurisdiction. Court judges enjoy much greater freedom to interpret agreements in any way which, in their opinion, correctly reflects the intention of the parties if the terms of the relevant agreement are ambiguous. The judge's interpretation can extend to amending the contract, if the judge feels that to do so would better reflect the original intention of the parties.

It is to be noted that no established system of precedent is adhered to by the courts of Oman although decisions of the Supreme Court of Oman should be persuasive. If enforcement of the Certificates were sought before the courts in Oman, it is difficult to forecast in advance with any degree of certainty how some of the provisions relating to the Certificates would be interpreted and applied by those courts and whether all of the provisions of the Certificates would be enforceable.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Mazoon's independent auditors, Deloitte & Touche (M.E.) & Co. LLC, have issued unqualified audit reports dated 8 March 2017 and 1 March 2016, respectively, in respect of: (i) the audited financial statements of Mazoon as at, and for the year ended, 31 December 2016, which include comparative information as at, and for the year ended, 31 December 2015 (the **2016 Financial Statements**); and (ii) the audited financial statements of Mazoon as at, and for the year ended, 31 December 2015, which include comparative information as at, and for the year ended, 31 December 2014 (the **2015 Financial Statements** and, together with the 2016 Financial Statements, the **Annual Financial Statements**). The financial information as at and for the year ended 31 December 2015 contained in the 2016 Financial Statements has been restated to reclassify deferred revenues received from cash flows from investing activities to cash flows from operating activities. The financial information as at and for the six months ended 30 June 2016 contained in the 2017 Interim Financial Statements (as defined below) has similarly been restated.

Mazoon has no subsidiaries except for the Trustee. Deloitte & Touche (M.E.) & Co. LLC have also issued an audit report dated 8 October 2017 in respect of: (i) the audited interim financial statements of Mazoon as at, and for the six months ended, 30 June 2017, which include unaudited comparative information for the six months ended 30 June 2016 (the **2017 Interim Financial Statements** and, together with the Annual Financial Statements, the **Financial Statements**).

The Financial Statements appear elsewhere in this Prospectus. See pages F-1 to F-135.

The Financial Statements have been prepared and presented in accordance with International Financial Reporting Standards (**IFRS**), as issued by the International Accounting Standards Board (the **IASB**), and are presented in Omani Rial.

Unless otherwise indicated, references in this Prospectus to "**OMR**" and "**Omani Rial**" are to the official and national currency of Oman; and references to "**U.S. Dollars**" and "**U.S.\$**" are to the official and national currency of the United States.

The Omani Rial has been pegged to the U.S. dollar since 1973 at a fixed rate of OMR 1.0000 = U.S.\$2.6008. For the convenience of the reader, certain amounts set forth herein have been translated from Omani Rial into U.S. dollars at this rate. No assurance is given, however, that Omani Rial amounts have been or can be converted into U.S. Dollars at this or any other rate of exchange.

Certain figures included in this Prospectus have been subject to rounding adjustments. Accordingly, figures may be stated as approximations and, in particular, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them. Annual information presented in this Prospectus is based upon 1 January to 31 December periods (which is the fiscal year for Mazoon), unless otherwise indicated.

Presentation of Non-IFRS and Alternative Performance Measures

In this Prospectus, Mazoon uses the following metrics in the analysis of its business and financial position, which it considers to constitute Alternative Performance Measures (**APMs**), as defined in the European Securities and Markets Authority (**ESMA**) Guidelines on Alternative Performance Measures dated 5 October 2015 and further guidance published by ESMA through to the date of this Prospectus.

Set out below is a summary of the APM metrics used, the definition, bases of calculation and reconciliation of such metrics and the rationale for the inclusion of such metrics.

Metric	Definition, method of calculation and reconciliation to financial statement line item	Rationale
EBIT	Calculated as profit for the year before finance income, finance costs, and taxation.	Performance measure
EBITDA	Calculated as EBIT plus depreciation and amortisation of intangible assets.	Performance measure
EBITDA margin	Calculated as EBITDA divided by total revenue.	Performance measure
EBIT margin.....	Calculated as EBIT divided by total revenue.	Performance measure
Regulated asset base (RAB)	Represents the historic cost of assets used by Mazoon for the conduct of its regulated activities, which is reflected in its regulatory financial statements.	Performance measure
Return on average RAB ⁽¹⁾	Calculated as EBIT divided by RAB.	Performance measure
Interest coverage ratio	Calculated as EBIT divided by finance costs.	Liquidity measure
Net debt	Calculated as term loan (current and non-current), short-term borrowings, amounts due to Holding Company, bank overdrafts and finance lease (current and non-current) less cash and cash equivalents.	Liquidity measure
Net debt/EBITDA ratio	Calculated as net debt divided by EBITDA.	Liquidity measure
Debt ⁽²⁾ /equity ratio	Calculated as debt divided by total equity.	Liquidity measure

(1) Note that RAB is calculated differently to regulated asset value (**RAV**), which is indexed to inflation, as considered by the AER for price control. RAB is reflected in Mazoon's regulatory accounts.

(2) Calculated as term loan (current and non-current), short-term borrowings, amounts due to Holding Company, bank overdrafts and finance lease (current and non-current).

The above APMs have been included in this Prospectus to facilitate a better understanding of Mazoon's historic trends of operation, financial condition and liquidity and are used by Mazoon as a basis for strategic planning and forecasting. Mazoon uses APMs as supplementary information to its IFRS operating results. The APMs are not defined by, or presented in accordance with, IFRS. The APMs are not measurements of Mazoon's operating performance under IFRS and should not be used instead of, or considered as alternatives to, any measures of performance and/or liquidity under IFRS. Certain of these measures are termed APMs because they exclude amounts that are included in, or include amounts that are excluded from, the most directly comparable measure calculated and presented in accordance with IFRS, or are calculated using financial measures that are not calculated in accordance with IFRS. The APMs relate to the reporting periods described in this Prospectus and are not intended to be predictive of future results. In addition, other companies, including those in Mazoon's industry, may calculate similarly titled APMs differently from Mazoon. As all companies do not calculate these APMs in the same manner, Mazoon's presentation of such APMs may not be comparable to other similarly titled APMs used by other companies and have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of Mazoon's operating results as reported under IFRS. These APMs are not audited.

See "*Selected Financial Information of Mazoon — Non-IFRS Measures, APMs and Key Financial Ratios*" for an explanation of each of the APMs, a reconciliation of the APMs to the most directly comparable measures calculated and presented in accordance with IFRS and a discussion of their limitations. Management does not regard these APMs as a substitute for, or superior to, the equivalent measures calculated and presented in accordance with IFRS or those calculated using financial measures that are calculated in accordance with IFRS.

General Information

The language of this Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

Neither the content of Mazoon's websites nor the content of any website accessible from hyperlinks on any of such websites (or any other website) is incorporated into, or forms any part of, this Prospectus.

THIRD PARTY INFORMATION CONCERNING MARKET AND INDUSTRY DATA

Statistical data appearing in “*Risk Factors*” and elsewhere in this Prospectus has, unless otherwise stated, been obtained from the Central Bank, the AER, the National Center for Statistics and Information (NCSI) and the International Monetary Fund (the IMF). Statistics are maintained by these sources in Omani Rial. Similar statistics may be obtained from other sources, although the underlying assumptions and methodology, and consequently the resulting data, may vary from source to source. However, neither the Trustee, Mazoon nor the Joint Lead Managers have independently verified that data and none of the Trustee, Mazoon or the Joint Lead Managers make any representation regarding the accuracy of such data or its compliance with international standards. Similarly, while Mazoon believes its internal estimates to be reasonable, such estimates have not been verified by any independent sources and neither the Trustee, Mazoon nor the Joint Lead Managers can assure prospective investors as to their accuracy.

The information that the Trustee and Mazoon have obtained from official publications of the Central Bank, the AER, the NCSI, the IMF or other third-party sources has been accurately reproduced in this Prospectus and, as far as the Trustee and Mazoon are aware and are able to ascertain from the information published by such sources, no facts have been omitted which would render the reproduced information inaccurate or misleading. Where third-party information has been used in this Prospectus, the source of such information has been identified.

Information regarding market position, growth rates and other industry data pertaining to Mazoon’s business contained in this Prospectus consists of estimates based on data reports compiled by professional organisations and analysts, on data from other external sources (including, in some cases, the publications listed above) and on Mazoon’s knowledge of its markets. This data is subject to change and cannot be verified with complete certainty due to limits on the availability and reliability of the raw data and other limitations and uncertainties inherent in any statistical survey. In many cases, there is no readily available external information (whether from trade associations, government bodies or other organisations) to validate market related analyses and estimates, so Mazoon relies on internally developed estimates.

Terms and definitions used in this Prospectus have the meanings set forth below:

“**EU**” means the European Union.

“**GW**” means gigawatt, which is equal to 1,000 MW.

“**GWh**” means gigawatt-hour, representing one hour of electricity consumption at a constant rate of 1 GW.

“**km**” means kilometre, which is equal to 1,000 m.

“**km²**” means square kilometre, which is equal to a square measuring 1 km on each side.

“**kW**” means kilowatt, representing the rate at which energy is produced.

“**kV**” means kilo-volts, which is equal to 1,000 V.

“**m**” means metre, representing the fundamental unit of length in the metric system.

“**MVA**” means mega volt amp, which is equal to 1,000,000 VA.

“**MW**” means megawatt, which is equal to 1,000 kW.

“**MWh**” means megawatt-hour, representing one hour of electricity consumption at a constant rate of 1 MW.

“**Oman**” means the Sultanate of Oman.

“**SI**” means the International System of Units.

“**U.S.**” and “**United States**” mean the United States of America.

“**V**” means volt, which is the SI unit of electromotive force, representing the difference of potential that would drive one ampere of current against one ohm resistance.

“**VA**” means volt-ampere, which is the unit used for apparent power in an electrical circuit.

FORWARD-LOOKING STATEMENTS

This Prospectus contains certain forward-looking statements with respect to the business, financial condition and results of operations of Mazoon and certain of the plans, intentions, expectations, assumptions, goals and beliefs of the Trustee and Mazoon regarding such items. These statements include all matters that are not historical fact and generally, but not always, may be identified by the use of words such as "believes", "expects", "are expected to", "anticipates", "intends", "estimates", "should", "will", "will continue", "may", "is likely to", "plans" or similar expressions, including variations and the negatives thereof or comparable terminology.

Prospective investors should be aware that forward-looking statements are not guarantees of future performance and that Mazoon's actual business, financial condition and results of operations, as well as the development of the industry in which it operates, may differ significantly from those made in or suggested by the forward-looking statements contained in this Prospectus. In addition, even if Mazoon's business, financial condition and results of operations, as well as the development of the industry in which it operates, are consistent with the forward-looking statements contained in this Prospectus, those results or developments may not be indicative of results or developments in subsequent periods. By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, many of which are beyond the control of the Trustee and Mazoon, and risks exist that the predictions, forecasts, projections and other forward-looking statements will not be achieved.

A number of factors could cause actual results to differ materially from the Trustee's and Mazoon's plans, objectives, expectations, estimates and intentions expressed in forward-looking statements contained in this Prospectus. Such factors include, *inter alia*, the following:

- Mazoon's operations and expansion projects are subject to a range of development and construction risks, including that Mazoon relies on the project performance of third parties, including contractors and sub-contractors;
- Mazoon's strategy requires it to make substantial capital expenditure, which exposes Mazoon to liquidity and financial counterparty risk, and Mazoon may face challenges in securing funding for its future capital expenditure;
- Mazoon's planned levels of indebtedness to be incurred over the next five years to finance its capital expenditure programme (the **Long-Term Funding Strategy**) may affect its ability to raise additional capital to fund its operations;
- Mazoon's estimates and forecasts of future demand for electricity in Oman may not be accurate;
- Mazoon's operations are subject to Government supervision and regulation and the terms of the distribution and supply licence granted to it by the AER pursuant to the Sector Law to undertake the regulated activities of distribution and supply within the north-east corner of Oman (the **Licence**);
- the supervisory and regulatory frameworks of Mazoon's regulators are still evolving and subject to development and change;
- Mazoon's revenue is subject to price controls, which are set by the AER;
- Mazoon indirectly benefits from significant subsidies from the Oman Ministry of Finance (the **Ministry of Finance**), supporting the electricity sector in Oman, and any reduction or delay in the payment of such subsidies could materially adversely affect Mazoon;
- Mazoon may be unable to obtain Government approvals, property rights and/or financing for the construction, development and operation of its capital expenditure programme;
- the Government, as the ultimate owner of Mazoon, exerts full control over Mazoon;
- Mazoon's ability to supply electricity is dependent upon the generation and transmission systems of Oman Electricity Transmission Company S.A.O.C. (**OETC**), over which it has no direct control;
- Mazoon's operations may be adversely affected by terrorist attacks, natural disasters or other catastrophic events, as well as topographical challenges, all of which are beyond Mazoon's control;
- Mazoon could be harmed by network disruptions, security breaches or other significant disruptions or failures of its information technology (**IT**) infrastructure and related systems;

- Mazoon may not be able to maintain or obtain sufficient insurance coverage for the risks associated with the operation of its business;
- Mazoon may be subject to liabilities as a result of violations of applicable environmental and safety laws and regulations; and
- Mazoon is subject to changes in the political, social, legal, tax or economic conditions in Oman in particular and in the Middle East in general. Oman is located in a region that has been subject to ongoing political and security concerns and its economy is significantly affected by volatility in oil prices, which has led to downgrades in Oman's sovereign ratings.

The sections of this Prospectus entitled "*Risk Factors*", "*Regulation of the Electricity Sector in Oman*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and "*Description of Mazoon's Business*" contain a more complete discussion of the factors that could affect the Trustee's and Mazoon's future performance and the industry in which Mazoon operates. In light of these risks, uncertainties and assumptions, the forward looking events described in this Prospectus may not occur. As a result, prospective investors should not place undue reliance on forward-looking statements and should carefully consider the foregoing and other uncertainties and events. Forward-looking statements speak only as at the date on which they are made. Neither the Trustee nor Mazoon undertakes any obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. All subsequent written and oral forward-looking statements attributable to the Trustee or Mazoon or to persons acting on its behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this Prospectus.

STABILISATION

In connection with the offer, issue and sale of the Certificates, J.P. Morgan Securities plc (the **Stabilisation Manager**) (or any person acting on behalf of the Stabilisation Manager) may over-allot Certificates or effect transactions with a view to supporting the market price of the Certificates at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the Issue Date and, if begun, may be ended at any time, but must end no later than the earlier of 30 days after the issue date of the Certificates and 60 days after the date of allotment of the Certificates. Any stabilisation action or over-allotment must be conducted by the Stabilisation Manager (or any person acting on behalf of the Stabilisation Manager) in accordance with all applicable laws and rules.

CONTENTS

Overview	1
Risk Factors	17
Regulation of the Electricity Sector in Oman	43
Capitalisation	53
Use of Proceeds	54
Selected Financial Information of Mazoon.....	55
Management’s Discussion and Analysis of Financial Condition and Results of Operations	61
Description of Mazoon’s Business	83
Shareholders and Management	99
Related Party Transactions	106
The Trustee	107
Terms and Conditions of the Certificates	108
Global Certificate	131
Book-Entry Clearance Systems	133
Summary of the Principal Transaction Documents	137
Subscription and Sale	142
Transfer Restrictions.....	147
Taxation.....	150
Certain ERISA Considerations	155
General Information	157
Index to Financial Statements.....	F-1

OVERVIEW

*This section contains an overview of the detailed information relating to the Certificates, the offering of the Certificates (the **Offering**) and Mazoon included elsewhere in this Prospectus. Terms defined elsewhere in this Prospectus shall have the same meanings in this Overview. This Overview does not contain all of the information that may be material to prospective investors and, therefore, is qualified by and should be read in conjunction with this Prospectus in its entirety, in particular, but without limitation, the more detailed information set forth under the headings "Risk Factors", "Selected Financial Information of Mazoon", "Management's Discussion and Analysis of Financial Condition and Results of Operations", "Description of Mazoon's Business" and "Description of the Offering", as well as the Financial Statements, including the notes thereto, and other financial data appearing elsewhere in this Prospectus.*

Overview of Mazoon

Overview

Mazoon is a closed joint stock company registered under the Oman Commercial Companies Law with commercial registration number 1712390 undertaking regulated distribution and supply of electricity in Dakhilyah, North Sharqiya, South Sharqiya and South Al Batinah governorates of Oman under a license issued by the AER.

Mazoon was registered on the commercial register at the MOCI on 2 February 2003 and 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 the Sector Law.

Mazoon is exclusively authorised under its Licence to undertake the regulated activities of distribution and supply of electricity in Dakhilyah, North Sharqiyah, South Sharqiyah and South Al Batinah, which comprises a large supply area of almost 75,000 km² in the north-east corner of Oman. The Licence came into force on 1 May 2005 and continues in force until determined by the AER giving not less than 10 years' notice (such notice not to be served earlier than 1 May 2030) unless revoked earlier in accordance with condition 26 (for example if Mazoon is adjudicated insolvent or fails to any material extent, to perform any of its Licence duties or statutory duties). Mazoon is the largest electricity distribution company in Oman by geographical area (based on management's estimates) and number of customers (based on the AER's annual report for the year 2016). Mazoon owns and operates the electricity distribution network after the 33 kV incomers circuit breakers at the grid stations down to the customer's point of supply, which includes the 33 kV, 11 kV and the low voltage distribution networks and intermediate primary distribution substations.

For the year ended 31 December 2016, Mazoon's revenue was OMR 272.6 million (U.S.\$ 708.9 million), its operating costs were OMR 222.0 million (U.S.\$ 577.4 million), and its profit for the year and total comprehensive income (net profit after tax) was OMR 18.7 million (U.S.\$ 48.6 million).

Mazoon's principal office is located at: Al Qurum, Sultanate of Oman and its telephone number is +968 24573400.

Corporate Purpose and Strategy

Mazoon's corporate purpose, as mandated under the Sector Law and its Licence and stated in its constitutional documents, is to finance, operate, maintain, develop and expand its distribution system in a safe manner and to offer terms for connection with and use of its distribution system in a non-discriminate manner.

Mazoon's strategy is focused on implementing the Government's policy for the development of the electricity and related water sector in Oman, with the primary objective being the distribution of a reliable and safe supply of electricity to customers. In addition, Mazoon's strategy includes a significant capital expenditure programme to expand and upgrade its distribution network in order to meet growing demand for electricity and improve efficiency and safety.

Reliability is defined by the degree to which the performance of the elements in a system results in electricity being delivered to customers within accepted standards and in the desired volumes. The network reliability of Mazoon is measured using international reliability indices for frequency and duration. In recent years, Mazoon has focused on maintaining and improving the reliability of its distribution network, reducing the number of interruptions and benchmarking its distribution network performance to international standards.

In order to further ensure reliable and safe operations, meet Oman's growing needs for electricity and connecting new customers, in particular in planned areas, tourist and industrial areas, Mazoon estimates its capital expenditure will be OMR 110.5 million in 2017 (of which OMR 95.2 million has been spent as of 30 September 2017) plus capital expenditure of OMR 118.7 million in 2018. Mazoon expects to finance this expenditure through borrowings in the international and domestic capital markets and loan markets (including the net proceeds received by Mazoon from the issue of the Certificates) and

through retained earnings. See “*Management’s Discussion and Analysis of Financial Condition and Results of Operations – Borrowings*”.

Strengths

Mazoon’s business is characterised by a number of key strengths, including the following:

Monopoly position in electricity distribution and supply

Mazoon has both an operational and legal monopoly in the electricity distribution business in Dakhiliyah, North Sharqiyah, South Sharqiyah and South Al Batinah governorates of Oman. Since the electricity distribution business is a “natural monopoly” as a result of the high fixed costs of distribution infrastructure, only one operator is economically viable in any particular territory. As at 31 December 2016, Mazoon had 390,689 customers accounting for 41.6 per cent. of all customers connected to the main interconnected system (**MIS**) in Oman. Furthermore, as at 31 December 2016, Mazoon supplied 7920 GWh of electricity to its customers amounting to 29.5 per cent. of electricity supplied in the MIS. Mazoon performs a function that is of critical importance to Oman generally, and to the electricity and related water sector in particular, and therefore Mazoon has received, and expects to continue to receive, significant Government support as a Government-owned entity.

Government ownership

Mazoon is indirectly 100 per cent. owned by the Government and accordingly benefits from direct and indirect support mandated by law. In particular, Article 67 of the Sector Law requires the Ministry of Finance to secure the availability of the necessary finance for Mazoon to undertake its activities for as long as it is wholly-owned by the Government (whether such finance is provided by the Ministry of Finance or from a third party) and under Article 18 of the Sector Law, Mazoon is entitled to receive a subsidy from the Ministry of Finance (see “ – *Transparent and supportive regulatory systems*” below and “*Description of Mazoon’s Business – Customers – Subsidies*” for further details).

Electricity Holding Company S.A.O.C. (**EHC** or the **Holding Company**), the Government vehicle that holds all Government-owned providers of electricity in Oman and related water sector and that is a wholly-owned subsidiary of the Ministry of Finance, owns 149,985,000 shares of Mazoon, representing 99.99 per cent. of the authorised, issued and paid-up share capital of Mazoon as at 30 June 2017. On 10 April 2017, the Ministry of Finance transferred its holding of 15,000 shares in Mazoon, which represents the remaining 0.01 per cent. of the authorised, issued and paid-up share capital of Mazoon, to two other Government related entities, Nama Institute for Competency Development LLC (**NICD**) and Nama Shared Services LLC (**NSS**). The transfer was part of the Government’s strategy to consolidate its holdings in the electricity sector and followed a decision taken by the Ministry of Finance with respect to its direct shareholding in eight of EHC’s subsidiary companies including Mazoon.

As a requirement of the Oman Commercial Companies Law, members of the board of directors of closed joint stock companies are elected to office for a period of three years, it being permissible for such board members to be re-elected or replaced periodically. In accordance with the Oman Commercial Companies Law and in line with EHC and the Ministry of Finance’s customary practices, the current board of directors of EHC consists of four members, two of whom are Government officials, while the other two are independent. A fifth director has recently resigned and such position remains, at the date of this Prospectus, vacant. All directors are appointed by the Cabinet of Ministers through the Ministry of Finance for a term of three years, with the current term commencing 13 May 2015. The Board of Mazoon consists of five members, constituted by a decision of EHC after consultation with the Ministry of Finance and the current composition is four members nominated by EHC and one representing the other shareholders, NICD and NSS, both controlled by EHC.

Mazoon understands that, notwithstanding the composition of EHC’s board of directors or the transfer of the Ministry of Finance’s minority shareholding in Mazoon to NICD and NSS, the policies of EHC with respect to Mazoon are not expected to substantively change, and, accordingly, there are not expected to be any resultant changes in the management of EHC or of Mazoon.

Transparent and supportive regulatory systems

Mazoon operates within a transparent and supportive regulatory system with a defined price control and subsidy framework that has been in place since 2005.

Under the Sector Law, as long as Mazoon remains wholly-owned by the Government, it has statutorily enshrined support from the Ministry of Finance to secure adequate funds, through the Government or market sources, to undertake its main activities as defined under the Sector Law. In addition, by virtue of Article 18 of the Sector Law, Mazoon has benefited from, and expects to continue to benefit from, subsidies paid by the Government under the Sector Law. In 2016, 2015 and 2014, the

Ministry of Finance supported the Omani electricity sector with OMR 498.1 million, OMR 448.1 million and OMR 295.6 million subsidies, respectively. Of these payments, Mazoon received subsidy payments of OMR 149.5 million, OMR 137.6 million and OMR 92.3 million in respect of 2016, 2015 and 2014, respectively (see “*Risk Factors – Risks relating to Mazoon’s Business – Mazoon relies on Ministry of Finance subsidies supporting the electricity and related water sector, and any reduction or delay in the payment of such subsidies could materially affect Mazoon*” for details regarding the timing mismatch of the 2015 subsidy payment). For 2017, the AER has estimated subsidies in the amount of OMR 456 million to support the Omani electricity sector. Of these budgeted subsidies, Mazoon expects to receive OMR 148.6 million.

Mazoon also operates within the AER’s regulatory jurisdiction, which prevents unlicensed businesses from engaging in electricity distribution or supply (see “*Regulation of the Electricity Sector in Oman – Authority for Electricity Regulation – Functions of the AER*” for further details on the price control framework).

Stable distribution and supply activities with low operating risk

Mazoon’s electricity distribution and supply activities are stable and comprise relatively simple operations. Accordingly, management believes Mazoon’s business is characterised by and subject to low operating risks. Moreover, due to the nature of its operations, Mazoon is exposed to limited commodity and foreign exchange risks. Mazoon has a consistent track record in achieving, and aims to continue to achieve, high levels of reliability and safety in providing electricity distribution and supply services in Oman.

One of the key measurements of the performance of electricity distribution is Customer Average Interruption Duration Index (**CAIDI**). The following table sets out the CAIDI for Mazoon for the years shown below.

	2012	2013	2014	2015	2016
CAIDI-minutes	67	70	87	81	90

The calculation of CAIDI shown above is based on both planned and unplanned outages. There has been an increase in planned outages in recent years, for maintenance and for customer connections which resulted in an increase in CAIDI. The increase in CAIDI also reflects the planned outages in respect of Mazoon’s 33 kV and 11 kV projects to meet distribution system security standard compliance and new customer connections.

Attractive growth trends in Oman

The following table sets out the growth in regulated units distributed by Mazoon (other than units sold directly to connected customers) for the years indicated below.

	2009	2010	2011	2012	2013	2014	2015	2016
Regulated units distributed (GWh)	3,843	4,188	4,645	5,267	5,974	6,706	7,550	7,815
Annual growth rate (%)	18	9	11	13	13	12	13	4

The above table shows that regulated units indicates a compound annual growth rate of 11 per cent. over the period of seven years from 2009 to 2016.

Based on its own estimates, Mazoon expects that demand for electricity will expand at a compound annual growth rate of about 6 per cent. over the next five years, based on Mazoon’s historical data of its distribution of electricity in Al Dakhiliyah, North Al Sharqiyah and South Al Sharqiyah and Al Batinah. and Mazoon’s related internal projections. Factors driving the increase in demand for electricity include population growth, the increase in the number of homes and businesses, high temperature during the summer months of May to August and the continuance of significant Government subsidies to support distribution companies in providing affordable electricity to consumers.

The following table shows the growth in the number of Mazoon's customers for the years indicated below.

	2009	2010	2011	2012	2013	2014	2015	2016
Number of customers	231,372	249,252	269,099	292,963	318,182	340,923	366,716	390,689
Annual growth rate (%)	6	8	8	9	9	7	8	7

Strong and stable financial position

Mazoon believes that it has a solid and stable financial position and capital structure. As of 30 June 2017, Mazoon had net debt of OMR 299.6 million. Mazoon benefited from financial flexibility, through working capital facilities such as an OMR 10 million facility with Ahli Bank and a U.S.\$120 million syndicated working capital facility. Mazoon has also been able to obtain additional bank financing, such as an OMR 27 million loan from bank muscat and a U.S.\$150 million loan from J.P. Morgan (both of which are expected to be repaid from the proceeds of the Offering). Mazoon has historically had access to additional liquidity facilities from EHC, when required, and expects to continue to have access to such liquidity in future.

The following table shows the annual growth in the net book value of Mazoon's property, plant and equipment for the years indicated below.

	2009	2010	2011	2012	2013	2014	2015	2016
Property, plant and equipment (OMR million)	172	211	253	305	365	445	521	622
Annual growth rate (%)	17	23	20	21	19	22	17	19

Reflecting its natural monopoly and Government ownership, Mazoon's revenue has grown at a compound annual growth rate of 14 per cent. between 2009 and 2016. The following table shows the annual growth in Mazoon's total revenue for the periods indicated.

	2009	2010	2011	2012	2013	2014	2015	2016
Total revenue (OMR million)	108	113	129	159	179	197	257	273

Strong Commitment to Social Policies

Mazoon maintains a social policy that its management believes fosters positive relations with Mazoon's employees, trade unions and the communities in which it operates. Mazoon shares a variety of corporate social projects with the group comprising EHC and its subsidiaries (the **Nama Group**) including energy saving initiatives, volunteering and blood donation campaigns. Mazoon believes that such projects increase its presence and brand-recognition in the community and help it remain connected to its market, employees and customers.

The Nama Group's sustainability policy has adopted three focus areas: social, environmental and economic responsibility. As a subsidiary of Nama Group, Mazoon participates in the programme through providing each employee a day each year to participate in volunteering activities during which employees participate in Nama Group-led initiatives to support social, economic and environmental activities; such as health and safety campaigns, energy conservation campaigns and as mentors for college and university students who are looking to pursue self-employment opportunities.

Experienced Management Team

Mazoon has an experienced senior management team. The majority of Mazoon's senior management team who are responsible for operations have transferred from the Ministry of Electricity and Water with a proven record in the electricity sector. Mazoon is focussed on recruiting professionally qualified executives with strong managerial and commercial expertise for managing Mazoon's finance, audit, governance, strategy and supply business. Mazoon has also paid special attention to building and developing talent internally as part of its growth strategy and succession planning. The majority of Mazoon's senior management have undergone leadership development programs and attended the executive program run by the International Institute for Management Development, Switzerland. Furthermore, new talent is identified as part of Mazoon's 'Ruwad' program and is supported with further development training programs.

The senior management team have been instrumental in the development of Mazoon's strategy and delivering its profitability.

Credit Ratings

Mazoon has a credit rating of Baa2, negative outlook from Moody's and BBB with negative outlook from Fitch.

The Certificates are expected to be assigned a rating of Baa2 by Moody's, and BBB with negative outlook by Fitch.

The credit ratings included or referred to in this Prospectus have been issued by Moody's or Fitch, respectively, as indicated above; each of these credit rating agencies is established in the European Union and is registered under the CRA Regulation.

A credit rating is not a recommendation to buy, sell or hold the securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating organisation.

Selected Financial and Other Information

The following tables set forth the selected financial information of Mazoon as at and for the years ended 31 December 2014, 2015 and 2016. The selected financial information as at and for the years ended 31 December 2015 and 2016 has been extracted from the 2016 Financial Statements whilst the selected financial information as at and for the year ended 31 December 2014 has been extracted from the 2015 Financial Statements.

The following tables also set forth the selected financial information of Mazoon as at 30 June 2017 and for the six months ended 30 June 2016 and 2017, extracted from the 2017 Interim Financial Statements.

These tables should be read in conjunction with the sections entitled “*Capitalisation*” and “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*”, as well as the 2016 Financial Statements, the 2015 Financial Statements and 2017 Interim Financial Statements, together with the related notes thereto, all included elsewhere in this Prospectus.

Statement of Financial Position

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	(OMR’000)			
ASSETS				
Non-current assets				
Property, plant and equipment.....	444,735	520,688	621,831	674,794
Current assets				
Inventories.....	4,386	4,473	3,774	3,935
Government subsidy receivable	-	24,694	-	-
Trade and other receivables.....	31,133	40,613	45,133	60,759
Other current assets	-	-	6,194	17,007
Cash and cash equivalents.....	2,432	1,062	10,255	806
Total current assets	37,951	70,842	65,356	82,507
Total assets	482,686	591,530	687,187	757,301
EQUITY				
Capital and reserves				
Share capital	500	150,000	150,000	150,000
Legal reserve	167	50,000	50,000	50,000
General reserve.....	250	5,517	9,249	9,869
Cash flow hedge reserve.....	-	-	-	(1,473)
Retained earnings	64,541	34,276	41,705	36,684
Shareholders’ funds.....	105,896	-	-	-
Total equity	171,354	239,793	250,954	245,080
LIABILITIES				
Non-current liabilities				
Amounts due to Holding Company.....	46,413	-	-	-
Term loan – non- current portion	-	192,237	207,134	197,810
Deferred tax liability	16,254	19,257	23,013	30,616
Deferred revenue – non-current portion	12,573	15,269	18,264	17,973
Derivatives	-	-	-	1,733
Provisions	1,645	1,615	1,500	1,497
Finance lease	-	463	496	436
Total non-current liabilities.....	76,885	228,841	250,407	250,065

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	(OMR'000)			
Current liabilities				
Trade and other payables.....	63,762	107,693	117,031	162,891
Term loan – current portion.....	-	7,434	18,868	18,637
Short-term borrowings	162,000	-	47,020	73,200
Bank overdrafts	1,854	3,237	1,345	5,683
Finance lease – current portion.....	-	110	122	133
Amounts due to Holding Company	-	2,808	-	-
Deferred revenue – current portion	376	403	425	425
Other current liabilities.....	5,247	225	-	-
Provisions	608	386	415	587
Provision for current tax.....	600	600	600	600
Total current liabilities	234,447	122,896	185,826	262,156
Total liabilities	311,332	351,737	436,233	512,221
Total equity and liabilities	482,686	591,530	687,187	757,301

Statement of Profit or Loss and Other Comprehensive Income

	Year ended 31 December			Six months ended 30 June	Six months ended 30 June
	2014	2015	2016	2016	2017
	(OMR'000)				
Revenue.....	197,097	257,203	272,633	133,663	144,167
Operating costs.....	(156,468)	(204,576)	(222,039)	(107,616)	(118,320)
Gross profit	40,629	52,627	50,594	26,047	25,847
General and administrative expenses ...	(22,640)	(21,722)	(22,394)	(10,469)	(11,053)
Other income	1,156	2,405	2,567	752	1,877
Profit from operations.....	19,145	33,310	30,767	16,330	16,671
Finance income	8	45	68	20	26
Finance costs	(2,160)	(4,017)	(8,418)	(3,762)	(5,736)
Profit before tax.....	16,993	29,338	22,417	12,588	10,961
Taxation.....	(3,398)	(3,003)	(3,756)	(1,483)	(7,862)
Profit for the year/period.....	13,595	26,335	18,661	11,105	3,099
Other comprehensive income					
<i>Item that may be reclassified subsequently to profit or loss</i>					
Fair value loss arising during the year/period on cash flow hedge – net of tax.....	-	-	-	-	(1,473)
Total comprehensive income for the year/period	13,595	26,335	18,661	11,105	1,626

Statement of Cash Flows

	Year ended 31 December			Six months ended 30 June	Six months ended 30 June
	2014	2015	2016	2016	2017
	<i>(OMR'000)</i>				
Net cash from operating activities	36,634	60,028	80,270	7,761	48,002
Net cash used in investing activities	(97,038)	(95,676)	(123,855)	(49,959)	(65,051)
Net cash from financing activities	62,813	34,278	52,778	44,664	7,600
Net change in cash and cash equivalents.....	2,409	(1,370)	9,193	2,466	(9,449)
Cash and cash equivalents at the beginning of the year/period	23	2,432	1,062	1,062	10,255
Cash and cash equivalents at the end of the year/period .	2,432	1,062	10,255	3,528	806

Non-IFRS Measures, APMs and Key Financial Ratios

The key financial ratios below contain certain non-IFRS measures, APMs and related ratios, including EBIT, EBITDA, EBITDA margin, EBIT margin, RAB, return on average RAB, interest coverage ratio, net debt and net debt/EBITDA ratio as well as key financial ratios including net income margin, current assets/current liabilities, and debt/equity. EBITDA and other non-IFRS measures should not be considered in isolation or as an alternative to results from operating activities, cash flow from operating activities or other financial measures of Mazoon's results of operations or liquidity derived in accordance with IFRS. Mazoon includes EBITDA and other non-IFRS measures in this Prospectus because it believes that they are useful measures of Mazoon's performance and liquidity. Other companies, including those in Mazoon's industry, may calculate similarly titled financial measures differently from Mazoon. As all companies do not calculate these financial measures in the same manner, Mazoon's presentation of such financial measures may not be comparable to other similarly titled measures of other companies and have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of Mazoon's operating results as reported under IFRS. These non-IFRS measures are not audited and may constitute APMs under the ESMA Guidelines on Alternative Performance Measures dated 5 October 2015 and further guidance published by ESMA through to the date of this Prospectus. See "Selected Financial Information of Mazoon – Non-IFRS Measures, APMs and Key Financial Ratios" for further information on these items.

	As at or for the year ended 31 December				As at or for the six months ended 30 June
	2014	2015	2016	2017	
	EBIT (OMR'000) ⁽¹⁾	19,145	33,310	30,767	16,671
EBITDA (OMR'000) ⁽²⁾	37,831	53,057	53,544	28,759	
EBIT margin ⁽³⁾	9.71%	12.95%	11.29%	11.56%	
EBITDA ⁽⁴⁾ margin	19.19%	20.63%	19.64%	19.95%	
Net income margin ⁽⁵⁾	6.90%	10.24%	6.84%	2.15%	
RAB ⁽⁶⁾ (OMR'000)	432,747	508,407	604,872	658,025	
Return on average RAB ⁽⁷⁾	4.42%	6.55%	5.09%	-	
Interest coverage ratio ⁽⁸⁾	8.86	8.29	3.65	2.91	
Net debt (OMR'000)	207,835	210,686	269,560	299,629	
Net debt ⁽⁹⁾ / EBITDA	5.49	3.97	5.03	-	
Debt ⁽¹⁰⁾ / equity ⁽¹¹⁾	122%	87%	111%	120%	
Current assets / current liabilities	0.16	0.58	0.35	0.31	

Notes:

- (1) "EBIT" is profit for the year/period before finance income, finance costs, and taxation.
- (2) "EBITDA" is profit for the year/period before finance income, finance costs, taxation, depreciation and amortisation of intangible assets.
- (3) "EBIT margin" is EBIT divided by total revenue.
- (4) "EBITDA margin" is EBITDA divided by total revenue.
- (5) "Net income margin" is profit for the year/period divided by revenue.
- (6) "RAB" is the regulated asset base (excluding Government sponsored and customer-funded assets), which represents the historic cost of assets used by Mazoon for the conduct of its regulated activities, which is reflected in its regulatory accounts. RAB is not calculated in accordance with or derived from IFRS, and is not a measure of Mazoon and its subsidiaries' financial performance.
- (7) "Return on average RAB" is EBIT divided by RAB. RAB is not calculated in accordance with or derived from IFRS, and is not a measure of Mazoon and its subsidiaries' financial performance.
- (8) "Interest coverage ratio" is EBIT divided by finance costs, which include interest on borrowing including overdraft, bank charges, amortisation of transaction costs and finance charges on lease.
- (9) "Net debt" is term loan (current and non-current), short-term borrowings, amounts due to Holding Company, bank overdrafts and finance lease (current and non-current) less cash and cash equivalents.
- (10) "Debt" is term loan (current and non-current), short-term borrowings, amounts due to Holding Company, bank overdrafts, and finance lease (current and non-current).
- (11) "Equity" is total equity.

Overview of the Offering

Description of Certificates:	U.S.\$500,000,000 Certificates due 2027.
Trustee:	Mazoon Assets Company SAOC, as issuer of the Certificates and trustee for and on behalf of the Certificateholders, incorporated on 17 October 2017 as a closed joint stock company in accordance with the laws of Oman with its registered office at Alhamrya, Muttrah, Muscat 131, Sultanate of Oman. The Trustee has been incorporated solely for the purpose of participating in the transactions contemplated by the Transaction Documents to which it is a party.
Ownership of the Trustee:	Mazoon Assets Company SAOC is an Omani closed joint stock company 99.99 per cent. owned by Mazoon with each of Nama Shared Services LLC and Nama Institute for Competency Development owning a 0.005 per cent. share.
Seller:	Mazoon (in its capacity as the Seller) will sell to the Trustee (in its capacity as the Purchaser) pursuant to the Purchase Agreement the Lease Assets (as defined in the Conditions).
Lessee:	Mazoon (in its capacity as the Lessee) will lease from the Trustee (in its capacity as the Lessor) the Lease Assets for a 10 year term and will pay rent to the Trustee on a semi-annual basis pursuant to the Lease Agreement. The rent is intended to fund the Periodic Distribution Amounts payable by the Trustee in respect of the Certificates.
Servicing Agent:	Mazoon (in its capacity as Servicing Agent) for and on behalf of the Trustee (in its capacity as the Lessor) will be responsible for insuring the Lease Assets, paying proprietary and other taxes and performing all major maintenance and structural repairs.
Mazoon:	<p>In accordance with the Purchase Undertaking, Mazoon shall, at the option of the Trustee, be required to purchase all of the Trustee's rights, title, interests, benefits and other entitlements in and to the Lease Assets on the Scheduled Dissolution Date, or following the occurrence of a Dissolution Event or a Change of Control.</p> <p>In accordance with the Sale and Substitution Undertaking, Mazoon shall have the right to require the Trustee to sell to Mazoon all of its rights, title, interests, benefits and other entitlements in and to the Lease Assets following the occurrence of a Tax Event.</p>
Delegate:	Citibank, N.A., London Branch. In accordance with the Declaration of Trust, the Trustee delegates to the Delegate certain powers, trusts, rights, authorities and discretions vested in the Trustee by certain provisions of the Declaration of Trust in accordance with the terms of the Declaration of Trust.
Sole Bookrunner:	J.P. Morgan Securities plc
Joint Lead Managers:	bank muscat SAOG, First Abu Dhabi Bank PJSC, J.P. Morgan Securities plc and KFH Capital Investment Company K.S.C.C.
Co-Managers:	Noor Bank PJSC and Warba Bank (K.S.C.)
Principal Paying Agent and Transfer Agent:	Citibank, N.A., London Branch
Registrar, Paying Agent and Transfer Agent:	Citigroup Global Markets Deutschland AG
Issue Date:	8 November 2017
Issue Amount:	U.S.\$500,000,000
Issue Price:	100 per cent. of the aggregate face amount of the Certificates.

Periodic Distribution Dates:	Periodic Distribution Amounts are payable semi-annually, on 8 May and 8 November in each year, commencing on 8 May 2018.
Periodic Distribution Period:	The period from (and including) a Periodic Distribution Date (or, in the case of the first Periodic Distribution Period, from, and including, the Issue Date) to (but excluding) the next (or, in the case of the first Periodic Distribution Date, first) Periodic Distribution Date.
Dissolution on the Scheduled Dissolution Date:	The Scheduled Dissolution Date is 8 November 2027. Upon receipt by the Trustee of the Exercise Price payable pursuant to the terms of the Purchase Undertaking, the Exercise Price will be applied to redeem the Certificates at the Dissolution Distribution Amount.
Dissolution Distribution Amount:	The aggregate outstanding face amount of the Certificates plus a U.S. dollar amount equal to all accrued and unpaid Periodic Distribution Amounts in respect of the Certificates.
Status of the Certificates:	Each Certificate evidences an undivided beneficial ownership interest of the Certificateholders in the Trust Assets, subject to the terms of the Transaction Documents and Conditions, and is a direct, unsubordinated, unsecured and limited recourse obligation of the Trustee. Each Certificate will at all times rank <i>pari passu</i> , without any preference or priority, with all other Certificates.
Status of Mazoon's payment obligations	The payment obligations of Mazoon under the Transaction Documents to which it is a party are and will be direct, unconditional, unsubordinated and (subject to the negative pledge provisions described in clause 5.2 of the Purchase Undertaking) unsecured obligations of Mazoon and shall (save for such exceptions as may be provided by applicable legislation and subject to the negative pledge provisions described in clause 5.2 of the Purchase Undertaking) at all times rank at least equally with all other unsecured and unsubordinated obligations of Mazoon, present and future.
Limited Recourse:	No payment of any amount whatsoever shall be made in respect of the Certificates except to the extent that funds for that purpose are available from the Trust Assets. Certificateholders have no recourse to any assets (other than the Trust Assets) of the Trustee or Mazoon (to the extent that it fulfils all of its obligations under the Transaction Documents to which it is a party) or the Delegate or any Agent or any of their respective affiliates in respect of any shortfall in the expected amounts from the Trust Assets to the extent the Trust Assets have been enforced, realised and fully discharged, following which all obligations of the Trustee, the Delegate and their respective directors and agents shall be extinguished.
Use of Proceeds:	The proceeds of the issue of the Certificates will be used by the Trustee as the purchase price to be paid to Mazoon on the Issue Date for the purchase of the Lease Assets. Mazoon will use the net proceeds received from the Trustee to repay short term borrowings from JPMorgan Chase Bank, N.A., London Branch and bank muscat SAOG and capital expenditures.
Summary of the Transaction Structure and Documents:	An overview of the structure of the transaction and the principal cashflows is set out under " <i>Structure Diagram and Cashflows</i> " and a description of the principal terms of the Transaction Documents is set out under " <i>Summary of the Principal Transaction Documents</i> ".
Negative Pledge:	The Certificates will have the benefit of a negative pledge granted by Mazoon, as described in Condition 5.
Cross-Default:	In respect of Mazoon, the Certificates will have the benefit of a cross-default provision, as described in Condition 14.
The Trust Assets:	Pursuant to the Declaration of Trust, the Trustee will declare that it will hold the

Trust Assets for the benefit of the Certificateholders as Trustee, consisting of:

- all of the Trustee's rights, title, interests, benefits and other entitlements, present and future, in and to the Lease Assets;
- all of the Trustee's rights, title, interests, benefits and other entitlements, present and future, in and to the Transaction Documents excluding any representations given to the Trustee by Mazoon pursuant to any of these Transaction Documents;
- all monies standing to the credit of the Transaction Account; and
- all proceeds of the foregoing.

Early Dissolution of the Trust:	Other than as a result of the occurrence of a Dissolution Event, a Tax Event, a Change of Control or the exercise of the Clean Up Call Right, the Trust will not be subject to dissolution, and the Certificates will not be redeemed, prior to the Scheduled Dissolution Date.
Dissolution Events:	The Dissolution Events are described in Condition 14. Following the occurrence of a Dissolution Event which is continuing, the Certificates may be redeemed in full at an amount equal to the Dissolution Distribution Amount in the manner described in Condition 14.
Early Dissolution for Tax Reasons:	Where the Trustee has or will become obliged to pay any additional amounts in respect of the Certificates as a result of a change in the laws of the Sultanate of Oman or the Trustee has received notice from Mazoon that Mazoon has or will become obliged to pay any additional amounts under the Transaction Documents to which it is a party and as a result of a change in the laws of the Sultanate of Oman, and such obligation cannot be avoided by the Trustee or Mazoon, as applicable, taking reasonable measures available to it, the Trustee will, following receipt of an Exercise Notice under the Sale and Substitution Undertaking, redeem the Certificates in whole but not in part at an amount equal to the Dissolution Distribution Amount on the Early Tax Dissolution Date.
Change of Control Put Option:	<p>Upon the occurrence of a Change of Control, Certificateholders may elect to redeem their Certificates on the Change of Control Put Option Date at an amount equal to the Dissolution Distribution Amount in accordance with Condition 10.3. Under the terms of the Purchase Undertaking, Mazoon has granted to the Trustee the right, following the Change of Control and the service by Certificateholders of a Change of Control Exercise Notice, to require Mazoon to purchase all of the Trustee's rights, title, interests, benefits and other entitlements in and to the Lease Assets at the Dissolution Distribution Amount specified in the Exercise Notice.</p> <p>A Change of Control shall occur if at any time the Government of the Sultanate of Oman (or any Ministry or instrumentality thereof) ceases to own, directly or indirectly at least 51 per cent. of the issued share capital of Mazoon.</p>
Clean Up Call Right:	If, following the Change of Control Put Option Date, 90 per cent. or more in face amount of the Certificates then outstanding have been redeemed or purchased pursuant to Condition 10.3, and Mazoon exercises its right, in accordance with Condition 10.4, to oblige the Trustee to redeem the Certificates in whole, but not in part, at an amount equal to the Dissolution Distribution Amount on the Clean Up Call Right Dissolution Date, the Trustee shall redeem the Certificates at the Dissolution Distribution Amount provided.
Total Loss Event:	The occurrence of a Total Loss Event will, save where the Lease Assets are replaced in accordance with the Servicing Agency Agreement, result in the redemption of the Certificates and the consequent dissolution of the Trust. In the event of a Total Loss Event occurring, the Servicing Agent is responsible for ensuring that the Lease Assets are properly insured. If a Total Loss Event occurs,

the Servicing Agent undertakes to ensure that all insurance proceeds in respect thereof are paid directly into the Transaction Account by no later than the 30th day after the occurrence of the Total Loss Event.

Total Loss Event means the total loss or destruction of, or damage to all of the Lease Assets or any event or occurrence that renders all such Lease Assets permanently unfit for any economic use and (but only after taking into consideration any insurances or other indemnity granted in each case by any third party in respect of the Lease Assets) the repair or remedial work in respect thereof is wholly uneconomical.

Asset Substitution: Pursuant to the Sale and Substitution Undertaking, Mazoon has the right to require the Trustee to transfer, deliver and convey all of the Trustee's rights, title, interests, benefits and other entitlements in and to the Substituted Lease Assets (as defined in the Sale and Substitution Undertaking) in exchange for the grant by Mazoon to the Trustee of the New Lease Assets (as defined in the Sale and Substitution Undertaking) provided that the value of the New Lease Assets is equal to or greater than the value of the Substituted Lease Assets on the substitution date.

Form and Delivery of the Certificates: The Certificates will be issued in registered global form only.

The Unrestricted Certificates will be represented on issue by beneficial interests in an Unrestricted Global Certificate which will be deposited with a common depository for Euroclear and Clearstream. The Restricted Certificates will be represented on issue by beneficial interests in a Restricted Global Certificate which will be deposited with a custodian for DTC. Ownership interests in each Global Certificate will be shown on, and transfers thereof will only be effected through, records maintained by Euroclear, Clearstream and DTC (as applicable) and their respective participants. See "*Global Certificate*" and "*Clearance and Settlement*". Individual Certificates evidencing holdings of Certificates will be issued in exchange for interests in the relevant Global Certificate only in limited circumstances.

Denomination of Certificates: The Certificates will be issued in minimum denominations of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof.

Clearance and Settlement: Holders of the Certificates must hold their interest in the relevant Global Certificate in book-entry form through Euroclear and/or Clearstream or DTC, as the case may be. Transfers within and between each of Euroclear or Clearstream and DTC will be in accordance with the usual rules and operating procedures of the relevant clearing system.

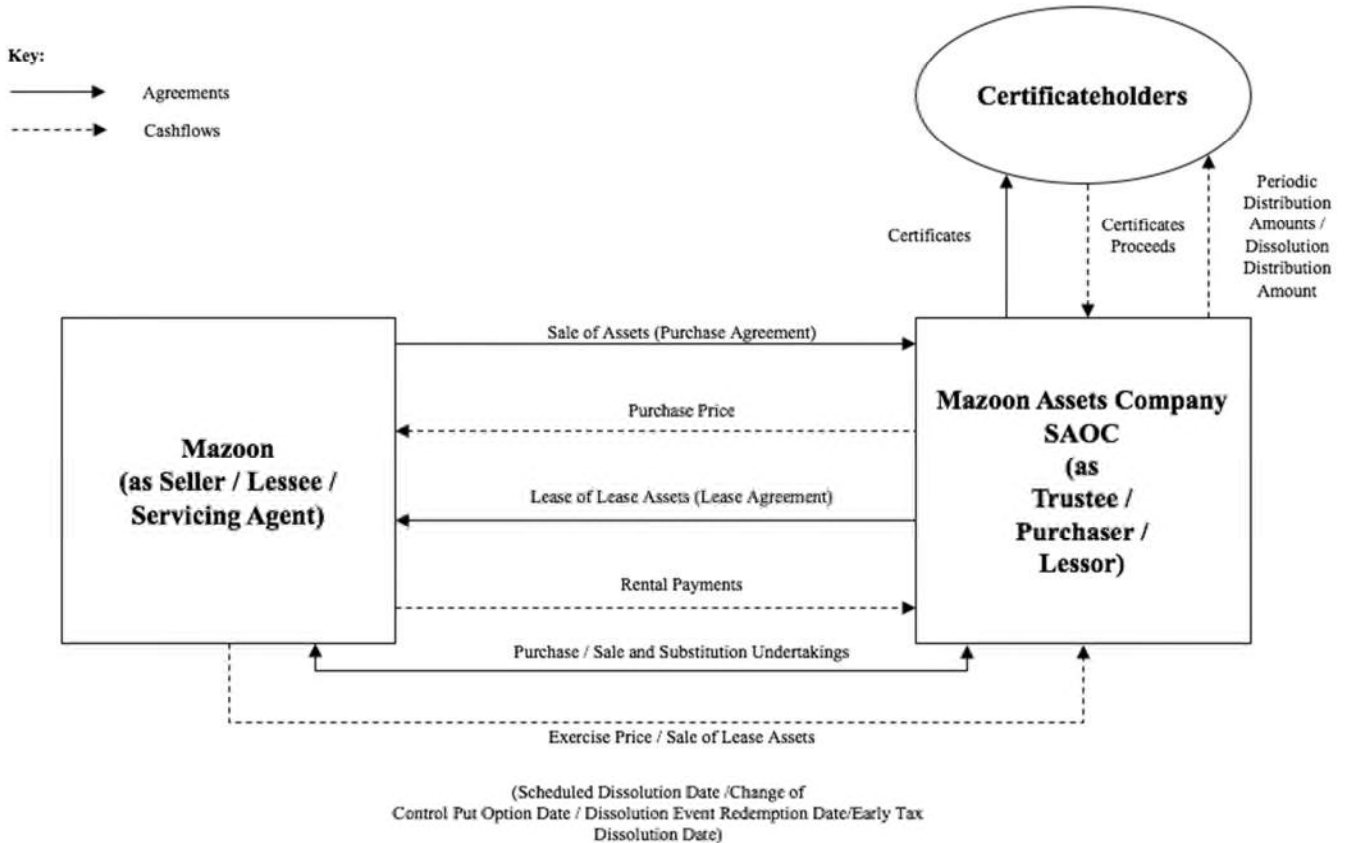
Withholding Tax: All payments by Mazoon under the Transaction Documents to which it is a party are to be made without withholding or deduction for, or on account of, any Taxes imposed in Oman (or any political sub-division or any authority thereof or therein having power to tax). In the event that any such deduction is made, Mazoon will be required, pursuant to the Transaction Documents, to pay to the Trustee additional amounts so that the Trustee will receive the full amount which otherwise would have been due and payable under the Transaction Documents.

Payments of Periodic Distribution Amounts in respect of the Certificates to non-Omani Certificateholders may be subject to withholding tax in Oman. However, Condition 11 provides that the Trustee is required to pay additional amounts in respect of any such withholdings or deductions in certain circumstances such that the Certificateholders receive the full amount which would have otherwise been receivable by them in the absence of such withholding or deduction. Mazoon has, pursuant to the Declaration of Trust, undertaken to pay to the Trustee an amount equal to the liabilities of the Trustee in respect of any and all such additional amounts.

Listing:	Application has been made to the Irish Stock Exchange for the Certificates to be admitted to the Official List and trading on the Main Securities Market.
Certificateholder Meetings:	A summary of the provisions for convening meetings of Certificateholders to consider matters relating to their interests as such is set out in Condition 19.
Tax Considerations:	See the section entitled " <i>Taxation</i> " for a description of certain tax considerations applicable to the Certificates.
Governing Law:	<p>The Transaction Documents (other than the Purchase Agreement, the Lease Agreement, any Sale Agreements and any Substitution Transfer Agreement), and any non-contractual obligations arising out of or in connection with any such Transaction Documents, will be governed by and construed in accordance with English law.</p> <p>The Purchase Agreement, the Lease Agreement, any Sale Agreements and any Substitution Transfer Agreements will be governed by Omani law.</p>
Transaction Documents:	The Transaction Documents are the Declaration of Trust, any Supplemental Declaration of Trust, the Agency Agreement, the Purchase Agreement, the Lease Agreement, the Servicing Agency Agreement, the Purchase Undertaking, the Sale and Substitution Undertaking, any Sale Agreement, any Supplemental Purchase Agreement and any Substitution Transfer Agreement.
Ratings:	<p>The Certificates are expected to be assigned a rating of BBB with negative outlook by Fitch and a rating of Baa2 with negative outlook by Moody's.</p> <p>A securities rating is not a recommendation to buy, sell or hold the Certificates (or the beneficial interests therein). Ratings may be subject to suspension, reduction or withdrawal at any time by the assigning rating organisation. Any change in the rating of the Certificate could adversely affect the price that a purchaser would be willing to pay for the Certificates. As at the date of this Prospectus, Moody's and Fitch are established in the European Union and registered under the CRA Regulation.</p>
Selling Restrictions:	There are restrictions on the offer, sale and transfer of the Certificates in Bahrain, Japan, Kuwait, Saudi Arabia, Hong Kong, Malaysia, Singapore, Qatar (including the QFC), the UAE (excluding the DIFC), the DIFC, Oman, the United Kingdom and the United States and such other restrictions as may be required in connection with the offering and sale of the Certificates. See " <i>Subscription and Sale</i> ".
Risk Factors:	Prospective purchasers of Certificates should consider carefully all of the information set forth in this Prospectus and, in particular, the information set forth under " <i>Risk Factors</i> " below before making an investment in the Certificates.
United States Selling Restrictions:	Regulation S (Category 1); and Rule 144A.
Security Codes:	<p><i>Unrestricted Certificates:</i></p> <p>ISIN: XS1577945824</p> <p>Common Code: 157794582</p> <p><i>Restricted Certificates:</i></p> <p>ISIN: US57886LAA08</p> <p>Common Code: 111731063</p> <p>CUSIP: 57886LAA0</p>

STRUCTURE DIAGRAM AND CASHFLOWS

Set out below is a simplified structure diagram and description of the principal cash flows underlying the Certificates. Potential investors are referred to the terms and conditions of the Certificates and the detailed descriptions of the Transaction Documents set out elsewhere in this document for a fuller description of certain cash flows and for an explanation of the meaning of certain capitalised terms used below.



Cashflows

Payments by the Certificateholders and the Trustee

On the issue date in respect of each Tranche, the Certificateholders will pay the issue price (the **Issue Proceeds**) in respect thereof to the Trustee and the Trustee will apply as the purchase price (the **Purchase Price**) payable under the Purchase Agreement for the Assets or (in the case of a subsequent issue of any additional certificates which are to be created and issued so as to form a single series with the Certificates (a **New Tranche**)) as the purchase price (the **Additional Assets Purchase Price**) payable under the relevant supplemental purchase agreement (a **Supplemental Purchase Agreement**) entered into pursuant to the Purchase Agreement for the relevant Additional Assets (as defined in the Purchase Agreement or the relevant Supplemental Purchase Agreement, respectively).

Periodic Payments by the Trustee

On each Periodic Distribution Date, Mazoon (pursuant to the Lease Agreement) will make a rental payment into the Transaction Account of an amount which is intended to be sufficient to fund the Periodic Distribution Amount payable by the Trustee under the Certificates and shall be applied by the Trustee for that purpose.

Dissolution Payments

On the Scheduled Dissolution Date, the Trustee will have the right under the Purchase Undertaking to require Mazoon to purchase all of its rights, benefits, entitlements, title and interests in and to the Lease Assets.

The exercise price payable by Mazoon to the Trustee is intended to fund the Dissolution Distribution Amount payable by the Trustee under the Certificates.

The Trust may be dissolved prior to the Scheduled Dissolution Date for a number of reasons including (i) a change in law resulting in the imposition of withholding taxes; (ii) unless the Lease Assets are replaced by Mazoon in accordance with the Servicing Agency Agreement, upon the occurrence of a Total Loss Event (as defined herein); (iii) upon the occurrence of a Dissolution Event; (iv) at the option of the Certificateholders upon the occurrence of a Change of Control (as defined herein); or (v) upon the exercise of the Clean Up Call Right (as defined herein), as the case may be. In any such case, the relevant Dissolution Distribution Amount will be funded by requiring Mazoon to purchase the Lease Assets or the Change of Control Lease Assets (as defined in the Purchase Undertaking), as the case may be, at the relevant exercise price (pursuant to the terms of the Purchase Undertaking or the Sale and Substitution Undertaking, as the case may be).

RISK FACTORS

The purchase of Certificates may involve substantial risks and is suitable only for sophisticated investors who have the knowledge and experience in financial and business matters necessary to enable them to evaluate the risks and merits of an investment in the Certificates. Before making an investment decision, prospective purchasers of Certificates should consider carefully, in the light of their own financial circumstances and investment objectives, all of the information in this Prospectus.

Each of the Trustee and Mazoon believes that the factors described below represent the principal risks inherent in investing in the Certificates, but the inability of the Trustee to pay any amounts on or in connection with any Certificate may occur for other reasons and none of the Trustee or Mazoon represents that the statements below regarding the risks of holding any Certificate are exhaustive. There may also be other considerations, including some which may not be presently known to the Trustee or Mazoon or which the Trustee or Mazoon currently deems immaterial, that may impact any investment in the Certificates.

Prospective investors should also read the detailed information set out elsewhere in this Prospectus and reach their own views prior to making any investment decision. Words and expressions defined in "Terms and Conditions of the Certificates" shall have the same meanings in this section.

Notwithstanding anything in these risk factors, these risk factors should not be taken as implying that the Trustee will be unable to comply with its obligations as a company with securities admitted to the Official List.

RISKS RELATED TO THE TRUSTEE

The Trustee has a limited operating history and no material assets other than the Trust Assets and is dependent upon the performance by Mazoon of its obligations under the Transaction Documents to which it is a party

The Trustee is a newly established closed joint stock company under the laws of the Sultanate of Oman and has no operating history. The Trustee will not engage in any business activity other than the issuance of the Certificates, the acquisition of the Trust Assets as described herein, acting as a trustee and other incidental or related activities.

The Trustee's only material assets, which it will hold on trust for the Certificateholders, will be the Trust Assets, including its right to receive payments under the Lease Agreement and the Purchase Undertaking.

The Trustee's ability to pay amounts due on the Certificates will depend on its receipt from Mazoon (in its various capacities), of all amounts due under the Lease Agreement, the Purchase Undertaking or the Sale and Substitution Undertaking and the Servicing Agreement, which, together, may not be sufficient to meet all claims under the Certificates and the Transaction Documents. Therefore, the Trustee is subject to all the risks to which Mazoon is subject to the extent that such risks could limit Mazoon's ability to satisfy in full and on a timely basis its obligations under the Transaction Documents to which it is a party. See "*Risks related to Mazoon's business*" for a further description of these risks.

Recourse to the Trustee in respect of the Certificates is limited to the Trust Assets. For a further description of the risks associated with this limited recourse arrangement and of certain risks affecting the Trust Assets, see "*Risks related to the Certificates*".

Certificateholders may experience difficulties in effecting civil remedies on the Trustee

As the Trustee is an Omani company, it may not be possible for the Certificateholders to effect service of process outside Oman upon the Trustee or its officers and directors. It may also be difficult for Certificateholders to enforce against the Trustee or its officers and directors judgements based upon civil liability under securities laws in other jurisdictions.

RISKS RELATED TO MAZOOON'S BUSINESS

Mazoon's obligations in respect of the Certificates and the Transaction Documents are not guaranteed by the Government

Mazoon is ultimately wholly-owned by the Government of Oman (the **Government**). Mazoon's financial obligations are not, absent the giving of an explicit guarantee, guaranteed by the Government. The Government is not guaranteeing the obligations of the Trustee to make payments in respect of the Certificates or of Mazoon to make payments in respect of the Transaction Documents. Article 67 of the Sector Law requires the Ministry of Finance to secure the availability of the necessary finance for Mazoon to undertake its activities and achieve its objectives for as long as it is wholly-owned by the Government, whether such finance is provided by the Ministry of Finance or from another source. No assurance can be made as to the timing, amount or sufficiency (including any conditions) in respect of any support from the Ministry of Finance or any future change in law or regulation that could limit or remove such support. In the event that EHC, Mazoon's controlling

shareholder, sells all or a part of Mazoon, such that the Government directly or indirectly owns less than 100 per cent. of Mazoon, the Ministry of Finance's statutory duty under Article 67 would no longer apply to Mazoon.

The electricity sector of Oman was restructured and corporatized in 2005, with an aim towards eventual privatization. In recent years, the Government of Oman has taken various steps towards privatization of eligible entities within the electricity sector, and which may result in the partial or total privatization of Mazoon. A privatization process for the sale of up to 49 per cent. interest in Muscat Electricity Distribution Company (**MEDC**) commenced in October 2016, which process was subsequently put on hold. In July 2017, the Ministry of Finance instructed EHC to facilitate privatizing other eligible entities in the electricity sector which includes Mazoon. In August 2017, EHC circulated a tender for advisory services to advise on further steps in the privatization process of eligible entities, and execute the privatization of these entities in accordance with instructions from the Ministry of Finance. The timing of any such privatization, and the structure and extent, is not yet known. There can be no assurance that this process would not result in a decision to dispose of a partial interest in Mazoon, resulting in the Ministry of Finance's duty under Article 67 no longer applying with respect to Mazoon. Nevertheless, Mazoon understands that the Ministry of Finance has informed EHC that it intends to retain at least a majority interest in Mazoon. See "*Regulation of the Electricity Sector in Oman – Privatisation of the Electricity and Related Water Sector*".

Mazoon's financial obligations, including its obligations to make payments in respect of the Certificates and the Transaction Documents, are not, and should not be regarded as, obligations of the Government. Mazoon's ability and willingness to fulfil its obligations in respect of the Certificates and the Transaction Documents are solely dependent on Mazoon's ability to fund its obligations from its operations, profits and cash flows, which may include borrowings, if available. Any decline in Mazoon's operations, profits or cash flows, or any difficulty in securing external funding, could result in a material adverse effect on Mazoon's ability to fulfil its obligations in respect of the Certificates and the Transaction Documents.

The Government, as the ultimate owner of Mazoon, can control Mazoon's policies and may pursue decisions that reflect Government policy, which may conflict with the interests of Mazoon and the Certificateholders

Mazoon is ultimately wholly-owned by the Government. Its board of directors (the **Board**) comprises five members, four nominated by EHC, which is ultimately wholly-owned by the Government, and one representing the other shareholders, the Nama Institute for Competency Development LLC and Nama Shared Services LLC, both controlled by EHC. A majority of the directors of Mazoon (the **Directors**) are required to attend for there to be a quorate meeting of the Board. Accordingly, the Government can make unilateral decisions on the Board. Furthermore, the Government, through its shareholdings, has and will continue to have, indirectly, the power to affect Mazoon's operations. As a result, certain of Mazoon's decisions may reflect Government policy. Furthermore, by virtue of its shareholding, EHC, in co-ordination with the Ministry of Finance (which is its sole shareholder), has the power to designate the members of the Board and the ability to influence Mazoon's business significantly through its ability to control or block actions that require shareholder or Board approval.

The Government's key objective with respect to Mazoon is to ensure the stable distribution and supply of electricity in Oman at affordable prices, rather than the optimisation of Mazoon's revenue and profits. As such, the interests of the Government may conflict with Mazoon's objectives as a commercial enterprise and, in turn, with the interests of the Certificateholders. For example, as part of the program to manage employment, Mazoon is required to comply with Government directives for the recruitment of new staff. As a result, Mazoon was required by the Government to hire an additional 114 employees in 2011, increasing its salary and staff costs. Mazoon is required to comply with such Government directives for recruitment of new staff issued by the Government. Furthermore, changes to the Board are influenced by the Government as ultimate shareholder and may be made for political, rather than business, reasons and such changes could have a material adverse effect on Mazoon's operations and financial condition and Mazoon's ability to fulfil its obligations in respect of the Certificates and the Transaction Documents.

Any of the above mentioned actions by the Government could result in a material adverse effect on Mazoon's business, financial condition and results of operations and, if continued, adversely affect Mazoon's ability to fulfil its obligations in respect of the Certificates and Transaction Documents.

In addition, EHC has been instructed by the Ministry of Finance to undertake a study to consider the options for privatising eligible entities within the Nama Group, and is in the process of selecting advisors for such study. Mazoon has been identified as one of the eligible entities.

While Article 67 of the Sector Law provides that, so long as Mazoon remains wholly-owned by the Government, the Ministry of Finance shall secure the availability of the necessary finance required by Mazoon to undertake the activities assigned to it pursuant to the Sector Law and to achieve its objectives. EHC, which is the direct parent of Mazoon, is not obliged to maintain a liquidity buffer sufficient to fund all of the capital and operating expenses of all of the entities within its group.

Although historically EHC has had liquidity to support demand from its subsidiaries, including Mazoon, as and when required, there can be no assurance that this liquidity will at all times be adequate to meet Mazoon's requirements.

Mazoon's operations and expansion projects are subject to a range of development and construction risks

Mazoon is in the process of extending and upgrading its distribution network. Substantial phases of Mazoon's projects, including the design and construction phases, are outsourced to third-party contractors through 'turnkey' contracts or other contracts for these services. These projects typically require substantial capital expenditure and it may take months or years before projects are completed and they become operational, during which time Mazoon may be subject to a number of construction, operating and other risks beyond its control. These risks include, amongst others, but are not limited to:

- delays in obtaining government permits, or route changes required due to customer or public objection, which may cause delays or cancellations of projects;
- an inability to find suitable service providers, such as contractors, sub-contractors, engineers, operators or other service providers, either at the commencement of a project, as its development may continue or following a default by a service provider;
- default or failure by such service providers to finish projects or parts of projects on time, according to specifications, within budget or on negotiated terms;
- disputes with service providers;
- difficulties in connecting to existing or new transmission networks whether directly or through intermediate primary substations including delays in the construction of grid stations;
- shortages or escalating costs of construction materials and increased global commodity prices;
- shortages or increases in the costs of equipment and services; and
- work stoppages or labour disputes.

The occurrence of one or more of these events, or other events, may adversely affect Mazoon's ability to complete its current or future projects in line with designs, on schedule or within budget, if at all. Mazoon may be required to hire another third-party service provider at a higher price. Furthermore, when a third-party service provider fails to meet quality standards or health and safety standards, Mazoon may be subject to claims or regulatory penalties in respect of such failure. Mazoon may be unable to seek or enforce indemnification from its third-party service providers with respect to any breach, failures or delays and accordingly, Mazoon may have to bear the additional costs and claims with respect to such breach, failures or delays. The resulting additional costs or claims may be substantial and may impact on Mazoon's licensing conditions. Such events could result in a material adverse effect on Mazoon's business, financial condition and results of operations and, if continued, adversely affect Mazoon's ability to fulfil its obligations in respect of the Certificates and/or Transaction Documents.

For example, in 2017, the construction of a 33kV feeder from the BB Ali Grid station to the BB Hassan primary substation and extension to the Hadry Bilad primary substation in the South Sharqiyah governorate was estimated to cost OMR 440,100 but ultimately cost OMR 947,861 as a result of the route length being increased and a change from overhead lines to underground cables. Furthermore, in 2017, the construction of nine 33kV feeders from Madinat Barka grid station in the South Batinah governorate was estimated to cost OMR 1.6 million but ultimately cost OMR 1.9 million as a result of the need for additional protection for the cables and a route change.

Mazoon relies on third party providers for provision of certain services.

Mazoon relies on third party providers to provide certain services. In particular, Mazoon contracts with Oman National Engineering and Investment Company (**ONEIC**) to provide billing and collection services, and with multiple contractors to perform network maintenance. In the event of a failure by these providers to deliver services of satisfactory quality, or on commercially acceptable terms, Mazoon may need to seek alternative providers, or it may incur additional costs or may be unable to carry out major maintenance, emergency maintenance or meter reading services. Any of the foregoing could result in a disruption of service or additional costs, which could have a material adverse effect on Mazoon's business, financial condition and results of operations. In the event that Mazoon's current outsourcing arrangements become unsatisfactory, or their outsourcing partners fail to fulfil their obligations, Mazoon may not be able to find new outsourcing partners on economically attractive terms or on a timely basis or at all.

In addition, Mazoon's contractors are required to follow various health, safety and environment (HSE) requirements and Mazoon reviews and approves each contractor's health and safety plans and also carries out periodic HSE competency assessments. However, Mazoon is not always able to ensure compliance by contractors with applicable HSE requirements. Any failure by Mazoon or any third party to comply with applicable HSE requirements may lead to breach of Mazoon's Licence conditions and could have a material adverse effect on Mazoon's operations, profits or cash flows.

Mazoon's investment projects are capital intensive projects

Mazoon participates, and may continue to participate in the future, in extensive investment projects such as the modernisation, expansion and renewal of its distribution network. Mazoon's current projects include upgrading current sub-stations, constructing new substations, constructing new 33kV branches, and constructing new 33kV feeders. For more information on Mazoon's capital expenditure projects, please see "*Description of Mazoon's Business – Capital Expenditure Projects*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations – Capital Expenditure Programme*". Mazoon's participation in new, capital intensive, projects may increase Mazoon's exposure to operational and/or financial risk levels, which could have a material adverse effect on its business, results of operations and financial condition.

Mazoon's operations are capital intensive because its distribution network requires the construction of adequate infrastructure. Depending on the technology and type of infrastructure, from 30 per cent. to as much as 50 per cent. of the cost of construction is related to the purchase of materials, equipment and parts, the price of which depends on many factors beyond Mazoon's control. Any increase in the price of these materials, equipment or components translates into an increase in the cost of distribution and may decrease Mazoon's profitability. In particular, any price increases may require Mazoon to increase borrowings which will, in turn, impact finance costs. Additionally, if the relevant capital expenditure is disallowed or treated as inefficient by the AER, such investments will not be considered as part of Mazoon's RAV for the purpose of calculating the return on investment through price control and could have a material adverse effect on Mazoon's business, financial condition or results of operations and ability to fulfil its obligations in respect of the Certificates and the Transaction Documents.

Mazoon is required to make substantial capital expenditure and Mazoon may not be able to secure financing for such capital expenditure on acceptable terms or at all

Mazoon is in the process of extending and upgrading its distribution network. Mazoon's expansion strategy involves substantial capital expenditure. Mazoon's current projects include: upgrading current sub-stations, constructing new substations, constructing supply points, and constructing new 33kV feeders, 11kV feeders and low voltage network.

For the years ended 31 December 2014, 2015 and 2016, Mazoon's capital expenditure (being the value of the work undertaken on an accrual basis) totalled OMR 98.8 million, OMR 95.7 million and OMR 124.1 million, respectively. Based on the AER's final proposal for the next price control period, Mazoon is authorised to make cash capital expenditure at OMR 358.5 million for 2018 through 2021 (calculated at 2016 prices) including OMR 94.2 million in 2018.

For more information on Mazoon's capital expenditure projects, please see "*Description of Mazoon's Business – Capital Expenditure Projects*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations – Capital Expenditure Programme*".

Mazoon, in connection with its Long-Term Funding Strategy, expects that cash from operations will be less than its investment requirements and, accordingly, expects to incur additional indebtedness in domestic and international capital and loan markets in the future to fund these capital expenditure requirements. Global and emerging credit markets have been constrained in the past, and Mazoon's ability to obtain financing may be reduced should similar conditions reoccur. Furthermore, the cost of obtaining future funding may increase. If Mazoon is unable to obtain sufficient or affordable financing, whether due to banking or capital market conditions, generally, or due to factors specific to Mazoon's business or creditworthiness, Mazoon may not have sufficient cash to invest in new projects or meet on-going operational requirements. In these circumstances, Mazoon may be forced to reduce its capital expenditure, which could adversely affect its ability to execute its expansion programme successfully, and, in turn, result in a material adverse effect on Mazoon's business, financial condition and results of operations and, if continued, adversely affect its ability to fulfil its obligations in respect of the Certificates and the Transaction Documents.

Mazoon is subject to price controls set by the AER and certain factors used in establishing such price controls are not within Mazoon's control, as a result of which Mazoon's maximum allowed revenue may not reflect its actual operating costs

The AER sets price controls for each price control period that limit the maximum allowed revenue (MAR) that Omani electricity distribution and supply companies operating a monopoly, including Mazoon, may recover. The MAR comprises price control revenue (to cover operating expenses, depreciation and pre-tax WACC (as defined below)) calculated using the revenue drivers at the beginning of the price control period and pass through costs and is subject to adjustment for incentives or penalties associated with performance targets set by the AER. The AER sets Mazoon's price control revenue based on numerous criteria, including principally Mazoon's projected operating costs, capital expenditure, an agreed investment return on its RAV applying Mazoon's weighted average cost of capital (WACC), an agreed allowance for depreciation of assets, as well as the forecasted levels of distribution system services and supply of electricity. Moreover, the price control revenue is set using a formula based on the consumer price index and includes a downward adjustment for an efficiency factor which is currently set at 2 per cent. of 'RPI-X-model' until 31 December 2017, and is to be set at 1 per cent. of operating expenditure for the new price control period (2018 to 2021). The 'RPI-X model' is the type of price control regulation the AER uses to determine the value of allowable revenues based on the retail price index. The efficiency factor has been introduced by the AER to encourage efficiency improvements in the operations of Mazoon although such savings may not be realised, negatively impacting Mazoon's profit. In particular, the efficiency factor puts pressure on Mazoon to reduce operating expenditures. The majority of Mazoon's operating expenditures are fixed and could increase in real terms over the four year price control period. If Mazoon is not able to adequately reduce its expenses in line with the efficiency factor, Mazoon's operations, may be materially impacted. The existing price control (PC-IV 2015-2017) for Mazoon has been in place since 1 January 2015 and is due to expire on 31 December 2017. The next price control review period will commence on 1 January 2018 and will extend until 2021.

Mazoon derives its revenue through the provision of distribution system services and the supply of electricity to its customers. Mazoon's MAR has the effect of limiting the amount of the revenue that Mazoon may realise each year. For more information on Mazoon's MAR, please see "*Management's Discussion and Analysis of Financial Condition and Results of Operations – Key Factors Affecting Mazoon's Results of Operations – Maximum Allowed Revenue (or MAR)*".

WACC was reduced for the purposes of the current price control period (2015-2017) from 6 per cent. to 5 per cent. In addition, RAV was adjusted downwards for purposes of the current price control cycle (2015-2017) and the AER applied a capex inefficiency adjustment of OMR 713,000 in 2014 as part of the fourth price control approval for the years 2015-2017. A similar adjustment of OMR 2.5 million was made in connection with the 2012-2014 price control period.

The AER determines the MAR in every price control review process based on operational information submitted periodically by Mazoon, and the AER uses such information as part of its evaluation. The AER may not agree with the information received from Mazoon for purposes of setting the MAR, which could result in the AER setting a lower MAR than Mazoon expects or believes is appropriate, thereby lowering the amount of distribution system service revenue and supply of electricity revenue that Mazoon may earn. For example, the AER may, in its discretion, exclude some or all of Mazoon's operational and capital expenditure or proposed depreciation levels or timing, set a lower investment return or reduce WACC, any of which would have the effect of reducing the MAR from the MAR currently anticipated by Mazoon. If operating costs rise above the operating expenditure allowances considered in the approved price control for any year or the price control period such increases cannot be recovered through price control revenue, except the increase in pass-through costs or by the additional revenue earned due to increases in customers or the regulated units over the price control levels as well as the adjustment for the consumer price index. Moreover, even if the AER agrees or recognises an increase in Mazoon's operating costs or other factors affecting the MAR, except in special circumstances existing outside its control, typically any related change in the MAR would not become effective until the next price control cycle. Moreover, to the extent that the AER may determine that excess capital expenditure or costs resulting in increased WACC arose as a result of inefficiencies caused by the licensed entity, the AER may decline to reimburse or otherwise compensate for such cost even in subsequent price control cycles (for example, see preceding paragraph for details about capex inefficiency adjustments made by the AER in previous years). Mazoon cannot make any assurance that changes (if any) to its MAR will not adversely affect its revenue, which could result in a material adverse effect on Mazoon's business, financial condition and results of operations and, if continued, adversely affect Mazoon's ability to fulfil its obligations in respect of the Certificates and the Transaction Documents.

Mazoon relies on Ministry of Finance subsidies supporting the electricity and related water sector, and any reduction or delay in the payment of such subsidies could materially affect Mazoon

Article 18 of the Sector Law implements a mechanism through which the Ministry of Finance provides electricity subsidies calculated by the AER to licensed suppliers on an annual basis. Mazoon has historically received significant support from the

Ministry of Finance in the form of such subsidies. The amount of the annual subsidy payable (if any) is calculated by the AER as being an amount equal to any shortfall between (a) the revenue collected by Mazoon from customers and others in the relevant year and (b) the amount of allowed revenue in the relevant year (i.e. the amount that was available to be earned by Mazoon where it has effectively discharged its obligations under the Sector Law and its Licence). In particular, Mazoon's key input costs include transmission connection and use of system charges charged by the electricity transmission companies and the bulk supply charges charged by the Oman Power and Water Procurement Company, which are included as pass through costs in the subsidy calculation. In 2016, 2015 and 2014, the Ministry of Finance supported the Omani electricity sector with OMR 498.1 million, 448.1 million and OMR 295.6 million subsidies, respectively. Of this, Mazoon received subsidies amounting to OMR 149.5 million, OMR 137.6 million and OMR 92.4 million in 2016, 2015 and 2014, respectively, which represented 56 per cent., 55 per cent. and 48 per cent. of Mazoon's revenue for the respective periods. As discussed in the paragraph below, OMR 24.7 million of the subsidy in respect of 2015 was received in the first half of 2016. The system pursuant to which subsidies are paid by the Ministry of Finance is subject to change, and there can be no assurance that such subsidies will be continued at existing levels or at all.

The Government is obliged to pay subsidies in accordance with Article 18 of the Sector Law at least once every three months, but the payment of subsidies could be subject to delays. For instance, during 2015 the Government altered its practice with regard to the timing of payment of subsidies to the distribution companies from three months in advance to three months in arrears. As a consequence, there was a timing mismatch in the receipt of subsidies by Mazoon and other distribution companies. As a result of the timing mismatch, the Government subsidies receivable by Mazoon as at 31 December 2015 amounted to OMR 24.7 million. These amounts were subsequently received in the first half of 2016 and since then, the timing of subsidy payments has normalised. In 2016, the aggregate pass through costs, consisting of the bulk supply tariff charges, transmission use of system charges and transmission connection charges, payable to OPWP and OETC, exceeded electricity sales revenue by OMR 82.9 million, a deficit that was expected to be met by the Government subsidy. As a result of delays in receiving the subsidy, in order to meet the peak summer requirements for working capital, Mazoon entered into a short-term working capital facility.

For information regarding the calculation of the subsidy, please see "*Regulation of the Electricity Sector in Oman – Authority for Electricity Regulation – Functions of the AER*".

The Government also recently introduced CRT with effect from 1 January 2017 for high value customers (i.e. large government, commercial and industrial customers with consumption above 150MWh per year). The CRT is designed to reflect the actual cost (i.e. without any Government subsidy) of supplying electricity to customers. The objectives of the CRT are to reduce peak demand on the Omani networks by shifting demand from higher tariff periods to off peak periods, as a result, increase the level of total customer revenues and to reduce the level of subsidy. As a result of the introduction of the CRT, Mazoon's sales revenue has increased. However, Mazoon's total revenue would not increase as a result of the CRT as any increase would be offset by a reduction in the subsidies received. Any reduction, elimination or expiration of Government subsidies, or any other change or delay in the timing of the payment of such subsidies, could adversely affect Mazoon and, accordingly, could adversely affect the Mazoon's business, financial condition and results of operations and its ability to fulfil its obligations in respect of the Certificates and the Transaction Documents.

Mazoon is vulnerable to any changes in demand for electricity and payment by customers for the sale of electricity

Mazoon is exposed to the risk of a reduction in demand for its electricity, in particular by its commercial and industrial customers. Whilst Mazoon's sales to domestic customers are greater than those to commercial and industrial customers, the demand from commercial and industrial customers is subject to more uncertainties. This may occur as a result of ongoing financial and economic uncertainty. For instance, in 2016 the electricity sales to Government customers amounted to OMR 23.6 million compared to OMR 25.4 million in 2015, which was a decrease of OMR 1.9 million or 7.3 per cent. The demand for Mazoon's electricity and accordingly, the collection against sale of electricity, is affected by the level of economy activity in Oman and, to a certain extent, the Middle East and North Africa (MENA) region. In the event of any economic recession in Oman for a significant period of time, energy consumption and accordingly, the collection against sale of electricity, may decrease, resulting in a material adverse effect on Mazoon's business, financial condition and results of operations and its ability to fulfil its obligations in respect of the Certificates and the Transaction Documents.

As at 30 June 2017, 21.0 per cent. of Mazoon's electricity sales revenue was from Government customers. These customers are in turn funded by the Ministry of Finance. Any reduction in their ability to purchase or pay for electricity, or a decrease in demand from Government customers could have a material adverse effect on Mazoon's business, results of operations and financial condition and, if continued, adversely affect Mazoon's ability to fulfil its obligations in respect of the Certificates and Transaction Documents.

There can be no assurance as to the accuracy of forecasts for peak demand for electricity in Oman, which are used by Mazoon in establishing its capital expenditure plans

Mazoon's business operations and corporate strategy and planning of capital expenditure are influenced by anticipated future peak demand for electricity in Oman and the need to meet associated requirements for system security and reliability. There can be no assurance that these forecasts of future demand will accurately reflect the real demand for electricity. If actual customer demand is lower than predicted, there will be an at least temporary negative cash flow impact on Mazoon. The implementation of CRT could result in certain customers reducing their electricity usage in general and during peak periods in particular. Such changes in customer requirements may not be fully reflected in current forecasts for electricity system demand. In addition, higher tariffs, particularly for customers who are not able to shift usage out of peak periods, could encourage the use of alternative fuels or other sources of electricity, where feasible, and, accordingly, result in lower demand for electricity. Any divergence between anticipated peak demand and actual peak demand may result in either excess or insufficient capacity to distribute and supply electricity. Any or all of these occurrences could have a material adverse effect on Mazoon's business, financial condition and results of operations and, if continued, may affect Mazoon's ability to fulfil its obligations in respect of the Certificates and the Transaction Documents.

Mazoon's ability to supply electricity is dependent upon the generation of electricity and transmission systems of OETC

Mazoon purchases electricity from Oman Power & Water Procurement Company S.A.O.C. (the **OPWP**), which is responsible for securing generation capacity, and the use of the infrastructure of the transmission systems of OETC for the transport of electricity to the distribution network owned by Mazoon. Mazoon has no direct control over the operation of these transmission systems. Any failure of these transmissions systems, including as a result of natural disaster (for example, when Cyclone Gonu in 2007 and Cyclone Phet in 2010 occurred, OETC's transmission system was interrupted for a few days), insufficient maintenance or inadequate development, could prevent Mazoon from distributing electricity to customers, which could have a material adverse effect on Mazoon's business, results of operations and financial condition and, if continued, adversely affect Mazoon's ability to fulfil its obligations in respect of the Certificates and Transaction Documents.

Mazoon's level of indebtedness may affect its ability to raise additional financing and Mazoon's business may be adversely affected by changes in interest rates

Mazoon has borrowings of OMR 295.9 million in its current and non-current liabilities as at 30 June 2017, all of which are unsecured. Mazoon has the following material indebtedness:

- a working capital facility (overdraft and revolving short-term loan and a bank guarantee) last renewed on 29 March 2017 from Ahli Bank SAOG for OMR 10 million and OMR 5 million, respectively. As at 30 June 2017, Mazoon had availed an overdraft of OMR 5.7 million and has the benefit of a bank guarantee of OMR 4.9 million which remains a contingent liability;
- a short term loan facility agreement dated 11 December 2016 for OMR 27 million with bank muscat SAOG to fund capital expenditure. This facility was fully drawn as at 30 June 2017;
- a revolving loan facility agreement dated 8 December 2017 for U.S.\$ 120 million (equivalent to OMR 46.2 million) with a consortium consisting of Arab Banking Corporation (B.S.C.), BBK (B.S.C.), Gulf International Bank B.S.C., National Bank of Abu Dhabi PJSC and Standard Chartered Bank. As at 30 June 2017, this facility has been utilised, repaid and was fully available to meet short term liquidity needs;
- a short term loan facility agreement dated 8 May 2017 for U.S.\$150 million with JPMorgan Chase Bank N.A., London Branch for general corporate and working capital purposes and capital expenditure. As at 30 June 2017, U.S.\$ 120 million (equivalent to OMR 46 million) was utilised; and
- a dual currency term loan facility agreement dated 17 September 2015 for OMR 117 million and U.S.\$320 million (equivalent to OMR 123 million) with a consortium of lenders for repaying financial indebtedness and capital expenditure. As at 30 June 2017, this facility had been fully utilised.

Mazoon may not have sufficient cash flow from its operating activities to service its debt and meet other payment obligations and expects that it will need additional external financing to fund its planned capital expenditures. Mazoon may also need to resort to short term loans or bridge financing to meet any temporary requirements arising out of any delays in procuring long term funds. Mazoon's debt and other financial obligations could limit its flexibility in planning for, or reacting to, changes in its business or industry, which could have a material adverse effect on Mazoon's business, financial condition and results of operations and, if continued, may affect Mazoon's ability to fulfil its obligations in respect of the Certificates and the Transaction Documents.

The interest rates in respect of such indebtedness are highly sensitive to many factors beyond Mazoon's control, including the interest rates and other monetary policies of the Government and Central Bank. As at 30 June 2017, approximately 53 per cent. of Mazoon's interest bearing loans and borrowings carried interest at floating rates, of which a portion has been hedged. A hypothetical 1.0 per cent. increase in interest rates (assuming all other relevant factors remained constant) would have resulted in Mazoon's finance costs increasing by OMR 2.7 million in 2016. Mazoon's interest-bearing loans and borrowings are subject to interest rate risk resulting from fluctuations in the relevant reference rates underlying such instruments. Consequently, any increase in such reference rates would result in an increase in Mazoon's interest rate expense and could have a material adverse effect on Mazoon's business, financial condition, results of operations and prospects. Although Mazoon seeks to hedge part of its interest rate risk, there can be no assurance that this hedging will be successful or will protect Mazoon fully against its interest rate risk. Such failure to successfully hedge against changes in interest rates could have a material adverse effect on Mazoon's business, financial condition, results of operations and prospects.

The agreements that govern Mazoon's long-term debt contain restrictive covenants

The agreements that govern Mazoon's long term debt contain certain restrictive covenants, including "negative pledge" clauses, "no disposal of assets" clauses, "restrictions on financial indebtedness", "material change" and "change of control" clauses and covenants requiring the maintenance of particular financial ratios. In certain instances, these covenants restrict Mazoon's ability to acquire or dispose of assets or incur new debt. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations — Borrowings*".

Any breach by Mazoon of any of the financial or operating covenants under its outstanding loan agreements could result in one or more loans being declared due and payable, undrawn commitments thereunder being cancelled and/or result in cross defaults into other facilities held by Mazoon. Any such events may have a material adverse effect on Mazoon's business, financial condition and results of operations and, if continued, may affect Mazoon's ability to fulfil its obligations in respect of the Certificates and the Transaction Documents.

Mazoon's ability to access credit and bond markets and Mazoon's ability to raise additional financing is part dependent on its credit ratings

Mazoon's ability to access the capital markets and other forms of financing (or refinancing) and the costs connected with such activities depend in part on its credit ratings.

As at the date of this Prospectus, Mazoon has a credit rating of Baa2, negative outlook from Moody's and BBB with negative outlook from Fitch. These ratings reflect each agency's opinion of Mazoon's financial strength, operating performance and ability to meet its debt obligations as they become due.

In May 2016, Moody's downgraded the long term issuer rating of Mazoon from A3 to Baa2/Stable following a change in its rating for Oman. In August 2017, Moody's downgraded the long term credit rating of Mazoon from Baa2/Stable to Baa2/Negative also as a result of a change in its rating for Oman.

The credit ratings currently assigned to Mazoon by Fitch and Moody's are based in part on the opinion of Fitch and Moody's that the Government may potentially provide support to it in the event of financial distress and that Mazoon will not be privatised in the near future. See "*—Mazoon's obligations in respect of the Certificates and the Transaction Document, are not guaranteed by the Government*" and "*—The Government, as the ultimate owner of Mazoon, can control Mazoon's policies and may pursue decisions that reflect Government policy, which may conflict with the interests of Mazoon and the Certificateholders*". If Mazoon is fully or partially privatised and the Government is no longer a controlling shareholder, it could affect Mazoon's ratings or otherwise have a material adverse effect on its business, results of operations and financial condition and its ability to fulfil its obligations in respect of the Certificates and the Transaction Documents.

Mazoon's ability to maintain its current ratings is dependent on a number of factors, some of which may be beyond Mazoon's control. In the event that Mazoon's credit or debt ratings are lowered by the rating agencies, Mazoon may not be able to raise additional finance on terms similar to its existing finance or at all, and its ability to access credit and bond markets and other forms of financing (or refinancing) could be limited. This could have a material adverse effect on its business, results of operations and financial condition. Lowering of Mazoon's credit rating may also result in interest rate increases for certain of Mazoon's loan agreements which could have a material adverse effect on its business, results of operations and financial condition and its ability to fulfil its obligations in respect of the Certificates and the Transaction Documents.

Mazoon's operations are subject to Government regulation under the Sector Law and the terms of its Licence

Mazoon is subject to the terms of its Licence and a varied and complex body of laws and regulations. In addition to its Licence, Mazoon is regularly required to renew or obtain permits necessary for the operation of its business and the

construction or improvement of its equipment and facilities. Mazoon is required to conduct its electricity distribution operations pursuant to its Licence and in compliance with all applicable regulations, codes and permits. The AER has the power and authority to revoke the Licence if, among other things, Mazoon does not comply with the requirements of its Licence, including failure to continue carrying on its licensed activities, make payments due under the Licence, perform applicable duties and statutory requirements or provide required information or if Mazoon becomes insolvent, suffers a change of control or the issue of the Licence was found to have been based on inaccurate or incorrect information.

Furthermore, changes in the interpretation of existing laws or the adoption of new laws or regulations applicable to Mazoon and its business could cause Mazoon to fail to comply with the requirements of applicable laws or regulations or the Licence, which could subject Mazoon to liability. Mazoon could also be required to grant liens over its assets to secure any such liabilities, which would effectively subordinate its obligations in respect of the Transaction Documents. Moreover, if Mazoon is unable to obtain required permits or experiences delays or unexpected costs in this connection, Mazoon's ability to operate its business and execute its capital expenditure programme may be materially adversely affected.

The Public Authority for Electricity and Water (**PAEW**) supervises, and the AER regulates, the electricity and related water sector in Oman. The PAEW is the supervisory public authority in Oman for the electricity and related water sector and provides various policy directions under the Sector Law. The AER has wide powers to regulate, *inter alia*, the generation, transmission, distribution and supply of electricity. Although the Sector Law has been enacted since 2004, the legal framework in Oman governing the electricity and related water sector is still evolving compared to countries with established market economies. There can be no assurance that the enactment of further laws, policy directives and regulations will not impose additional obligations on, or withdraw or remove elements within the existing regime that are supportive of, Mazoon, and any such changes could result in a material adverse effect on Mazoon's business, financial condition and results of operations.

For the year ended 31 December 2016, 41.4 per cent. of Mazoon's revenue depended on regulated tariffs. Such tariffs are set by the Government and PAEW which is authorised to issue permitted tariff regulations under Article 9 of the Sector Law. The PAEW may decide to limit or block tariff increases, or even order tariff decreases, including changes to the price setting mechanisms as a result of political or social pressures. However, Mazoon cannot give any assurance that new tariff mechanisms would be put in place or that regulated tariffs would be set at a level which would allow it to preserve its short-, medium- or long-term investment capacity, while ensuring optimal use of the capital invested in its distribution assets to maximise revenue.

The occurrence of any or all of these circumstances could result in a material adverse effect on Mazoon's business, financial condition and results of operations and, if continued, adversely affect Mazoon's ability to fulfil its obligations in respect of the Certificates and Transaction Documents.

Mazoon is subject to regulations in Oman in which it operates and these regulations are complex and subject to change

Mazoon is subject to the laws of Oman as well as the regulations of the regulatory agencies in Oman. These laws and regulations affect many aspects of Mazoon's business and, in many respects, determine the manner in which Mazoon conducts its business and the fees it charges or obtains for the distribution and supply of electricity and related services. In particular, as an owner and operator of electricity distribution and as a public supplier of electricity, Mazoon is subject to extensive governmental and other regulations in Oman.

Accordingly, any new regulation or any change in the existing regulations or requirements of the Government or regulatory authorities in Oman may require significant changes in its business in ways that it cannot predict. Any new regulations or requirements that cause Mazoon to restructure or otherwise change its business in any way and any changes in regulated tariffs, particularly those that may affect Mazoon's revenues from electricity distribution, could have a material adverse effect on its business, results of operations and financial condition. In addition, it may fail to respond swiftly and appropriately to changes in applicable laws and regulations or to changes in the energy industry generally, which could have a material adverse effect on its business, results of operations and financial condition and its ability to fulfil its obligations in respect of the Certificates and the Transaction Documents.

Mazoon's activities require various administrative authorisations and licences that may be difficult to obtain, maintain or renew or whose grant may be subject to conditions that may become significantly more stringent

Mazoon's distribution and supply businesses require various administrative authorisations, at local and national levels, in Oman (see "*Regulation of the Electricity Sector in Oman*"). Obtaining these authorisations is not routine and the conditions attached to obtaining them are subject to change and may not be predictable. As a result, Mazoon may incur significant expenses in order to comply with the requirements associated with obtaining or renewing these authorisations (for example,

the cost of preparing applications for authorisations or investments associated with installing equipment that may be required before the authorisation can be issued). Delays, extremely high costs or the suspension of Mazoon's activities due to its inability to obtain, maintain, or renew authorisations, may also have a negative impact on its business activities and profitability. For further detailed information, please see "*Regulation of the Electricity Sector in Oman – Regulation of the Electricity and Related Water Sector*".

In addition, Mazoon often invests resources prior to obtaining the necessary permits and authorisations, particularly in connection with feasibility studies and environmental studies, but may have to cancel or withdraw from a project if Mazoon is unable to obtain the necessary permits or authorisations. Licences for the distribution and supply of electricity are granted for an indefinite period, but Mazoon may be required to reapply for licences should the regulatory framework change. Any failure to obtain, maintain, renew or extend all the necessary administrative authorisations and licences necessary for the operation of Mazoon's business and execution of its strategy, could have a material adverse effect on its business, results of operations and financial condition and its ability to fulfil its obligations in respect of the Certificates and the Transaction Documents.

Failures, breakdowns, planned or unplanned outages as well as natural disasters or sabotage in Mazoon's distribution infrastructure may harm its business and reputation

The operation of Mazoon's distribution and supply network may be subject to material operating risks such as unplanned outages or equipment failure or any equipment operating inefficiently or below capacity. Any such occurrences could adversely affect Mazoon's ability to distribute or supply electricity at levels sufficient to meet demand. Any such future complete or partial network failure could result in increased costs and loss of revenue, which could, in turn, result in a material adverse effect on Mazoon's business, financial condition and results of operations, and, if continued, affect Mazoon's ability to fulfil its obligations in respect of the Certificates and the Transaction Documents.

Mazoon's distribution infrastructure and the information systems controlling these facilities could be subject to failure, breakdowns, unplanned outages, capacity limitations, system loss, breaches of security or physical damage due to natural disasters (such as storms, floods or earthquakes), sabotage, terrorism, computer viruses and other causes. The occurrence of any such events could negatively impact Mazoon's ability to provide services to its customers, result in loss of life or injury to Mazoon's employees or third parties, lead to disruption or stoppage to operations or otherwise disrupt the business. Any service disruption may cause interruption to electricity supply, which may result in customer dissatisfaction and may also lead to liability for damages, the imposition of penalties and other unforeseen costs and expenses which could have a material adverse effect on Mazoon's reputation, business, results of operations and financial condition.

Mazoon's business and its ability to generate revenue depends on the availability and operating performance of the distribution network necessary to operate its distribution networks. Mechanical failures or other defects in its distribution network, or accidents that result in non-performance or underperformance of a distribution network may have a direct impact on the profitability of Mazoon's operations. In addition, any insurance coverage, warranties or guarantees provided by equipment suppliers in favour of Mazoon that purport to cover additional expenses incurred by Mazoon as a result of any failures, may not fully compensate Mazoon for any increased costs and any resulting decrease in revenues. This could mean that any significant expenses incurred as a result of failures, defects or accidents involving Mazoon's operating equipment and infrastructure could have a material adverse effect on Mazoon's business, financial condition, prospects or results of operations and its ability to fulfil its obligations in respect of the Certificates and the Transaction Documents.

Default or delay by any of Mazoon's counterparties (which include other members of the Nama Group, contractors, service providers, subcontractors, suppliers and customers) as well as by financial and insurance institutions may have an impact on its results of operations and financial condition

Mazoon undertakes significant capital expenditures related to the modernisation, renewal and construction of distribution assets. Mazoon faces risks relating to the construction of its distribution facilities. These risks include access to equipment from reliable suppliers, the steady supply of building materials and technical components, the availability of key personnel, including qualified engineering personnel, delays in construction and budget constraints. Mazoon may also encounter various setbacks such as adverse weather conditions, difficulties in connecting to electricity transmission grids, construction defects, unexpected delays in obtaining approvals, authorisations and other permits or legal actions brought by third parties. In addition, Mazoon faces the risk of potential default or delay by its counterparties (which include other members of the Nama Group, contractors, service providers, subcontractors and suppliers), especially in cases of financial hardship or bankruptcy. Such risks may increase in the future if the economic conditions in Oman generally deteriorate.

Any default by Mazoon's counterparties may affect the cost and completion of its projects, the quality of its work and the supply of certain critical products or services to its customers. It may also expose it to reputational risk and business continuity risk. In addition, Mazoon may be required to pay contractual penalties or find alternative counterparties. Any such

setbacks may result in delays in the completion of Mazoon's projects and other unforeseen costs, which could have a material adverse effect on its business, financial condition, prospects or results of operations. Furthermore, delays and failures by counterparties may also impact Mazoon's ability to fulfil its obligations under its Licence which could have a material adverse effect on its business, financial condition, prospects or results of operations.

Mazoon's revenues are generated by sales to end-customers. A default by Mazoon's key counterparties, end-customers or suppliers or dispute their contractual obligations towards Mazoon, could have a material adverse effect on its business, results of operations and financial condition. The credit quality of Mazoon's counterparties may affect its ability to fulfil its obligations to Mazoon and such credit quality may deteriorate during adverse economic conditions, which in turn could have a material adverse effect on its business, results of operations and financial condition and its ability to fulfil its obligations in respect of the Certificates and the Transaction Documents.

Mazoon's business may suffer if it fails to attract and retain qualified and experienced employees

Experienced and capable personnel in the energy industry are in high demand and Mazoon faces significant competition in its principal markets to recruit such personnel. The development and retention of appropriate technical capability was identified by the AER as a challenge for the electricity sector in Oman. Consequently, when Mazoon's experienced employees leave its business, it may have difficulty, and incur additional costs, replacing them.

In addition, Mazoon relies on its senior management for the implementation of its strategy and its day-to-day operations. There is intense competition in Oman for skilled personnel, especially at the senior management level, due to a disproportionately low number of available qualified and/or experienced individuals compared to current demand. No member of Mazoon's senior management team has agreed to any fixed term of employment or is subject to non-compete or non-solicitation restrictions. The loss of any member of Mazoon's senior management team, or any change to the Board may result in a loss of organisational focus, poor execution of its operations and corporate strategy and its inability to identify and execute potential strategic initiatives in the future, including strategies relating to the growth of its business. Mazoon's failure to hire, train or retain a sufficient number of experienced, capable and reliable personnel, especially senior and middle management with appropriate professional qualifications, or to recruit skilled professional and technical staff in pace with its growth, could have a material adverse effect on its business, results of operations and financial condition and adversely affect Mazoon's ability to fulfil its obligations in respect of the Certificates and the Transaction Documents.

Furthermore, Ministerial Decision 248/2014 issued by the Omani Ministry of Manpower requires Mazoon to meet certain percentage thresholds relating to the employment of Omani citizens (as opposed to foreign nationals) across all levels within the organisation, a requirement known as 'Omanisation'. Mazoon has been working towards meeting its Omanisation requirements and has achieved its required targets for the majority of the employment categories, with an overall 97.9 per cent. of Mazoon's workforce being Omani. If Mazoon does not meet its Omanisation requirements, Mazoon may be subject to fine, penalties and other remedial measures, which could result in a material adverse effect on Mazoon's business, financial condition and results of operations and, if continued, adversely affect Mazoon's ability to fulfil its obligations in respect of the Certificates and Transaction Documents and its ability to fulfil its obligations in respect of the Certificates and the Transaction Documents.

Mazoon could be harmed by network disruptions, security breaches or other significant disruptions or failures of Mazoon's IT infrastructure and related systems

To be successful, Mazoon needs to have available a high capacity, reliable and secure IT network. The sophistication of Mazoon's structure and its operation and the diversity of its IT systems carry a risk of a lack of coordination and cooperation between individual systems. This could limit the possibility of developing effective standards to create and develop a more streamlined system which, in turn, could result in inefficiencies in data handling.

There are many changes, updates and integration features with respect to Mazoon's IT systems which are being carried out across the business (for example, Mazoon is currently in the process of updating and integrating its 'Oracle' software applications) and the broad scope of those changes carries a risk that new IT solutions may not necessarily achieve the planned cohesion and technological and cost-related interdependence that Mazoon had expected.

There are also general concerns in the energy sector regarding the security and integrity of data which is handled through an energy company's IT system. This is exacerbated by the energy sector's increasing dependence on IT systems and the quantity of data collected and processed by those systems which make it essential to ensure the highest degree of reliability of those systems and the security of the data held in them.

Although Mazoon makes significant efforts to maintain the security and integrity of its information and systems, Mazoon may be unable to anticipate all potential types of attacks or intrusions or to implement adequate security barriers or other

preventative measures. Potential events posing a risk to the continuity of the operation of IT systems and confidentiality of data include the risk of a breakdown of the systems and cyber-attacks on the systems. Network disruptions, security breaches and other significant failures could: (i) disrupt the proper functioning of these networks and systems, and therefore, Mazoon's operations; (ii) result in unauthorised access to, and destruction, loss, theft, misappropriation or release of Mazoon's proprietary, confidential, sensitive or otherwise valuable information, including trade secrets, which others could use for disruptive, destructive or otherwise harmful purposes and outcomes; or (iii) result in a loss of business, damage Mazoon's reputation or expose Mazoon to regulatory penalties, fines, sanctions, enforcement actions, remediation obligations or litigation. The security measures Mazoon has implemented may not be effective, and Mazoon's systems may be vulnerable to theft, loss, damage and interruption from a number of potential sources and events, including unauthorised access or security breaches, cyber-attacks, computer viruses, power loss, or other disruptive events. Mazoon may not have the resources or technical sophistication to anticipate or prevent rapidly evolving types of cyber-attacks. Attacks may be targeted at Mazoon, its customers and suppliers, or others who have entrusted it with information. Mazoon has not, as at the date of this Prospectus, experienced any issue with the security and integrity of its IT systems.

In addition, data and security breaches can also occur as a result of non-technical issues, including breaches by Mazoon or by persons with whom it has commercial relationships that result in the unauthorised release of personal or confidential information. Meter reading, bill delivery and collection services are outsourced and the customer data to which the outsourced contractor has access could be at risk from unauthorised release. Any such cyber-attack or other security issue could result in a significant loss of customer confidence in Mazoon's business which, in turn, could have a material adverse effect on Mazoon's business, financial condition, prospects or results of operations and potentially entail incurring significant litigation or other costs.

There are several risks related to grid management. The electricity distribution grid is highly dependent on computer-based control systems. Any failure of the electric grid would have a significant and devastating impact on the economy of whole country regions. The control systems are also exposed to cyber risk as parties in the chain from generation to supply are interconnected through various systems.

There are also risks related to outsourcing of IT functions by Mazoon to third parties, which is most prevalent in respect of IT systems that are custom developed for Mazoon by a single external third party according to specific needs of Mazoon. Mazoon has entered into service agreements with EHC in respect of its IT services. In such circumstances, Mazoon is dependent on a single third-party company which may result in higher development and/or support prices and development and support continuity problems if such company ceases to exist or cannot honour its contractual obligations to Mazoon.

Finally, unreliability of certain IT systems might cause difficulties in maintaining the full functionality of invoicing systems and result in end users not receiving invoices on time or in the correct amount.

Mazoon may also be required to expend significant management attention and financial resources to protect against the threat of security breaches and other network disruptions and, in the event of significant breaches or failures, to remedy resulting damages.

Each of the above factors poses risks to the operations of Mazoon and if they were to occur, could have a material adverse effect on the activity, results or financial condition of Mazoon and its ability to fulfil its obligations in respect of the Certificates and the Transaction Documents.

Mazoon may not keep pace with technological changes in the evolving energy sector

The technologies used in the energy sector, particularly in electricity distribution, constantly change and may continue to evolve rapidly in the future. In order to maintain and expand its business, Mazoon must effectively adjust to changes in technology. If Mazoon is unable to modernise its technologies quickly and regularly so as to take advantage of industry trends, it could have an impact on its efficiency and profitability. As a result, the failure of Mazoon to respond to current and future technological changes in the energy sector in an effective and timely manner could have a material adverse effect on Mazoon's business, financial condition, prospects or results of operations and its ability to fulfil its obligations in respect of the Certificates and the Transaction Documents.

In addition, Mazoon is required under the terms of its Licence to comply with certain cyber security and other related technology requirements which may require Mazoon to incur significant capital and operating expenditure, which could have a material adverse effect on Mazoon's business, financial condition, prospects or results of operations and its ability to fulfil its obligations in respect of the Certificates and the Transaction Documents.

Mazoon's operations could be adversely affected by terrorist attacks, natural disasters or other catastrophic events, as well as topographical challenges, all of which are beyond Mazoon's control

Mazoon's business operations could be adversely affected or disrupted by terrorist attacks, natural disasters (such as cyclones, sandstorms, earthquakes or tsunamis, among others) or other potentially catastrophic events that are beyond Mazoon's control. For example, Mazoon's operations were severely affected for many days due to Cyclone Gonu in 2007 and Cyclone Phet in 2010, which necessitated substantial investment to rebuild the distribution network and to restore the supply of electricity. In addition, Mazoon faces certain challenges in connection with installing, maintaining and operating an electricity distribution network in Oman, which has a vast desert in central Oman and mountain ranges along the north and southeast coasts. For example, laying underground cables along the north and southeast coasts occasionally involves drilling into mountain ranges. Any catastrophic occurrence or topographical challenge, which affects the expansion of Mazoon's distribution network, could severely disrupt Mazoon's operations, including its ability to distribute electricity, or result in increased costs. Any such circumstances could, in turn, result in a material adverse effect on Mazoon's business, financial condition and results of operations and, if continued, adversely affect Mazoon's ability to fulfil its obligations in respect of the Certificates and Transaction Documents.

Mazoon's equipment and components of its distribution network require maintenance and upgrades

Mazoon is required to make expenditure to maintain, and must invest in upgrading its distribution network, in order to ensure its control, functioning and reliability. The condition of some of Mazoon's equipment and the components of its distribution network may be affected by their continuous operation, as well as processes such as erosion and corrosion. The impact of such operation and processes tends to increase as the equipment and components grow older. There is a risk that the quality of distribution services provided in some locations may not correspond to the safety and service level requirements required by regulation. This in turn may lead to additional service interruptions, losses and damages causing Mazoon additional unplanned repair and maintenance costs, legal disputes, as well as reallocation of resources from other investment projects. In such instances, Mazoon may need to temporarily shut down some sections of its network and may incur expenses in connection with inspections, maintenance or repair activities.

As part of Mazoon's strategy it plans to modernise and renew its electricity distribution network. The AER has proposed total cash capital expenditure at OMR 358.5 million for 2018 through 2021 (calculated at 2016 prices). Although Mazoon seeks to implement and maintain new inspection and maintenance practices, including proactively repairing or replacing equipment and components before they fail, as well as implementing its plans to modernise its distribution network, Mazoon cannot give any assurance that it will be successful in its efforts or that maintenance and investment costs will not increase over time, which could have a material adverse effect on its business, results of operations and financial condition and its ability to fulfil its obligations in respect of the Certificates and the Transaction Documents.

Mazoon may not be able to maintain or obtain sufficient insurance coverage for the risks associated with the operation of its business

Mazoon's business is exposed to risks associated with the operation of distribution networks and related equipment, such as mechanical breakdowns, manufacturing defects, natural disasters, terrorist attacks, sabotage, personal injury and other interruptions in service resulting from events outside of Mazoon's control. Mazoon is also exposed to environmental risks, in particular certain environmental conditions that may destroy, damage or impair any of its equipment or infrastructure. These events may result in increased costs and other losses, which could have a material adverse effect on Mazoon's business, financial condition, prospects or results of operations.

Full insurance coverage for such risks may not be available or not be available on commercially reasonable terms. For example, Mazoon has not purchased insurance to cover any possible losses through acts of terrorism. In addition, severe or frequently occurring events, such as accidents and other mishaps, business interruptions or potential damage to facilities, property and equipment caused by inclement weather, human error, pollution, labour disputes and natural catastrophes, may result in losses or expose Mazoon to liabilities in excess of its insurance coverage. Furthermore, Mazoon's insurance does not cover losses resulting from damage to Mazoon's overhead lines and underground cables, since currently Mazoon is unable to obtain insurance to cover such risks at a reasonable cost. In the event of damage, Mazoon would be directly responsible for all costs associated with required replacement or repairs of its overhead lines and underground cables. Mazoon cannot assure investors that its insurance coverage will be sufficient or available to cover losses arising from any or all of such events or that it will be able to renew existing insurance cover on commercially reasonable terms, if at all. For example, Mazoon was unable to recover its losses arising from Cyclone Gonu in 2007 and Cyclone Phet in 2010 from its insurer. In respect of Cyclone Gonu in 2007, Mazoon incurred costs of OMR 838,000 after insurance recovery.

Should an incident occur in relation to which Mazoon has no or insufficient insurance coverage, Mazoon could lose the capital invested in, and anticipated future revenue relating to, any property that is damaged or destroyed and, in certain cases, Mazoon may remain liable for financial obligations related to the impacted property. Any of these occurrences could result in a material adverse effect on Mazoon's business, financial condition and results of operations and, if continued, adversely affect Mazoon's ability to fulfil its obligations in respect of the Certificates and the Transaction Documents.

Mazoon is subject to environmental, health and safety laws and regulations and must maintain environmental, health and safety regulatory approvals and it may be exposed to significant liabilities if it fails to comply with such laws or such approvals

The risk of environmental damage is inherent in the electricity and related water services sector and may involve significant health and safety risks. As a result, Mazoon is subject to applicable environmental and safety regulations in force in Oman, which set various standards for regulating certain aspects of health, safety, security and environmental quality and impose civil and criminal penalties and other liabilities for violations.

In particular, Mazoon is subject to regulation by the Ministry of Environment & Climate Affairs (**MECA**), which has wide powers that include the implementation and enforcement of environmental regulations. The AER also has some concurrent regulatory jurisdiction over environmental matters under the Sector Law, which provides that Mazoon should consider environmental impacts before it takes any action that may adversely affect the environment.

Under the supervision of MECA, Mazoon is subject to Sultani Decree 114/2001, the Law on Conservation of the Environment and Prevention of Pollution (the **Law on Environment**). In particular, compliance with special provisions may be appropriate or required in environmentally sensitive areas. While, as at the date of this Prospectus, management believes that Mazoon has been and continues to be in compliance with all environmental regulations applicable to it, there can be no assurance that Mazoon will continue to be in compliance in the future, whether due to changes in the law or changes in Mazoon's operations. Mazoon cannot predict what prospective environmental legislation may be enacted or how existing or future laws will be administered or enforced.

Furthermore, the use of high-voltage equipment may involve significant health and safety risks and could result in loss of life or serious injury to Mazoon's employees and others as a result of any breach of applicable safety legislation and may result in disruption of Mazoon's operations and investment projects, cause reputational harm to Mazoon or subject Mazoon to significant liability for damages, penalties, and/or compensation. In 2016, Mazoon experienced one fatality. The financial impact of this fatality was covered by Mazoon's public liability insurance.

Environmental and health and safety laws are complex, change frequently and have tended to become more stringent over time. As a result, Mazoon may not at all times be in full compliance with such laws and regulations. If Mazoon is required to comply with more stringent laws and regulations or more vigorous enforcement policies are pursued by any regulatory authority in connection with the foregoing, Mazoon could be exposed to material additional costs, including as a result of the installation and operation of systems for remedial measures or the payment of fines, penalties, damages or compensation. Although Mazoon may be able to recover certain compliance costs through the price control mechanism, such recovery may not be sufficient or may only be available in future periods. In addition, compliance with more stringent laws and regulations or more vigorous enforcement policies of any regulatory authority, may cause delays in permitting and related approval processes in connection with Mazoon's operations and investment projects, which could cause delays in Mazoon's execution of its capital expenditure programme, significant damage to Mazoon's reputation and consequently result in a material adverse effect on Mazoon's business, financial condition and results of operations and, if continued, adversely affect Mazoon's ability to fulfil its obligations in respect of the Certificates and Transaction Documents.

Mazoon does not own the land on which its distribution network is situated, which is instead held under usufruct rights, and Mazoon's access to some of its overhead and underground electricity lines are held under the benefit of rights of way. Mazoon may be unable to renew usufruct rights upon their expiration or to continue to benefit from rights of way

Mazoon does not own the land on or under which its distribution network is situated. Instead, and as provided for under Section 93 of the Sector Law, Mazoon has usufruct rights granted to it by the Ministry of Housing of Oman (the **Ministry of Housing**) over the relevant sites for periods of typically 25 years; although more recently, some usufruct rights have been granted for terms of between one and three years (which are renewable). Fees are payable by Mazoon under the usufruct agreements. In addition, Mazoon has obtained the benefit of a number of rights of way in relation to the overhead and underground electricity lines and cables, which are acknowledged by the Ministry of Housing pursuant to drawings delineating the relevant areas. Any inability to renew such rights on expiration or otherwise could result in loss of Mazoon's access to the relevant site. Additionally, if Mazoon is in material breach of the terms of the usufruct rights, the grantor may, at its option, elect to terminate the usufruct agreement, evict Mazoon and repossess the land. The termination or non-renewal of

usufruct rights over the land on which Mazoon has constructed its distribution network or rights of way giving Mazoon access to overhead and underground electricity lines and cables could have a material adverse effect on Mazoon's business, results of operations and financial condition and, if continued, adversely affect Mazoon's ability to fulfil its obligations in respect of the Certificates and Transaction Documents.

Mazoon may be unable to obtain Government approvals and property rights for the construction, development and operation of its capital expenditure programme

Successful execution of the capital expenditure programme requires Mazoon to obtain government approvals, property rights and additional financing, all of which are subject to factors that are not within Mazoon's control. For instance, Mazoon has previously faced difficulties in obtaining certain Government approvals and has faced public objection, which required Mazoon to reroute its distribution network. Mazoon cannot make any assurances that it will be able to obtain the foregoing, or make any assurances that, even if it is able to obtain the foregoing, it will be able to execute its capital expenditure programme successfully. If Mazoon is unable to execute its expansion programme as planned it could result in a material adverse effect on Mazoon's business, financial condition and results of operations and adversely affect its ability to fulfil its obligations in respect of the Certificates and the Transaction Documents.

If Mazoon is privatised, it will become subject to the Omani Competition Law

Mazoon's activities and contracts are currently exempted from the provisions of the Protection of Competition and Prevention of Monopoly Law (Sultani Decree No. 67/2014) (the **Competition Law**) by virtue of Article 4 of the Competition Law, which carves out public utilities wholly-owned and operated by the Government from the ambit of this legislation. If EHC decides to privatise any number of shares of Mazoon in the future, Mazoon will no longer benefit from the exemption in Article 4 and its monopoly position, the contractual framework underlying the monopoly and the nature of its business may be subject to scrutiny under the prohibitions set out in the Competition Law, including those relating to monopolistic agreements, restrictive agreements and abuse of dominant position. Any such change could result in a material adverse effect on Mazoon's business, financial condition and results of operations and adversely affect its ability to fulfil its obligations in respect of the Certificates and the Transaction Documents.

Mazoon is exposed to increased tax burden as a result of changes in the Omani Tax Law

In connection with certain changes to Income Tax Law (Sultani Decree No. 28/2009, as amended) and its Executive Regulations (MD 30/2012, as amended) (the **Omani Tax Law**), which came into force on 27 February 2017, withholding tax is to be levied on the gross amount of certain categories of income (as specified under "*Taxation — Omani Tax*" below) paid or credited to the account of any non-resident person, being foreign companies that do not have a permanent establishment in Oman and those that carry on business through a permanent establishment but do not include the accrued income in the gross income of that permanent establishment. Companies in Oman, including Mazoon, making payment to foreign based companies of the nature specified above are obliged to deduct withholding tax at source at the rate of 10 per cent. on the gross amount paid or credited and to remit it to the Secretariat General for Taxation in Oman. Any obligation to gross up payments is expected to increase Mazoon's finance costs in connection with its borrowings, including the Certificates and its obligations under the Transaction Documents.

In addition, with effect from 27 February 2017, the threshold below which income is not taxed was eliminated (from OMR 30,000), and the rate of tax to which Mazoon is subject was increased to 15 per cent. (from 12 per cent.). Although Mazoon does not expect the changes in tax rates to increase its current tax charge or its net cash from operating activities, as Mazoon expects to continue to have a current tax loss position, Mazoon expects that these changes will increase its deferred tax charge in future periods, and particularly in 2017. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations — Results of Operations — Taxation*". Any increase in Mazoon's tax burden could have a material adverse effect on Mazoon's business, results of operations and financial condition and, if continued, adversely affect Mazoon's ability to fulfil its obligations in respect of the Certificates and Transaction Documents.

A strike or other labour disruption could adversely affect its business

A substantial number of Mazoon's employees are represented by labour unions (please see "*Description of Mazoon's Business — Employees*"). Since Mazoon's foundation, it has not experienced any strikes or work stoppages (except in 2011 when there was a widespread protest across the Nama Group and across Oman generally), however, any strikes, threats of strikes, or other resistance or work stoppages in the future could impair its ability to implement further measures to reduce costs and improve efficiencies in furtherance of its strategy, which could have a material adverse effect on its business, results of operations and financial condition.

Mazoon's shares are not publicly traded or listed on the primary market, and as a result its policies, processes, systems and controls may be more limited than a publicly traded company

Mazoon's shares are not publicly traded or listed on any exchange (other than the closed listing on the third market of the Muscat Securities Market), and Mazoon is not subject to the rules and regulations applicable to a publicly traded company relating to public reporting, internal processes, systems or controls. Accordingly, Mazoon's policies, processes, systems and controls may not be as robust as those of publicly-traded company, although Mazoon seeks to enhance them based on its internal review. Any material inadequacies, weaknesses or failures in Mazoon's policies, processes, systems and controls could have a material adverse effect on its business, financial condition, or results of operations.

Risks Related to Oman

Emerging markets, such as Oman, are subject to greater risks than more developed markets, and financial and political volatility in the Middle East in particular and in emerging markets generally could adversely impact Mazoon's business

Mazoon's operations and assets, as well as the generation and transmission counterparties on which it relies, are located in Oman. Accordingly, Mazoon's business is heavily dependent on political and economic conditions in Oman, and the MENA region more generally. Generally, investment in emerging markets is only suitable for sophisticated investors who fully appreciate the significance of the risks involved in, and are familiar with, investing in emerging markets. Prospective investors should also note that emerging markets such as Oman are subject to rapid change and that the information set forth in this Prospectus may become outdated relatively quickly. Moreover, financial turmoil in any emerging market country tends to adversely affect confidence in all emerging market countries as investors move their money to more developed markets. As has happened in the past, financial problems or an increase in the perceived risks associated with investing in emerging economies could dampen foreign investment in Oman and adversely affect its economy. In addition, during such times, companies that operate in emerging markets may face severe liquidity constraints as foreign funding sources are withdrawn. Thus, even if Oman's economy remains relatively stable, financial turmoil in any emerging market country could adversely affect Mazoon's business, as well as result in a decrease in the trading value of the Certificates. Companies located in emerging markets may be particularly susceptible to disruptions in the capital markets and the resulting reduced availability of credit or increased cost of debt, which could result in such companies experiencing financial difficulty. In addition, the availability of credit to entities operating within the emerging markets is significantly influenced by levels of investor confidence in such markets as a whole, and so any factors that impact market confidence (for example, a decrease in credit ratings or state or central bank intervention) could affect the price or availability of funding for entities within any of these markets.

Specific country and regional risks that could have a material adverse effect on Mazoon's business, results of operations and financial condition and Mazoon's ability to fulfil its obligations in respect of the Certificates and Transaction Documents include:

- geopolitical regional conflicts;
- overall market liquidity;
- government interventions and protectionism;
- potential adverse changes in laws and regulatory practices, including legal structures and tax laws;
- difficulties in staffing and managing operations;
- logistical and communications challenges; and
- changes in labour conditions, including as a result of Omanisation.

A prospective investor should not invest in the Certificates unless it has the expertise (either alone or with the help of a financial advisor) to evaluate how the Certificates will perform under changing conditions, the resulting effects on the value of such Certificates and the impact this investment will have on the prospective investor's overall investment portfolio. Investors are urged to consult their own legal, tax and financial advisers before making an investment. Each potential investor in the Certificates must determine the suitability of that investment based on its own circumstances.

In November 2016, S&P lowered Oman's long-term foreign currency sovereign credit rating to BBB- from BBB+, with a negative outlook. In May 2016, Moody's downgraded Oman's long-term issuer rating to Baa1 from A3, with a stable outlook. In January 2017, Fitch for the first time published Oman's long-term rating at BBB, with a stable outlook. On 12 May 2017, S&P lowered Oman's long-term foreign currency sovereign credit rating further, to BB+, with a negative outlook. On 19 June

2017, Fitch amended Oman's long term foreign currency sovereign credit rating from BBB with a stable outlook to BBB with a negative outlook.

Any future downgrade or withdrawal at any time of a credit rating assigned to Oman by any rating agency could have a material adverse effect on its cost of borrowing and could limit its access to debt capital markets. Furthermore, a downgrade may also have the indirect effect on Oman's ability to raise financing at attractive levels, which, in turn, may put greater pressure on the Government in such cases or on the ability of state-owned entities to raise financing at attractive levels, or at all, which, in turn, could lead such entities to request additional financing support from the Government. Any of the foregoing factors, alone or in combination, could result in further downgrades of the credit rating assigned to Oman by any rating agency, which, in turn, could result in a downgrading of the ratings assigned to Mazoon and/or the Certificates.

Oman is located in a region that has been subject to ongoing political and security concerns

Although Oman generally enjoys domestic political stability and healthy international relations, Oman is located in the MENA region, which is strategically important. Since early 2011, a range of countries in the MENA region, including Algeria, Bahrain, Egypt, Iraq, Libya, Morocco, Saudi Arabia, Syria, Tunisia, and Yemen have experienced regular and continuing political instability and social unrest. This political instability has ranged from public demonstrations to armed conflict and civil war, including regional wars, such as the Gulf War of 1991, the Iraq War of 2003, the 2006 conflict in Lebanon and the 2014 conflict in Gaza, ongoing armed conflicts, including those in Yemen, Syria, Iraq and Palestine, as well as the multinational conflict with the sub-state terrorist group known as the Islamic State and tensions between and among the United States, Israel, Syria and Iran, other terrorist acts, maritime piracy and civil revolutions. The unrest in the region has given rise to a number of changes in government in some countries. It is not possible to predict the occurrence of events or circumstances, such as war, hostilities or general political instability or social unrest or the impact that such events and circumstances might have on Oman and, accordingly, on Mazoon's business, financial condition or results of operations and, in turn, on its ability to fulfil its obligations in respect of the Certificates and Transaction Documents.

Oman is, and will continue to be, affected by political developments in or affecting the MENA region, and investors' reactions to developments in any country in the MENA region may affect the securities of issuers in other markets within the region, including Oman. Although Oman has not experienced significant terrorist attacks such as those experienced by a number of countries in the MENA region, there can be no assurance that extremists or terrorist groups will not initiate violent activity in Oman. Any terrorist incidents in or affecting Oman or increased regional geopolitical instability (whether or not directly involving Oman) may have a material adverse effect on Oman's attractiveness for foreign investment and capital, its ability to engage in international trade, its tourist industry and, consequently, its economic, balance of payment and fiscal positions.

On 5 June 2017, three GCC member states, namely the Kingdom of Saudi Arabia, the United Arab Emirates, and Bahrain together with other states in the MENA region, namely Egypt, Libya and Yemen, moved to cut diplomatic ties, trade, and transport links with Qatar. The measures to do this included a closure of land, sea, and air access and the expulsion of Qatari officials, residents, and visitors from those countries. Kuwait and Oman, the remaining two member states of the Gulf Cooperation Council (the GCC), have maintained ties with Qatar and at the date of this Prospectus, the former is mediating between Qatar and the relevant governments. Although the Qatari government has issued statements through various ministers that the above-mentioned measures have not significantly affected Qatar's economy, the impact of this dispute on the country and on the public and private institutions operating within its borders is currently unknown and could have a material adverse effect on economic conditions in the MENA region.

Oman is also dependent on expatriate labour (ranging from unskilled labourers to highly skilled professionals in a range of industry sectors) and has made significant efforts in recent years to attract high volumes of foreign businesses and tourists to Oman. Foreign businesses, tourists and, to a lesser extent, expatriate workers are more sensitive to political instability in a country and more ready to shift their activities to alternative countries that are not experiencing such instability. If Oman were to be impacted by the ongoing regional instability and unrest or if terrorist incidents were to occur in Oman, its economy and, in particular, its efforts to diversify its economy could be adversely affected, which, in turn, could have a material adverse impact on Mazoon's business, financial condition or results of operations and, in turn, on its ability to fulfil its obligations in respect of the Certificates and Transaction Documents.

Furthermore, other world events could have an impact on Oman's political and security situation. Oman pursues an independent foreign policy with the aim of fostering good relations with its neighbours as well as other countries, in particular, the United States. For example, in 2006, Oman and the United States entered into a free trade agreement that came into force in 2009, and also cooperate on a range of military and environmental matters. However, certain elements of U.S. foreign policy and international cooperation have been re-evaluated since Donald J. Trump was inaugurated as President of

the United States, in January 2017, and there can be no assurance that this cooperation and support will continue. A deterioration in the relationship between Oman and the United States or changing U.S. political priorities in the region could have a material adverse effect on Oman's economic, political or financial condition, which, in turn, could have a material adverse effect on Mazoon's operating environment, its business, financial condition or results of operations and, in turn, on its ability to fulfil its obligations in respect of the Certificates and Transaction Documents.

Oman's economy is significantly affected by volatility in international oil prices

Oman's economy is significantly impacted by international oil prices. At current market prices, the hydrocarbon sector accounted for 27.4 per cent. of Oman's GDP for the year ended 31 December 2016 and 34.1 per cent. for the year ended 31 December 2015, as compared to 47.2 per cent. for the year ended 31 December 2014 (source: Central Bank). This decreasing trend primarily resulted from the sustained period of low world oil prices which commenced in the middle of 2014. Oman's economy has in the past been, and currently is being, adversely affected by periods of low international oil prices.

Oil prices fell steadily from a monthly average of U.S.\$104.99 per barrel of Dubai Mercantile Exchange's Oman Crude Oil Futures Contract (**DME Oman**) in June 2014 to U.S.\$55.09 per barrel in May 2015. Prices then recovered briefly, reaching a monthly average of U.S.\$63.62 in July 2015 before falling to a further low of U.S.\$27.40 in March 2016. In December 2016 and April 2017, the monthly average price per barrel of DME Oman oil was U.S.\$40 and U.S.\$52, respectively (source: DME Oman). DME Oman crude oil is Oman's principal oil export.

This sustained period of low crude oil prices has affected, and (assuming that crude oil prices remain low for much of the year) can be expected to continue to affect, Oman's economy and, accordingly, the business and results of operations of Mazoon. The following sets out certain figures in Oman's economy related to the oil and gas sector:

- Oman's nominal GDP was adversely affected in 2015 and 2016 and is likely to be adversely affected in 2017, reflecting the significant contributions of the oil and gas sector to Oman's GDP. In 2015, Oman's nominal GDP declined by 14.1 per cent. compared to 2014, principally driven by lower oil and gas prices. Real GDP increased by 3.6 per cent. compared to 2014. In 2016, Oman's nominal GDP declined by 5.1 per cent. compared to 2015.
- Oman's trade balance fell from surpluses of OMR 8,495.9 million in 2013 and OMR 9,328.4 million in 2014 to a surplus of OMR 2,566.7 million in 2015, principally as a result of the reduced value of oil and gas exports. For the eleven months ended 30 November 2016, the trade balance stood at a surplus of OMR 1,227.3 million. Oil and gas exports made up approximately 30 per cent. of nominal GDP in 2015 and 22.5 per cent. of nominal GDP in 2016 (on an annualised basis) (source: NCSI).
- Oman's fiscal balance, which depends principally on oil and gas revenues, had a surplus of OMR 986.7 million in 2013 and became a deficit of OMR 586.9 million in 2014, a deficit of OMR 4,169.7 million in 2015 and a deficit of OMR 5,197.4 million as at 31 December 2016. Oman's budget for 2016 had shown an estimated deficit of OMR 5,300 million based on an assumed oil price of U.S.\$45 per barrel of DME Oman. Actual oil prices achieved over the year were on average lower than U.S.\$45 per barrel and through 31 December 2016, the average realised oil price was U.S.\$40 per barrel, which, together with higher than budgeted expenditures due, in large part, to Oman's unwillingness to halt already committed and in progress infrastructure projects, has resulted in a higher fiscal deficit and increased funding requirements to a level above budget. The Government's break-even price of oil was approximately U.S.\$75 in 2016 and is budgeted to be U.S.\$74 in 2017. Oman's budget for 2017 shows a deficit of OMR 3,000 million based on an assumed oil price of U.S.\$45 per barrel of DME Oman (source: NCSI and Sultani Decree 1/2017 Ratifying the State's General Budget for Fiscal Year 2017). However, actual oil prices may once again fall below the assumed average price, which could result in a higher fiscal deficit and funding requirements exceeding budget.

While Oman has in the past increased oil exports in periods of prolonged down-turns in oil prices and retains some capacity to do so in the short and medium term, because Oman's fields are generally considered to be fairly mature, such a solution may not prove viable if oil prices continue to be depressed for a prolonged period. Furthermore, in January 2017, Oman began to reduce oil production by 5 per cent. (or approximately 45,000 barrels) in line with commitments agreed upon at the December 2016 Organization of the Petroleum Exporting Countries (**OPEC**) meeting in Vienna, Austria. In addition, future growth in reserves is generally expected to be limited to successful implementation of enhanced oil recovery techniques. As a result, if there is any failure to make use of such techniques, or if such techniques prove excessively costly (particularly in the context of low oil prices) or fail to help grow oil and gas reserves, a long-term slowdown in oil production may become more likely.

Prospective investors should be aware that the above analysis does not take into account the indirect impact of low oil prices on Oman's economy, which is difficult to quantify with any precision. Any of Oman's other economic sectors, including the

electricity and related water sector, are in part dependent on the oil and gas sector. For example, the Government has reduced, and may continue to reduce, its expenditures in light of the budgetary pressures caused by low or falling oil prices. Large government fiscal deficits, which are likely to result in a weakened net asset position, larger external financing needs or continued lower government spending, could impact, both directly and indirectly, many sectors of the economy, including, in particular, the construction sector, which could impact the demand for electricity. In addition, ancillary industrial activities related to oil and gas exploration production are also negatively affected by low oil prices, which could also affect the demand for electricity in Oman. Furthermore, sectors that are dependent on household consumption, including education and housing, may be adversely affected by lower levels of economic activity that may result from lower government revenue from oil and gas production. A sustained period of low crude oil prices could therefore result in a material adverse effect on Mazoon's business, financial condition or results of operations and, if continued, may adversely affect Mazoon's ability to fulfil its obligations in respect of the Certificates and Transaction Documents.

Mazoon's business and operations could be affected by Omani economic and political considerations and succession planning risks and poor economic performance in Oman could have a material adverse effect on Mazoon's results of operations and financial condition

Mazoon's revenues are particularly sensitive to the performance of the Omani economy. Changes in its economic, regulatory, administrative or other policies of the Government, as well as political or economic developments in Oman (including potential changes in Oman's credit ratings) over which Mazoon has no control, could have a significant effect on the Omani economy, which in turn could have a material adverse effect on Mazoon's business, results of operations and financial condition.

His Majesty Sultan Qaboos bin Said Al Said, who is 76 years old, has ruled Oman since 1970. His Majesty has been critical in leading the modernisation and advancement of Oman, with a focus on widespread economic and political reform, which has resulted in significantly increased stability and economic growth in the country. There can be no assurance, however, that such stability and growth will continue under the leadership of any successor. Moreover, the likely commitment of any successor to continuing the current policies of the Government is uncertain.

In addition, His Majesty Sultan Qaboos has not designated a successor nor indicated who the potential successors might be. While there is a clear process in place for determining a successor, this process is untested, and there can be no guarantee that it will work as intended or that any change in leadership would occur without any level of civil unrest.

There can be no assurance that a change in the political leadership or priorities within Oman or uncertainty regarding the succession process would not result in a material adverse effect on the economy and growth of Oman. A change in the political leadership or priorities within Oman or uncertainty regarding the succession process, or strife within the region more generally, could result in a material adverse effect on Mazoon's business, financial condition or results of operations and, if continued, may adversely affect Mazoon's ability to fulfil its obligations in respect of the Certificates and Transaction Documents.

The Oman legal system continues to develop, and this may create an uncertain environment for investment and business activity

Oman's legal and regulatory systems and institutions are in various stages of development and are not yet as sophisticated as similar institutions characteristic of more developed markets. As a result, procedural safeguards as well as formal regulations and laws may not be applied consistently. In some circumstances, it may not be possible to obtain the legal remedies provided under the relevant laws and regulations in a timely manner. As the legal environment remains subject to continuous development, investors in Oman may face uncertainty as to the security of their investments. Any unexpected changes in Oman's legal system may have a material adverse effect on the rights of Certificateholders or the investments that Mazoon has made or may make in the future, which could result in a material adverse effect on Mazoon's business, financial condition and results of operations and, if continued, adversely affect Mazoon's ability to fulfil its obligations in respect of the Certificates and the Transaction Documents.

The Central Bank and the Oman Ministry of Commerce and Industry regulate interest rates in Oman

The Central Bank and the Oman Ministry of Commerce and Industry (the **MOCI**) each have the power to regulate certain interest rates in Oman. It is unlikely that Periodic Distribution Amounts would be regulated by the Central Bank and it is not clear whether Periodic Distribution Amounts would fall to be regulated by the MOCI and, accordingly, what maximum Periodic Distribution Amount would apply to the Certificates. As at the date of this Prospectus, the MOCI imposes a maximum "rate of return" of 6.5 per cent. on commercial loans and debts and the Central Bank currently imposes a maximum interest rate of 6 per cent. per annum on personal and housing loans and while these limits should not apply to the Certificates

or the Transaction Documents, there is no clear guidance as to the maximum rate of return that may be imposed on such corporate obligations. In addition, courts of Oman will not enforce interest claims in excess of what those courts consider just and reasonable. Accordingly, no assurance can be given as regards the enforceability of distribution amounts in excess of such amounts to the extent that the matter fell to be considered by the courts of Oman.

Moreover, there may be a possibility that, pursuant to the Civil Code, courts of Oman may decide not to enforce provisions of a contract governed by foreign law or a judgement from a foreign court or arbitral award, which are deemed contrary to Islamic *Shari'ah* principles, such as the charging of interest. Although the charging of interest is expressly permitted under Oman law and the regular practice of courts of Oman is to enforce contracts charging interest, there can be no assurance that provisions for the payment of interest will in all cases be respected.

Any adjustment to, or ending of, Oman's currency peg could negatively affect Oman

Since 1973, the Omani Rial has been pegged to the U.S. Dollar at a rate which has remained unchanged at approximately U.S.\$2.600 = OMR 1 since 1986. The maintenance of this currency peg is a firm policy of the Central Bank. However, although there are currently substantial reserves available to defend the currency peg, there is no assurance that the Central Bank will be able to continue to maintain the currency peg in the future. In particular, there can be no guarantee that the assets in Oman's various sovereign wealth funds will be able to be liquidated at their current market value (and thus added to the reserves available to support the Omani Rial and thus the currency peg) in the event of a market downturn.

If the Central Bank cannot maintain the currency peg to the U.S. Dollar, or failing that, a stable exchange rate versus the U.S. Dollar, it could reduce confidence in Oman's economy, reduce foreign direct investment and adversely affect Oman's finances and economy.

In addition, because of the currency peg to the U.S. Dollar, the Central Bank is unable to devalue the Omani Rial to stimulate Oman's exports market, and the Central Bank's ability to manage interest rates and thus influence the condition of the Omani economy via monetary policy actions is constrained. For example, if the U.S. Federal Reserve were to further increase interest rates, and the Central Bank were to delay significantly in increasing its own rates, this could result in significant pressure on the currency peg. The inability of the Central Bank to devalue the Omani Rial could therefore have an adverse effect on Oman's foreign trade and domestic demand and, in turn, on its economy, which could result in a material adverse effect on Mazoon's business, financial condition and results of operations and, if continued, adversely affect Mazoon's ability to fulfil its obligations under the Certificates and the Transaction Documents.

RISKS RELATED TO THE CERTIFICATES

The Certificates are limited recourse obligations and investors may not be able to seek full recourse for failure to make payments due on the Certificates

The Certificates are not debt obligations of the Trustee. Instead, the Certificates represent a beneficial ownership interest solely in the Trust Assets. Recourse to the Trustee in respect of the Certificates is limited to the Trust Assets and the proceeds of these Trust Assets are the sole source of payments on such Certificates. Upon the occurrence of a Dissolution Event, the sole right of each of the Trustee, the Delegate and, through the Delegate, the Certificateholders will be against Mazoon to perform its obligations under the Transaction Documents to which it is a party. Certificateholders will have no recourse to any assets of the Trustee (including the Trust Assets), the Delegate, Mazoon, the Trustee, any Agent or any director or officer of the Trustee, or any affiliate of the foregoing entities in respect of any shortfall in the expected amounts due under the Trust Assets. Mazoon is obliged to make certain payments under the Transaction Documents to which it is a party directly to the Trustee. The Trustee and the Delegate will have direct recourse against Mazoon to recover such payments due to the Trustee pursuant to the Transaction Documents. Investors have no direct recourse to Mazoon other than in the limited circumstances specified in the Declaration of Trust and there can be no assurance that the net proceeds of the realisation of, or enforcement with respect to, the Trust Assets will be sufficient to make all payments due. In the event that the proceeds of the Trust Assets are not sufficient to satisfy the payments, the Certificateholders shall have no recourse against any other assets of the Trustee, or against any director or officer of the Trustee. After enforcing or realising the Trust Assets and distributing the net proceeds of these Trust Assets in accordance with Condition 6.2 the obligations of the Trustee in respect of the Certificates shall be satisfied and neither the Delegate nor any Certificateholder may take any further steps against the Trustee to recover any further sums and the right to receive any such sums unpaid shall be extinguished.

Furthermore, under no circumstances shall any Certificateholder, the Trustee or the Delegate have any right to cause the sale or other disposition of any of the Trust Assets except pursuant to the Transaction Documents and the sole right of the Trustee, the Delegate and the Certificateholders against Mazoon shall be to enforce the obligation of Mazoon to perform its obligations under such Transaction Documents to which it is a party.

There can be no assurance that a secondary market for the Certificates will develop

There is no assurance that a market for the Certificates will develop or, if it does develop, that it will provide the Certificateholders with liquidity of investment or that it will continue for the life of the Certificates. In addition, liquidity may be limited if large allocations of the Certificates are made. Accordingly, a Certificateholder may not be able to find a buyer to buy its Certificates readily or at prices that will enable the Certificateholder to realise a desired yield. The market value of the Certificates may fluctuate and a lack of liquidity, in particular, can have a material adverse effect on the market value of the Certificates. Accordingly, the purchase of the Certificates is suitable only for investors who can bear the risks associated with a lack of liquidity in the Certificates and the financial and other risks associated with an investment in the Certificates. An investor in the Certificates must be prepared to hold the Certificates for an indefinite period of time or until their maturity. Application has been made to the Irish Stock Exchange for the Certificates to be admitted to trading on its Main Securities Market, but there can be no assurance that such listing will occur on or prior to the Issue Date, if at all.

Investors in the Certificates may need to consider the impact of the Volcker Rule

The Trustee is relying on an exclusion or exemption under the Investment Company Act other than the exclusions contained in Section 3(c)(1) and Section 3(c)(7). The Trustee was structured so as not to constitute a "covered fund" for purposes of the regulations adopted under Section 13 of the Bank Holding Company Act of 1956, as amended (commonly known as the Volcker Rule). The Volcker Rule generally prohibits "banking entities" (which is broadly defined to include U.S. banks and bank holding companies and many non-U.S. banking entities, together with their respective subsidiaries and other affiliates) from (i) engaging in proprietary trading, (ii) acquiring or retaining an ownership interest in or sponsoring a "covered fund" and (iii) entering into certain relationships with such funds. Under the Volcker Rule, unless otherwise jointly determined by specified federal regulators, a "covered fund" does not include an issuer that satisfies all of the elements of the exemption from registration under the Investment Company Act provided by Rule 3a-5 of the Investment Company Act. The Volcker Rule became effective on 1 April 2014, but was subject to a conformance period for certain funds which concluded on 21 July 2015. The general effects of the Volcker Rule remain uncertain. Any prospective investor in the Certificates, including a U.S. or foreign bank or a subsidiary or other affiliate thereof, should consult its own legal advisers regarding such matters and other effects of the Volcker Rule.

The Certificates may be subject to early redemption

In the event that the amount payable on the Certificates is required to be increased to include additional amounts in accordance with the Conditions and/or Mazoon is required to pay additional amounts pursuant to certain Transaction Documents, in each case as a result of certain changes affecting taxation in Oman, or in each case any political subdivision or any authority thereof or therein having power to tax, the Trustee may redeem all but not some only of the Certificates upon giving notice in accordance with the Conditions of the Certificates prior to their Scheduled Dissolution Date.

The Certificateholders may face foreign exchange risks or adverse tax consequences by investing in the Certificates

The Trustee will pay amounts due on the Certificates in U.S. dollars. If the Certificateholders measure their investment returns by reference to a currency other than U.S. dollars (the **Certificateholder's Currency**), an investment in the Certificates will entail foreign exchange-related risks due to, among other factors, possible significant changes in the value of the U.S. dollar, as applicable, relative to the Certificateholder's Currency because of economic, political and other factors over which the Trustee has no control and the risk that authorities with jurisdiction over the Certificateholder's Currency may impose or modify exchange controls. Depreciation of the U.S. dollar, as applicable, against the Certificateholder's Currency could cause a decrease in the effective yield of the Certificates below their stated Periodic Distribution Amount and could result in a loss to the Certificateholders when the return on the Certificates is translated into the Certificateholder's Currency. Investment in the Certificates may also have important tax consequences as a result of any foreign currency exchange gains or losses.

The conditions of the Certificates, the Declaration of Trust and the other Transaction Documents contain provisions which may permit their modification without the consent of all investors and in certain limited circumstances without the consent of any Certificateholders and without regard to the individual interests of particular Certificateholders

The conditions of the Certificates contain provisions for calling meetings of Certificateholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Certificateholders including Certificateholders who did not attend and vote at the relevant meeting and Certificateholders who voted in a manner contrary to the majority.

The conditions of the Certificates and the Declaration of Trust also provide that the Delegate may (but shall not be obliged to), without the consent or approval of Certificateholders and without regard to the interests of particular Certificateholders, agree to any modification of any of the provisions of the Certificates, the Trustee's memorandum and articles of association, the Declaration of Trust or any other Transaction Document if, in the sole opinion of the Delegate, such modification is (a) of a formal, minor or technical nature, (b) made to correct a manifest error, or (c) not materially prejudicial to the interests of Certificateholders and not in respect of a Reserved Matter (as defined in the Declaration of Trust). The Delegate may further agree to any waiver or authorisation of any breach or proposed breach of the conditions of the Certificates, the Declaration of Trust or any other Transaction Document, or determine without the consent of the Certificateholders that any Dissolution Event or potential Dissolution Event shall not be treated as such, in each such case as further described in Condition 19 and the Declaration of Trust.

There can be no assurance that the Certificates will be Shari'ah compliant

The *Shari'ah* Advisors have reviewed the Transaction Documents and confirmed that the Certificates and the Transaction Documents are, in their view, *Shari'ah* compliant. However, there can be no assurance that the Transaction Documents or the issue and trading of the Certificates will be deemed to be *Shari'ah* compliant by any other *Shari'ah* committee or *Shari'ah* scholars. Different *Shari'ah* advisors as well as courts in the Sultanate of Oman may form different opinions on identical issues and therefore potential investors should not rely on the pronouncements of the *Shari'ah* Advisors in deciding whether to make an investment in the Certificates and should obtain their own independent *Shari'ah* advice as to the compliance of the Transaction Documents and the issue and trading of the Certificates with *Shari'ah* principles. Potential investors should also note that the pronouncement of the *Shari'ah* Advisors would not bind a court in the Sultanate of Oman, and any court will have the discretion to make its own determination about whether the Transaction Documents and the Certificates comply with *Shari'ah* principles. None of the Trustee, Mazoon, the Delegate, the Agents or any of the Joint Lead Managers makes any representation as to the *Shari'ah* compliance of the Certificates, the Transaction Documents or the *Shari'ah* pronouncement issued by the *Shari'ah* Advisors. In addition, the Transaction Documents provide that the enforcement of any obligations of any of the parties under the Transaction Documents would be, if in dispute, the subject of arbitration under English law or Omani law, as the case may be. In such circumstances, the arbitrator should first apply the governing law of the relevant Transaction Document in determining the obligations of the parties. See also “ – Risks Related to Enforcement”.

Credit ratings may not reflect all risks

The Certificates are expected to be assigned a rating of Baa2 by Moody's, and BBB with negative outlook by Fitch. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time

by the assigning rating agency. The ratings of the Certificates may not reflect the potential impact of all the risks related to the structure, market, additional factors discussed herein and other factors that may affect the value of the Certificates. In addition, real or anticipated changes in the ratings of the Certificates could negatively affect the market value of the Certificates.

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances whilst the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). The list of registered and certified rating agencies published by the ESMA on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list. Certain information with respect to the credit rating agencies and ratings is set out on the front page of this Prospectus.

Reliance on DTC, Euroclear and Clearstream, Luxembourg procedures

The Unrestricted Certificates will be represented on issue by an Unrestricted Global Certificate that will be deposited with a common depository for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in the relevant Unrestricted Global Certificate, investors will not be entitled to receive Certificates in definitive form. Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants will maintain records of the beneficial interests in each Unrestricted Global Certificate. While the Certificates are represented by an Unrestricted Global Certificate, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg and their respective participants.

The Restricted Certificates will be represented on issue by a Restricted Global Certificate that will be deposited with a nominee for DTC. Except in the circumstances described in the relevant Restricted Global Certificate, investors will not be entitled to receive Certificates in definitive form. DTC and its direct and indirect participants will maintain records of the beneficial interests in each Restricted 144A Global Certificate. While the Certificates are represented by a Restricted Global Certificate, investors will be able to trade their beneficial interests only through DTC and its participants, including Euroclear and Clearstream, Luxembourg.

While the Certificates are represented by the Global Certificates, the Trustee will discharge its payment obligation under such Certificates by making payments through the relevant clearing systems. A holder of a beneficial interest in a Global Certificate must rely on the procedures of the relevant clearing system and its participants to receive payments under the Certificates. The Trustee has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in any Global Certificate.

Holders of beneficial interests in a Global Certificate will not have a direct right to vote in respect of the Certificates. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant clearing system and its participants to appoint appropriate proxies.

Total Loss Event

As owner of the Lease Assets, the Trustee is required, among other things, to insure the Lease Assets. In accordance with *Shari'ah* principles, the Trustee has delegated this obligation to Mazoon, as its servicing agent, which has undertaken in the Servicing Agency Agreement, *inter alia*, to insure the Lease Assets in the name of the Trustee against the occurrence of a Total Loss Event for their full reinstatement value (and to ensure that such amount is not at any time less than the aggregate face amount of Certificates then outstanding). A Total Loss Event is defined as the total loss or destruction of, or damage to the Lease Assets or any event or occurrence that renders the whole of the Lease Assets permanently unfit for any economic use and (but only after taking into consideration any insurances or other indemnity granted by any third party in respect of the Lease Assets) the repair or remedial work in respect thereof is wholly uneconomical or the expropriation, confiscation, attachment, sequestration or execution of any legal process in respect of the Lease Assets.

Nevertheless, should such an event occur, the Lease will terminate and, save where the Lease Assets are replaced by Mazoon in accordance with the Servicing Agency Agreement, the Certificates will be repaid using the proceeds of the insurance received by the Trustee. In this scenario potential investors should be aware that (i) rental under the Lease will cease upon the occurrence of a Total Loss Event as that Lease will have terminated and accordingly the Periodic Distribution Amount

payable to the Certificateholders will not accrue after the date of such Total Loss Event and (ii) there may be a delay in the Trustee receiving the proceeds of insurance and therefore in the Certificateholders receiving a Dissolution Distribution Amount in respect of their Certificates and no additional Periodic Distribution Amount will be paid in respect of this delay. The Servicing Agency Agreement provides that if the insurance proceeds for an amount equal to the full reinstatement value are not paid directly into the Transaction Account by no later than close of business in Muscat on the 30th day after the Total Loss Event occurred, Mazoon as Servicing Agent shall have failed to comply with the terms of the Servicing Agency Agreement, and accordingly (unless it proves beyond any doubt that any shortfall is not attributable to its negligence or its failure to comply with the terms of the Servicing Agency Agreement relating to insurance) the Servicing Agent undertakes to pay any shortfall amount into the Transaction Account. The Delegate will be entitled to enforce this undertaking against Mazoon on behalf of the Certificateholders.

RISKS RELATED TO ENFORCEMENT

There may be limitations on the enforcement of arbitral awards against Mazoon

The Certificates, the Declaration of Trust, the Agency Agreement, the Servicing Agency Agreement, the Purchase Undertaking and the Sale and Substitution Undertaking are governed by English law and the Purchase Agreement and the Lease Agreement are governed by Omani law; the parties to such documents have agreed to refer any unresolved dispute in relation to such documents to arbitration settled under the arbitration rules of the London Court of International Arbitration (the **LCIA**) (the **Rules**).

Foreign arbitration awards may be enforced in Oman pursuant to: (i) treaty obligations; or (ii) the Oman Civil Procedure Law. Oman has acceded to the New York Convention, and ratified the Riyadh Convention. Although Oman has been a party to the New York Convention since 1998, Mazoon is aware of only one case which has come before the courts of Oman where a claimant has sought to enforce a foreign arbitral award issued by a contracting state. Whilst in that case the Oman Appeal Court held that the arbitral award was recognised and enforceable in Oman, it should be noted that there is no doctrine of binding precedent under Oman law, although decisions of the Oman Appeal Court may be persuasive. Mazoon has no reason to believe, however, that the courts of Oman would not enforce an arbitral award passed in a contracting state (without the need to re-examine or re-litigate), subject only to no valid argument being raised that the enforcement of that arbitral award should be refused on one or more of the grounds set out in Article V of the New York Convention or that the subject matter of the award is against public order or morality in Oman. The enforcement in Oman of any of the obligations of any party under any of the Certificates or the Transaction Documents (irrespective of whether the courts of Oman have given a judgment in favour of a party) will ultimately require an order for enforcement by the courts of Oman, which order is subject to discretion, including as to the manner in which such court would interpret and apply the New York Convention.

If the foreign arbitral award is not enforceable pursuant to a treaty obligation (for example, an award is passed in a country that is not a signatory to the New York Convention or Riyadh Convention), then such award may still be enforceable in Oman subject to the satisfaction of the conditions set out in Articles 352 to 355 of the Oman Civil Procedure Law. In accordance with Article 352 of the Law of Civil and Commercial Procedures of Oman, the courts of Oman possess an inherent jurisdiction to enforce foreign awards. When considering the enforcement of arbitral awards in the above circumstances, the courts of Oman will need to be satisfied that the following conditions have been met (reading "judgment" as "award"):

- (a) it is passed by a competent judicial authority in accordance with the international jurisdiction rules applicable in the country in which the judgment or order is passed and becomes final according to that law and was not grounded on deception;
- (b) the parties to the dispute were summoned to appear and were properly represented;
- (c) it does not include any requests, the basis of which breaches the laws enforced in Oman;
- (d) it does not contradict any judgment or order previously issued by the courts of Oman, and it does not include anything contravening public order or morals;
- (e) the country in which the said judgment or award was signed accepts the execution of judgments of Oman courts within its territories; and
- (f) the matter that has been arbitrated upon in the foreign jurisdiction is capable of being determined by arbitration under Omani law (Article 353).

In the event that the conditions of Articles 352 to 355 of the Oman Civil Procedure Law are not met by a foreign arbitral award, such foreign arbitral award may be of evidentiary value only in a full hearing before the Omani courts and the matter may have to be litigated *de novo* before the courts of Oman.

The enforcement in Oman of any of the obligations of any party under any of the Certificates or the Transaction Documents (irrespective of whether the courts of Oman have given a judgment in favour of a party) will ultimately require an order for enforcement by the courts of Oman, which order is subject to discretion, including as to the manner in which such court would interpret and apply the New York Convention.

The Certificates may be deemed to be void and unenforceable pursuant to Article 88(b) of the Oman Commercial Companies Law

Pursuant to Article 88(b) of the Oman Commercial Companies Law (**Article 88(b)**), a joint stock company may not issue bonds if the aggregate face amount of all outstanding bonds of that company plus the aggregate face amount of the bonds proposed to be issued exceeds the amount of the company's capital. It is open to interpretation as to whether Article 88(b) applies to the Trustee in the context of a sukuk issuance.

Whilst it is not expected that Article 88(b) will apply to special purpose vehicles (including joint stock companies) established solely for the purpose of issuing sukuk, and the Oman Capital Market Authority has verbally confirmed its view that it is not intended that Article 88(b) apply to special purpose vehicles (including joint stock companies) established solely for the purpose of issuing sukuk, there is no specific exemption or dis-application of the restrictions in Article 88(b) in the context of sukuk issuances. It is possible that an Oman court may take an alternative interpretation and determine that Article 88(b) applies to the Trustee. If an Oman court determines that the Trustee has issued Certificates in contravention of Article 88(b), then the court may declare the entire issue void and unenforceable on the basis that Article 88(b) is a matter that goes to the public order in Oman. In such circumstances, the court would likely require that the Trustee return to the Certificateholders the proceeds of such issuance of the Certificates, less any amounts, including Periodic Distribution Amounts, already paid to the Certificateholders by the Trustee. In addition, if it is determined that the provisions of the Oman Commercial Companies Law have been breached then this could attract civil and/or criminal sanctions for, amongst other parties, the Trustee and its directors.

Mazoon's waiver of immunity may not be effective under the laws of Oman.

Oman law provides that assets owned by Oman and which are designated as being public assets may not be subject to attachment. Since Mazoon is ultimately wholly-owned by the Government, there is a risk that the assets of Mazoon may fall within the ambit of public assets and, as such, cannot be attached or executed upon and there are also restrictions on disposal of Mazoon's assets under the Sector Law. Under Oman law, no legal person in Oman is immune from suit and sovereign immunity from process before the Oman courts was abrogated in 1997. Mazoon has waived its rights in relation to sovereign immunity, however, there can be no assurance as to whether such waivers of immunity, from execution or attachment or other legal process by it in respect of the Certificates and the Transaction Documents are valid and binding under the laws of Oman and, to Mazoon's knowledge, such waivers have not been tested by the courts of Oman.

Change of law

The structure of the issue of the Certificates is based on English law and Omani law in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to English law or Omani law or administrative practice after the date of this Prospectus nor can any assurance be given as to whether any such change could adversely affect the ability of the Trustee to make payments under the Certificates or of the Trustee and Mazoon to comply with their respective obligations under the Transaction Documents.

RISKS RELATED TO TAXATION

Change of tax law

Statements in this Prospectus concerning the taxation of investors are of a general nature and are based upon current law and practice in the jurisdictions stated. Such law and practice is, in principle, subject to change, possibly with retrospective effect, and this could adversely affect investors.

In addition, any change in legislation or in practice in Oman could adversely impact (i) the ability of the Trustee to service the Certificates; (ii) the market value of the Certificates; and (iii) the ability of the Trustee and Mazoon to comply with their respective obligations under the Transaction Documents.

Payments of Periodic Distribution Amounts in respect of the Certificates to non-Omani Certificateholders may be subject to withholding tax in Oman. However, Condition 11 provides that the Trustee is required to pay additional amounts in respect of any such withholdings or deductions in certain circumstances such that the Certificateholders receive the full amount which would have otherwise been receivable by them in the absence of such withholding or deduction. Mazoon has, pursuant to the Declaration of Trust, undertaken to pay to the Trustee an amount equal to the liabilities of the Trustee in respect of any and all such additional amounts.

REGULATION OF THE ELECTRICITY SECTOR IN OMAN

Overview of the Sector, EHC and Oman Power and Water Procurement Company S.A.O.C.

Until 1999, the Government, through the Ministry of Housing, Electricity and Water (the **MHEW**) (the predecessor of the Ministry of Housing), had sole authority for the electricity generation, transmission and dispatch and distribution and supply activities in Oman. In December 1999, the Oman Council of Ministers approved the introduction of a Government policy designed to facilitate the wholesale restructuring of and private sector participation in the electricity and related water sector in Oman and began the process of preparing a new law to facilitate the restructuring and regulation of the electricity and related water sector in Oman. As a result, the Sector Law came into force on 1 August 2004. The Sector Law provides:

- the regulatory framework for the 'single buyer' industry structure of the electricity and related water sector in Oman, under which each of power generation/water desalination, electricity transmission and electricity distribution and supply is required to be operated separately (and regulated accordingly), with a single entity responsible for procuring that generation capacity meets anticipated demand for electricity;
- establishment of an industry regulator, the Authority for Electricity Regulation, Oman, with functions, powers and duties for the grant, monitoring, modification and enforcement of licences for regulated activities in order to regulate the sector;
- the entitlement of Supply Companies (including Mazoon) to charge customer tariffs approved by the Council of Ministers;
- a statutory mechanism for the calculation by AER and payment to Distribution and Supply Companies (including Mazoon) of subsidy, to the extent that revenue to which it is entitled based on customer tariffs is less than the Maximum Allowed Revenue which it is entitled to earn according to the arrangements for regulation of its revenue established under its licence;
- provisions that contemplate AER reporting over time on the readiness of Oman's electricity market for the potential further liberalisation of the market, including the possible introduction of supply competition; and
- the basis for the transfer of relevant assets and liabilities of the MHEW to a number of successor companies (the **Transfer Scheme**).

The Sector Law was amended by Sultani Decrees 59/2009, 32/2012 and 47/2013. Following the most recent amendment in 2013, the remit of the Sector Law was expanded to cover designated standalone desalination plants.

On 19 October 2002, EHC registered as a joint stock company in Oman. EHC is a holding company that owns, on behalf of the Ministry of Finance, 99.99 per cent. of the issued and outstanding shares of nine operating subsidiaries in Oman, save for Dhofar Power Company S.A.O.C. (**DPC**), in which EHC owns 98.94 per cent. of the issued shares. Between them, these subsidiaries operate some licensed generation and related desalination activities and all licensed electricity transmission, distribution and supply activities in Oman. There are, in addition, a number of privately owned companies providing generation and desalination activities, in which EHC has no interest. In addition to Mazoon, EHC's operating subsidiaries are Al Ghubrah Power and Desalination Company S.A.O.C., DPC, Majan Electricity Company S.A.O.C. (**MJEC**), MEDC, OETC, OPWP, Rural Areas Electricity Company S.A.O.C. (**RAECO**) and Wadi Al Jizzi Power Company S.A.O.C.

Pursuant to the Transfer Scheme, all the previously MHEW-owned electricity and related water activities were transferred to these nine operating subsidiaries of EHC, formed for the purpose, including the transfer of relevant distribution and supply activities to Mazoon. With the exception of DPC, ownership of the remaining 0.01 per cent. of the issued and outstanding shares of each of these nine companies is split between NICD and NSS, following a recent transfer of the Ministry of Finance's direct shareholding in those companies to NICD and NSS. EHC has a 99 per cent. participating interest in NSS and NICD the remaining 1 per cent. EHC owns 149,999 shares of NICD and NSS the remaining one share.

EHC's subsidiaries are engaged in: the procurement of electricity and water (OPWP); electricity generation (Wadi Jizzi Power Company), electricity generation and water desalination (Al Ghubrah Power and Desalination Company); electricity transmission and dispatch (OETC); electricity distribution and supply (Mazoon, MEDC, MJEC and DPC), electricity generation, distribution and supply (SPD), electricity generation, transmission, distribution and supply and desalination of water (RAECO).

OPWP was established as a closed joint stock company in 2003 to discharge the functions later conferred on it pursuant to the Sector Law. OPWP is the single buyer of power and desalinated water in Oman. In this capacity, it has:

- a statutory monopoly over all grid-connected power plant capacity and all electricity which enters the Main Interconnected System (generators may only sell to OPWP and only OPWP may import electricity into Oman);
- a statutory monopoly in respect of all water produced by Independent Water projects (**IWPs**);
- in these capacities, it is the publicly-owned counterparty for each Independent Power Project (**IPP**), Independent Water and Power Project (**IWPP**) and Independent Water Project (**IWP**) in Oman;
- a statutory monopoly to make bulk supplies of electricity at a regulated bulk supply tariff to Distribution and Supply companies (including Mazoon) – it is their sole source of electricity, and to sell electricity to parties outside Oman;
- a function of selling water output procured by it to PAEW;
- a primary corporate purpose to ensure that there is sufficient electricity and water production capacity available to meet the demand in Oman. It plans for this on a seven year rolling cycle in which OPWP identifies new capacity which must generally be competitively tendered and developed by private sector entities in order to meet the future power generation and water desalination requirements of Oman.

The electricity transmission system in Oman is operated by OETC which is also responsible for central dispatch of the system. It is licensed to discharge these functions by AER. These include:

- compliance with the provisions of its licence and the grid code;
- charging cost reflective tariffs to licenced suppliers for the use of its transmission system; and
- developing and operating a central dispatch system for production facilities in the manner stated in its licence.

The Oman electricity distribution and supply systems are organised as follows:

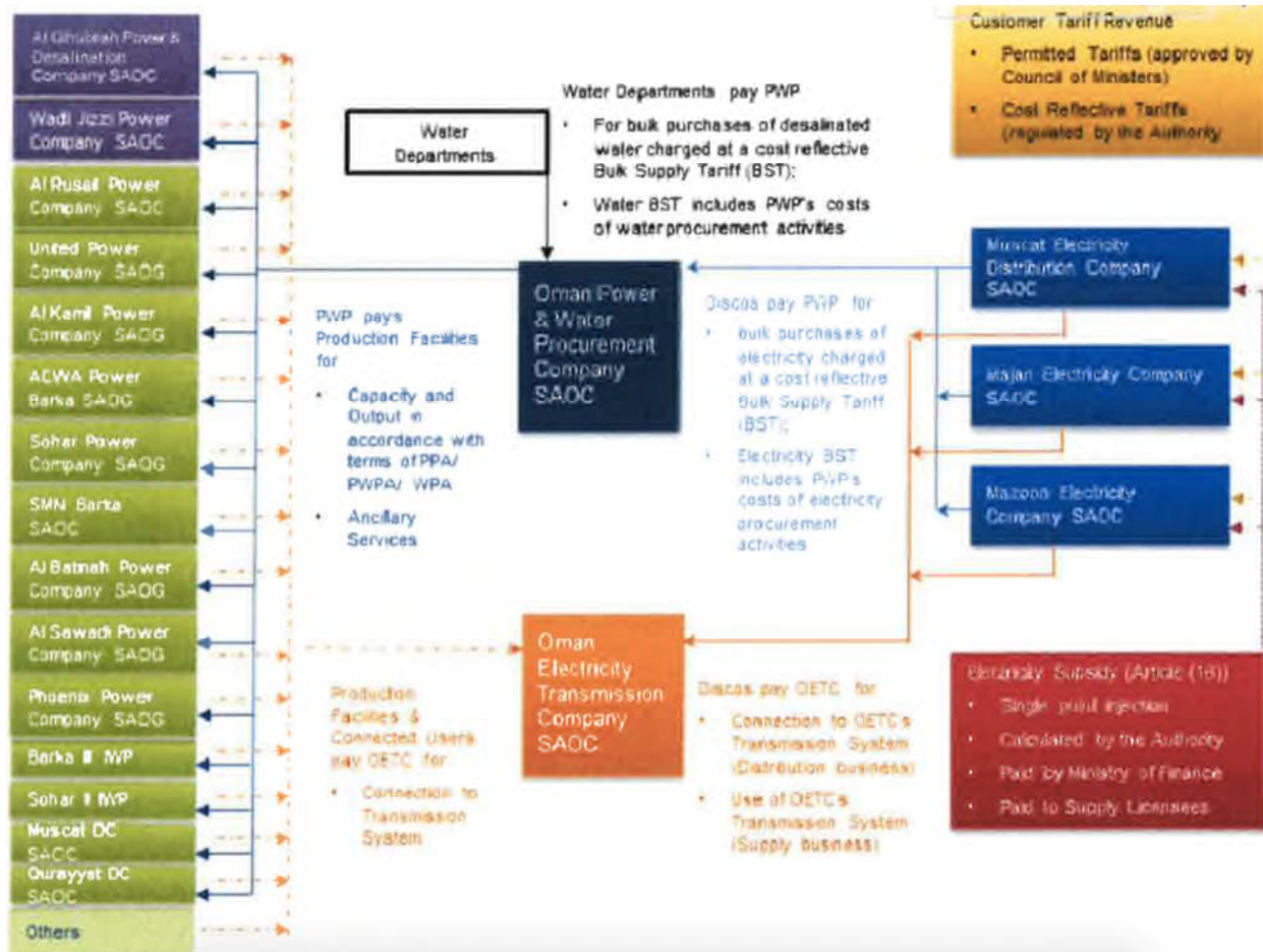
- all distribution systems are operated by persons licensed by AER under the Sector Law who are also licensed suppliers, each with monopoly rights to carry out distribution and supply of electricity in the authorised areas specified in their licences;
- three licensed distribution operator/suppliers operate systems which are connected to/part of the Main Interconnected System (**MIS**). They are: Mazoon, MEDC and MJEC. Mazoon's geographical coverage encompasses the Dakhilyah, South Sharqiyah, North Sharqiyah and South Batinah governorates;
- in Dhofar, DPC undertakes electricity distribution and supply; and
- multiple systems in rural areas which are not connected to the MIS are operated by Rural Areas Electricity Company S.A.O.C., which has a monopoly in making vertically integrated supplies in rural areas of Oman for so long as the relevant communities are not connected to the MIS at which point, the distribution assets and retail business transfer to the relevant distribution and supply company.

Mazoon has the following statutory functions, powers and duties under the Sector Law:

- charging the permitted tariff or cost reflective tariff for connection and distribution system;
- meeting reasonable demand for electricity in its authorised area;
- arranging for meter readings and submitting bills to its customers; and
- paying OETC or any other licenced transmission system operator in consideration for use of such system.

The principal contents of Mazoon's Licence are set out in Parts II to IV of the Licence.

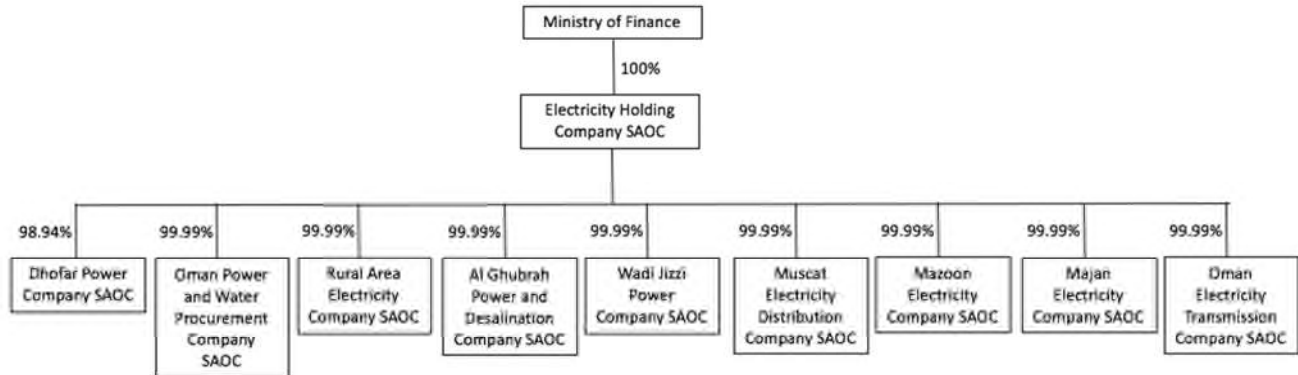
The following diagram sets out the main participants and relationships in the electricity and related water sector (MIS) in Oman. The diagram shows the position of Mazoon in the supply chain and the regulated revenue streams to which Mazoon is entitled, as well as Mazoon's principal contractual counterparties, their supply chain positions and the respective revenue streams to which they are entitled.



Electricity and Related Water Sector Ownership

The diagram below shows the ownership structure of the electricity and related water sector in Oman, which is partly Government-owned and partly privatised. The following shows the current ownership structure in the Omani electricity sector and the majority shareholdings in respect of the Government owned entities.

Government owned entities (directly or indirectly)



Non-Government owned Entities:

- Al Kamil Power Company SAOG
- United Power Company SAOG
- ACWA Power Barka SAOG
- Solar Power Company SAOG
- Sembcorp Salalah Power & Water Company SAOG
- Al Batinah Power Company SAOG
- Al Suwaidi Power Company SAOG
- Phoenix Power Company SAOG
- Ibril IPP / Solar IPP
- Al Rusail Power Company SAOG
- SMN Barka SAOC
- Muscat City Desalination Company SAOG
- Qurayyat Desalination Company SAOC
- Salalah IWPP (under construction)
- Dhofar Generation Company SAOC
- Bahwan Astonfield Solar PC (under construction)
- Musandam IPP (under construction)
- Barka III IWP (under construction)
- Solar II IWP (under construction)

Privatization of the Electricity and Related Water Sector

The Government has taken steps to privatize the electricity and related water sector in Oman. The Sector Law provides for the unbundling, liberalisation and privatization of the electricity and related water sector in Oman, including by way of new foreign investment. The Government has begun privatizing the electricity generation segment, by privatizing some previously public sector-owned generators, and OPWP has facilitated establishing numerous IPPs and IWPPs by wholly private sector entities. The Government is developing plans for the privatization of eligible entities and EHC has started the procurement of advisers for this process. The Ministry of Finance has committed to maintaining ownership of at least a majority stake in the privatization of any distribution or transmission company that it owns, in whole or in part, as at the date of this Prospectus.

Private generation companies currently under contract to OPWP have an obligation, pursuant to project founders agreements entered into with EHC, to complete an initial public offering within a period after completion of construction (the periods vary slightly in each case). In addition, the Government has an established policy that all new generation capacity in Oman will be 100 per cent. privately owned. As at the date of this Prospectus, the Government owns stakes in two of the 13 power generating plants in Oman (Wadi Jizzi Power Company SAOC and Al Ghubrah Power & Desalination Company SAOC), with private parties owning the remaining eleven (five more privately owned plants are under construction). Eight of the privately-owned generating plants have completed initial public offerings for either 35 per cent. or 40 per cent. of their shares, with an initial public offering for the ninth plant expected to be completed around 2020.

In March 2016, the Oman Council of Ministers (the **Council of Ministers**) approved a divestment of up to 49 per cent. of the shares of MEDC, through a combination of private and public offer. A privatization process for the sale of a 49 per cent. interest in MEDC commenced in October 2016, which process was subsequently put on hold. In July 2017, the Ministry of Finance instructed EHC to facilitate privatizing other eligible entities in the electricity sector which includes Mazoon. In August 2017, EHC circulated a tender for advisory services to advise on further steps in the privatization process of eligible entities, and execute the privatization of these entities in accordance with the approvals from the Ministry of Finance. The timing of any such privatization, and the structure and extent, is not yet known. In the event that all or a part of Mazoon is privatized such that the Government directly or indirectly owns less than 100 per cent. of Mazoon, the Ministry of Finance's statutory duty under Article 67 of the Sector Law would no longer apply to Mazoon, which obligates the Ministry of Finance to secure the availability of the necessary finance for Mazoon to undertake its activities and achieve its objectives for as long as it is wholly-owned by the Government. Nevertheless, the Ministry of Finance has informed EHC that it intends to retain at least a majority interest in Mazoon. See "*Risk Factors — Risks related to Mazoon's Business — Mazoon's obligations, in respect of the Certificates and the Transaction Documents, are not guaranteed by the Government*" and "*Risk Factors — Risks related to Mazoon's Business — The Government, as the ultimate owner of Mazoon, can control Mazoon's policies and may pursue decisions that reflect Government policy, which may conflict with the interests of Mazoon and the Certificateholders*".

AER believes the market is ready for supply competition and will initiate the consultation and preparatory work required by the Sector Law prior to submitting proposals to government. AER continued to oversee the implementation of an automated meter reading programme and the introduction, from 1 January 2017, of cost reflective tariffs for high use customers. The Authority intends to publish its position on the readiness of the market with regards to the introduction of supply competition during 2017.

Regulation of the Electricity and Related Water Sector

In particular, Mazoon is subject to regulation by two governmental bodies, indirectly by the PAEW and directly by the AER. It is also subject to the control of the Ministry of Finance, which indirectly through EHC and EHC's participating interest in each of NSS and NICD, owns all of the outstanding share capital of Mazoon.

Ministry of Finance

Under Article 65(B) of the Sector Law, EHC is obliged to safeguard the Government's interests and monitor the interest of the state in the running of its business and those of its subsidiaries, including Mazoon. As the indirect owner of Mazoon and pursuant to the Sector Law, the Ministry of Finance is to co-ordinate with EHC before the latter makes any decision in relation to the appointment of members of the Board and is also able to exert direct influence over Mazoon's policies, strategy, management, operations and budget, though this does not relieve it from its Sector Law obligations, including to comply with its licence. In particular, EHC is required, pursuant to Article 73 of the Sector Law, to submit its budget for itself and for the its Article 66 subsidiaries (which includes Mazoon) to the PAEW for review. The PAEW, in turn, submits the budgets to the Ministry of Finance for

review. In addition, the Ministry of Finance has issued a circular to all Government owned companies regarding restrictions on payments on bonuses in early 2017. The Ministry of Finance's primary obligation with respect to Mazoon is to ensure availability of the necessary finance for Mazoon to undertake its activities and objectives in accordance with the Sector Law and its Licence, rather than the commercial optimisation of Mazoon's revenue and profits.

Public Authority for Electricity and Water

PAEW was established pursuant to Sultani Decree 92/2007 (which amended the Sector Law in certain respects) as the public authority in Oman responsible for electricity and related water activities. It provides high-level supervision and direction for the electricity and related water sector in Oman and is responsible for, *inter alia*, implementing the Government's policy, as approved by the Council of Ministers, in relation to the privatisation of the electricity and related water sector and to review the electricity market to identify, in coordination with AER, the extent for further liberalisation. The PAEW effectively sets the overall strategic direction of the sector, which conditions how AER regulates the sector. The PAEW primarily influences Mazoon's business through its establishment of various policies and issuance of implementing directives. In particular, the PAEW, after consultation with the AER, which will co-ordinate with the relevant licensees, sets the tariff a customer is obliged to pay for the supply of electricity or for connection to a distribution system (**Permitted Tariff**) which Mazoon must comply with when charging its customers, as described below. The Permitted Tariff is subject to the approval of the Council of Ministers.

Authority for Electricity Regulation

Overview

The AER is Mazoon's regulator in respect of the distribution and supply of electricity within its authorised areas in Oman. The AER was established as an administratively and financially independent authority under Article 19 of the Sector Law with its services funded by licence fees paid by all licensees. The AER has a duty (amongst others) to secure the provision of electricity in all parts of Oman.

Pursuant to Article 2 of the Sector Law, the AER is authorised to regulate the electricity and related water sector in Oman, including activities for the independent desalination of water, and to ensure that all entities licensed by the AER, including Mazoon, comply with the policy directions set out by the PAEW.

Functions of the AER

Article 25 of the Sector Law sets out the principal functions of the AER, which include:

- implementing the general policy of the Government in relation to the electricity and related water sector in Oman, including activities for the independent desalination of water carried out by desalination facilities of a special nature;
- issuing, modifying (where appropriate) and revoking of licences and licence exemptions for the conduct of electricity and related water activities;
- monitoring the implementation of the terms and rules of licences and licence exemptions;
- examining complaints submitted by customers and licence holders and enforcing statutory duties and licence conditions where appropriate;
- setting out standard technical criteria for connection and use of system standards and the maintenance and development of licencees' systems;
- settling certain industry disputes between licence holders, customers and other persons; and
- coordinating between relevant ministries and government units in all that is required for the development of the electricity and related water sector in Oman, carried out by desalination facilities of a special nature.

Under the Sector Law, the AER has the authority to serve a written warning on Mazoon if it believes that Mazoon is violating or likely to violate a condition of its licence or any of the duties imposed on Mazoon pursuant to the Sector Law. The AER can require Mazoon to fulfil the required duties or cease the violation within a specified time period. If the situation is not rectified then the AER has the right to take whatever steps it deems reasonable to ensure compliance with the provisions of the Sector Law and the conditions of a licence. If Mazoon does not adhere to the AER's decisions in respect of the violations, then the AER has the right to revoke Mazoon's licence.

In particular, the AER sets price controls for Mazoon and monitors and ensures Mazoon's compliance with the price controls. The AER also sets cost-reflective tariffs relating to connection and use of system charges that can be charged by Mazoon (in its capacity as licensed distributor) and in relation to charges imposed by Mazoon (in its capacity as licensed supplier) for the supply of electricity in circumstances where no Permitted Tariff (which are themselves set in consultation with the AER) exists. The AER also monitors compliance by Mazoon with the terms of its Licence and all applicable laws and regulations. It also provides advice to licence holders, including Mazoon, with regard to statutory obligations, such as environmental matters and health and safety matters and requirements in respect of Omanisation and Omani local content.

As a licensed supplier of electricity, Mazoon is entitled to receive a subsidy from the Ministry of Finance pursuant to Article 18 of the Sector Law. The amount of the annual subsidy payable (if any) is calculated by the AER as being an amount equal to any shortfall between (a) the revenue collected by Mazoon from customers and others in the relevant year and (b) the amount of allowed revenue in the relevant year (i.e. the amount that was available to be earned by Mazoon where it has effectively discharged its obligations under the Sector Law and its Licence).

The price control review V (PCR_V) is, as at the date of this Prospectus, being conducted under the RPI-X regime and will last four years, commencing 1 January 2018 and ending 31 December 2021. The MAR will comprise of 'Maximum Allowed Distribution Revenue' and 'Maximum Allowed Supply Revenue' as outlined below. Under PCR_V, the net present value of the cashflows allowed to be recovered are: (i) 70 per cent. as fixed (compared to 60 per cent. in the previous price control period); (ii) 10 per cent. using the revenue driver regulated units sold (compared to 20 per cent. in the previous price control period); and (iii) 20 per cent. using the revenue driver customer amounts. The AER notifies Mazoon of its calculation of these values in the first year of the price control period and recalculates these values for subsequent years using the consumer price index and efficiency/profiling factor. The net present value of the cash outflows and the supply margin in the supply business are recovered based on expected customer accounts during the price control period.

In addition, the AER will introduce two schemes to encourage improvements in customer performance: guaranteed standards of service and customer satisfaction incentives.

Moreover, the power purchase costs paid to OPWP, transmission connection charges and transmission use of systems charges paid to OETC and the licence fee paid to the AER are recoverable as pass-through costs as part of the MAR. The MAR is also adjusted to reflect performance incentives / penalties.

The Maximum Allowed Distribution Revenue proposed for PCR_V (in accordance with the final PCR_V proposal from the AER) is calculated as:

$$\text{Maximum Allowed Distribution Revenue MADR}_t = Ct + \text{DB}_t + \text{LOSS}_t + \text{NSF}_t + \text{LFD}_t - \text{KD}_t$$

Where:

- Ct means connection charges (pass through costs);
- DB_t means distribution business revenue (calculated using the revenue drivers calculated by the AER, as described above);
- LOSS_t means the distribution system losses incentive/penalty;
- NSF_t means the penalty for not securing demand;
- LFD_t means the 'distribution business share' of the Licence fee (payable to the AER); and
- KD_t means the correction factor relating to Mazoon's distribution business.

The Maximum Allowed Supply Revenue proposed for PCR_V (in accordance with the PCR_V final proposal by the AER) is calculated as:

$$\text{Maximum Allowed Supply Business Revenue MASR}_t = \text{PC}_t + \text{TUoS}_t + \text{DUoS}_t + \text{SB}_t + \text{CS}_t + \text{CTC}_t + \text{LFS}_t - \text{KS}_t$$

Where:

- PC_t means bulk supply tariff costs (pass through costs);
- TUoS_t means transmission use of system charges (pass through costs);

- DUoSt means distribution use of system charges (pass through costs as revenue in distribution business);
- SBt means supply business revenue (calculated using the single revenue driver noted above);
- KSt means the correction factor relating to Mazoon's supply business;
- CSt means the customer satisfaction incentive;
- CTCt means additional expenditures over the course of the subsequent price control period to facilitate the opening of electricity supply activities to competition; and
- LFSt means the 'supply business share' of the Licence fee (payable to the AER).

The approval process for PCRv is as follows:

- 17 November 2016: the AER issued the consultation document;
- 18 December 2016: responses to consultation document were submitted;
- 22 December 2016: the AER issued a proforma;
- 12 March 2017: Mazoon submitted an initial proposal;
- 1 June 2017: the AER issued an initial proposal.
- 6 August 2017: Mazoon submitted a response to the AER's initial proposal;
- 19 October 2017: the AER issued its final proposal;
- 12 November 2017: Mazoon to submit response to the AER's final proposal; and
- 1 January 2018: PCRv commences.

Governance and Duties of the AER

The AER is constituted by three to five members, who are appointed by the Oman Council of Ministers for a period of three years which may be renewed. Members are collectively responsible for managing the AER's affairs and for ensuring that the AER fulfils all of its statutory obligations. The AER has a number of governance and other general and specific duties, largely reflecting key Government objectives for the electricity and related water sector in Oman, including activities for the independent desalination of water carried out by desalination facilities of a special nature.

The AER's duties are set out in Article 22 of the Sector Law and include:

- a duty to secure the provision of electricity in Oman;
- a duty to secure the safe, effective and economic operation of the electricity sector and to enhance the safety of the public; and
- a duty to ensure the financial and technical capabilities of licencees.

The AER is also subject to the following governance duties:

- a duty not to discriminate against or unduly prefer any person;
- a duty to act consistently treating like cases alike and, in particular, to ensure, so far as it considers appropriate, that all licencees and exemptions for the same regulated activities are granted in substantially the same form;
- a duty to minimise, insofar as it is able to do so, the regulatory burden on licence holders and exemption holders; and
- a duty to give written reasons for its decisions.

Powers of the AER

The Sector Law also provides the AER with the powers required to perform its functions, including:

- the power to grant licencees and set the terms and conditions on which they are issued;

- the power to modify licence terms (when the public interest so requires and subject to the procedure specified in Article 109 of the Sector Law);
- the power to investigate and require provision of information;
- the power to enforce the terms of licences, to make orders to licencees requiring them to comply with their statutory obligations and to give warnings and impose fines and other compensation requirements, where appropriate;
- the power to revoke licences and exemptions in the event of non-compliance in accordance with the respective terms of the relevant dispensation; and
- the power to issue regulations and decisions to the extent authorised by the Sector Law.

Description of the Grid Code and the Distribution Code

Mazoon is party to and complies with the provisions of the set of rules prepared by OETC and approved by the AER which set out standard technical criteria to be complied with in respect of connection to, use and operation of OETC's transmission system and in respect of dispatch (the **Grid Code**). The Grid Code includes a metering and data exchange code and Mazoon is required to comply with the metering requirements specified in such metering and data exchange code.

In accordance with the terms of its Licence, Mazoon, together with Majan Electricity Company SAOC and Muscat Electricity Distribution Company SAOC, has issued and maintains a set of rules, approved by the AER, prescribing the technical criteria to be complied with in respect of connection to, use and operation of its distribution system and also in relation to the maintenance and development of its distribution system (the **Distribution Code**). In particular, the Distribution Code comprises a connection code which specifies the technical, design and operational criteria to be complied with by Mazoon and any person connecting to or seeking a connection to Mazoon's distribution system. In addition, for the purpose of protecting the security and quality of supply and safe operation of Mazoon's distribution system under both normal and abnormal operating conditions, the Distribution Code includes a series of distribution operating codes which sets out the conditions under which Mazoon operates its distribution system and in accordance with which OETC should operate its transmission system and other generators of electricity should operate their production facilities in relation to Mazoon's distribution system. The Distribution Code also contains a distribution data transfer code and a distribution planning code which set out the data to be provided by the distribution system users and the licensed distributors.

Distribution System Security Standards

Under Condition 31 of the Licence, Mazoon is required to prepare security standards for its distribution system which are approved by the AER. These standards are to be developed in accordance with the Distribution Code and Grid Code.

Environmental Regulation

MECA is the environmental regulator of Mazoon. Under the supervision of MECA, Mazoon is subject to the Law on Environment.

The Law on Environment prohibits the disposal into the Omani environment of pollutants in such quantities and types as may adversely affect the environment. It places duties for minimising environmental impacts of operations on owner, leaseholder and operator of any particular site that may produce environmental pollution and also provides for the principle of strict liability to apply such that a polluter shall be liable for remediation of the environment regardless of fault, negligence or ownership. The 'polluter pays' principle is observed in relation to remediation obligations and strict liability.

A permitting regime operates to authorise and regulate activities of any particular project that may result in environmental pollution. In many situations, a number of permits are required for compliance with the Law on Environment.

Oman Electrical Standards

Mazoon's distribution system must also comply with principal electrical standards of the Oman Electrical Standards (**OES**) as issued by the AER in accordance with the Sector Law. The OES is a detailed set of technical standards for industry participants in Oman.

Introduction of a "Spot Market" and Competition for Electricity Supply

The OPWP is currently developing arrangements to implement a half-hourly, day-ahead spot market (the **Spot Market**) for electricity in the MIS. The development is expected to take several years, starting with drafting of the Spot Market's rules and associated regulatory documents, then moving to developing information, communication and technology systems to operate and settle the Spot Market, ensuring the development of OPWP's staff capability to operate the Spot Market, and coordinating with other stakeholders in their preparations for the Spot Market. The objective is to pilot the Spot Market in 2018-2019 before it can be operationalised during 2020-2021. The Spot Market is expected to be generation side only – i.e. it is a market in which OPWP (as single buyer) will purchase electricity and distribution and supply companies are not currently expected to be party to it.

Pursuant to its Sector Law duty, the AER announced in its 2015 Annual Report that it believed the market was ready for supply competition and would, therefore, initiate the consultation and preparatory work required by the Sector Law prior to submitting proposals to the Government. Having progressed the small scale implementation of automated meter reading for the largest 8,000 to 10,000 customers, the AER intends to undertake preparatory work during 2017 to facilitate the introduction of competition amongst licensed suppliers. The AER states that it believes that the introduction of competition will elevate the level of service provided by licensed suppliers to their customers.

The possible introduction of supply competition would be a 'further liberalisation' for the purposes of Sector Law Articles 31-32.

CAPITALISATION

The following table sets forth Mazoon’s capitalisation as at 30 June 2017, as derived from the 2017 Interim Financial Statements. This table should be read in conjunction with the sections entitled “*Selected Financial Information of Mazoon*” and “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*”, as well as the 2017 Interim Financial Statements, together with the related notes thereto, all included elsewhere in this Prospectus.

	As at 30 June 2017
	<i>(OMR thousands)</i>
Term loan – non-current portion.....	197,810
Finance lease – non-current portion.....	436
Share capital	150,000
Legal reserve.....	50,000
General reserve	9,869
Cash flow hedge reserve	(1,473)
Retained earnings.....	36,684
Total equity	245,080
Total capitalisation⁽¹⁾	443,326

(1) Consists of non-current portion of term loan and finance lease, plus total equity.

Since 30 June 2017, there has been no material change in Mazoon’s total capitalisation.

USE OF PROCEEDS

The gross proceeds of the issue of the Certificates of approximately U.S.\$500,000,000 will be used by the Trustee as the purchase price to be paid to Mazoon on the Issue Date for the purchase of the Lease Assets. Mazoon will use the net proceeds received from the Trustee to repay short term borrowings from JPMorgan Chase Bank, N.A., London Branch and bank muscat SAOG and capital expenditures.

SELECTED FINANCIAL INFORMATION OF MAZOOON

The following tables set forth the selected financial information of Mazoon as at and for the years ended 31 December 2014, 2015 and 2016. The selected financial information as at and for the years ended 31 December 2015 and 2016 has been extracted from the 2016 Financial Statements whilst the selected financial information as at and for the year ended 31 December 2014 has been extracted from the 2015 Financial Statements.

The following tables also set forth the selected financial information of Mazoon as at 30 June 2017 and for the six months ended 30 June 2016 and 2017, extracted from the 2017 Interim Financial Statements.

These tables should be read in conjunction with the sections entitled “*Capitalisation*” and “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*”, as well as the 2016 Financial Statements, the 2015 Financial Statements and 2017 Interim Financial Statements, together with the related notes thereto, all included elsewhere in this Prospectus.

Statement of Financial Position

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	(OMR’000)			
ASSETS				
Non-current assets				
Property, plant and equipment	444,735	520,688	621,831	674,794
Current assets				
Inventories	4,386	4,473	3,774	3,935
Government subsidy receivable.....	-	24,694	-	-
Trade and other receivables	31,133	40,613	45,133	60,759
Other current assets	-	-	6,194	17,007
Cash and cash equivalents	2,432	1,062	10,255	806
Total current assets	37,951	70,842	65,356	82,507
Total assets	482,686	591,530	687,187	757,301
EQUITY				
Capital and reserves				
Share capital	500	150,000	150,000	150,000
Legal reserve	167	50,000	50,000	50,000
General reserve	250	5,517	9,249	9,869
Cash flow hedge reserve	-	-	-	(1,473)
Retained earnings	64,541	34,276	41,705	36,684
Shareholders’ funds	105,896	-	-	-
Total equity	171,354	239,793	250,954	245,080
LIABILITIES				
Non-current liabilities				
Amounts due to Holding Company	46,413	-	-	-
Term loan – non- current portion.....	-	192,237	207,134	197,810
Deferred tax liability.....	16,254	19,257	23,013	30,616
Deferred revenue – non-current portion	12,573	15,269	18,264	17,973
Derivatives.....	-	-	-	1,733
Provisions	1,645	1,615	1,500	1,497
Finance lease	-	463	496	436
Total non-current liabilities.....	76,885	228,841	250,407	250,065
Current liabilities				
Trade and other payables	63,762	107,693	117,031	162,891

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	(OMR'000)			
Term loan – current portion	-	7,434	18,868	18,637
Short-term borrowings.....	162,000	-	47,020	73,200
Bank overdrafts	1,854	3,237	1,345	5,683
Finance lease – current portion.....	-	110	122	133
Amounts due to Holding Company	-	2,808	-	-
Deferred revenue – current portion.....	376	403	425	425
Other current liabilities	5,247	225	-	-
Provisions	608	386	415	587
Provision for current tax	600	600	600	600
Total current liabilities.....	234,447	122,896	185,826	262,156
Total liabilities	311,332	351,737	436,233	512,221
Total equity and liabilities.....	482,686	591,530	687,187	757,301

Statement of Profit or Loss and Other Comprehensive Income

	Year ended 31 December			Six months ended 30 June	Six months ended 30 June
	2014	2015	2016	2016	2017
	(OMR'000)				
Revenue	197,097	257,203	272,633	133,663	144,167
Operating costs	(156,468)	(204,576)	(222,039)	(107,616)	(118,320)
Gross profit	40,629	52,627	50,594	26,047	25,847
General and administrative expenses....	(22,640)	(21,722)	(22,394)	(10,469)	(11,053)
Other income	1,156	2,405	2,567	752	1,877
Profit from operations.....	19,145	33,310	30,767	16,330	16,671
Finance income.....	8	45	68	20	26
Finance costs	(2,160)	(4,017)	(8,418)	(3,762)	(5,736)
Profit before tax.....	16,993	29,338	22,417	12,588	10,961
Taxation.....	(3,398)	(3,003)	(3,756)	(1,483)	(7,862)
Profit for the year/period	13,595	26,335	18,661	11,105	3,099
Other comprehensive income					
<i>Item that may be reclassified subsequently to profit or loss</i>					
Fair value loss arising during the year/period on cash flow hedge – net of tax	-	-	-	-	(1,473)
Total comprehensive income for the year/period	13,595	26,335	18,661	11,105	1,626

Statement of Cash Flows

	Year ended 31 December			Six months ended 30 June	Six months ended 30 June
	2014	2015	2016	2016	2017
	<i>(OMR'000)</i>				
Net cash from operating activities.....	36,634	60,028	80,270	7,761	48,002
Net cash used in investing activities.....	(97,038)	(95,676)	(123,855)	(49,959)	(65,051)
Net cash from financing activities.....	62,813	34,278	52,778	44,664	7,600
Net change in cash and cash equivalents.....	2,409	(1,370)	9,193	2,466	(9,449)
Cash and cash equivalents at the beginning of the year/period	23	2,432	1,062	1,062	10,255
Cash and cash equivalents at the end of the year/period .	2,432	1,062	10,255	3,528	806

Non-IFRS Measures, APMs and Key Financial Ratios

The key financial ratios below contain certain non-IFRS measures, APMs and related ratios, including EBIT, EBITDA, EBITDA margin, EBIT margin, RAB, return on average RAB, interest coverage ratio, net debt and net debt/EBITDA ratio as well as key financial ratios including net income margin, current assets/current liabilities, and debt/equity. EBITDA and other non-IFRS measures should not be considered in isolation or as an alternative to results from operating activities, cash flow from operating activities or other financial measures of Mazoon's results of operations or liquidity derived in accordance with IFRS. Mazoon includes EBITDA and other non-IFRS measures in this Prospectus because it believes that they are useful measures of Mazoon's performance and liquidity. Other companies, including those in Mazoon's industry, may calculate similarly titled financial measures differently from Mazoon. As all companies do not calculate these financial measures in the same manner, Mazoon's presentation of such financial measures may not be comparable to other similarly titled measures of other companies and have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of Mazoon's operating results as reported under IFRS. These non-IFRS measures are not audited and may constitute APMs under the ESMA Guidelines on Alternative Performance Measures dated 5 October 2015 and further guidance published by EMSA through to the date of this Prospectus.

	As at or for the year ended 31 December			As at or for the six months ended
				30 June
	2014	2015	2016	2017
EBIT (OMR'000) ⁽¹⁾	19,145	33,310	30,767	16,671
EBITDA (OMR'000) ⁽²⁾	37,831	53,057	53,544	28,759
EBIT margin ⁽³⁾	9.71%	12.95%	11.29%	11.56%
EBITDA ⁽⁴⁾ margin	19.19%	20.63%	19.64%	19.95%
Net income margin ⁽⁵⁾	6.90%	10.24%	6.84%	2.15%
RAB ⁽⁶⁾ (OMR'000)	432,747	508,407	604,872	658,025
Return on average RAB ⁽⁷⁾	4.42%	6.55%	5.09%	-
Interest coverage ratio ⁽⁸⁾	8.86	8.29	3.65	2.91
Net debt (OMR'000)	207,835	210,686	269,560	299,629
Net debt ⁽⁹⁾ / EBITDA	5.49	3.97	5.03	-
Debt ⁽¹⁰⁾ / equity ⁽¹¹⁾	122%	87%	111%	120%
Current assets / current liabilities	0.16	0.58	0.35	0.31

Notes:

- (1) "EBIT" is profit for the year/period before finance income, finance costs, and taxation.
- (2) "EBITDA" is profit for the year/period before finance income, finance costs, taxation, depreciation and amortisation of intangible assets.
- (3) "EBIT margin" is EBIT divided by total revenue.
- (4) "EBITDA margin" is EBITDA divided by total revenue.
- (5) "Net income margin" is profit for the year/period divided by revenue.
- (6) "RAB" is the regulated asset base (excluding Government sponsored and customer-funded assets), which represents the historic cost of assets used by Mazoon for the conduct of its regulated activities, which is reflected in its regulatory accounts. RAB is not calculated in accordance with or derived from IFRS, and is not a measure of Mazoon and its subsidiaries' financial performance.
- (7) "Return on average RAB" is EBIT divided by RAB. RAB is not calculated in accordance with or derived from IFRS, and is not a measure of Mazoon and its subsidiaries' financial performance.
- (8) "Interest coverage ratio" is EBIT divided by finance costs, which include interest on borrowing including overdraft, bank charges, amortisation of transaction costs and finance charges on lease.
- (9) "Net debt" is term loan (current and non-current), short-term borrowings, amounts due to Holding Company, bank overdrafts and finance lease (current and non-current) less cash and cash equivalents.
- (10) "Debt" is term loan (current and non-current), short-term borrowings, amounts due to Holding Company, bank overdrafts, and finance lease (current and non-current).
- (11) "Equity" is total equity.

EBIT, EBITDA, EBIT Margin and EBITDA Margin

The following table reconciles EBIT and EBITDA to profit for the year/period, which is the closest IFRS financial measure to these non-IFRS measures.

	Year ended 31 December			Six months ended 30
				June
	2014	2015	2016	2017
	(OMR'000)			
Profit for the year/period	13,595	26,335	18,661	3,009
Less: Finance income	8	45	68	26
Add back: Finance costs	2,160	4,017	8,418	5,736
Add back: Taxation	3,398	3,003	3,756	7,862
EBIT	19,145	33,310	30,767	16,671
Add back: Depreciation	18,686	19,747	22,777	12,088
Add back: Amortisation	-	-	-	-
EBITDA	37,831	53,057	53,544	28,759

EBIT is a non-IFRS financial measure that is defined by Mazoon as profit for the year before finance income, finance costs, and taxation. EBIT margin is a non-IFRS financial measure that is defined by Mazoon as EBIT divided by revenue, expressed as a percentage. EBITDA is a non-IFRS financial measure that is defined by Mazoon as EBIT plus depreciation and amortisation of intangible assets. EBITDA margin is a non-IFRS financial measure that is defined as EBITDA divided by revenue, expressed as a percentage. Mazoon presents

EBIT, EBIT margin, EBITDA and EBITDA margin because they are widely used by securities analysts, investors and other interested parties to evaluate the profitability of companies. EBIT and EBITDA eliminate potential differences in performance caused by variations in capital structures (affecting finance costs), tax positions (such as the availability of net operating losses against which to relieve taxable profits), the cost and age of tangible assets (affecting relative depreciation expense) and the extent to which intangible assets are identifiable (affecting relative amortisation expense).

EBITDA-based measures have limitations as analytical tools. Some of these limitations are:

- EBIT and EBITDA-based measures do not reflect Mazoon's cash expenditures or future requirements for capital expenditures or contractual commitments;
- EBIT and EBITDA -based measures they do not reflect changes in, or cash requirements for, Mazoon's working capital needs;
- they do not reflect the interest expense, or the cash requirements necessary, to service interest or principal payments on Mazoon's debt;
- although depreciation and amortization are non-monetary charges, the assets being depreciated and amortized will often need to be replaced in the future and EBITDA-based measures do not reflect any cash requirements that would be required for such replacements; and
- EBIT and EBITDA-based measures do not reflect the impact of certain cash charges resulting from matters we consider not to be indicative of our ongoing operations.

Because of these limitations, as well as further limitations discussed above, the non-IFRS measures presented should not be considered in isolation or as a substitute for performance measures calculated in accordance with IFRS. We compensate for these limitations by relying primarily on Mazoon's IFRS results and using non IFRS measures only supplementally.

Interest coverage ratio

Interest coverage ratio is a non-IFRS financial measure that is defined as EBIT divided by finance costs. Management believes that interest coverage ratio is a meaningful metric in that it assists Mazoon in managing its interest payments on outstanding borrowings.

The following table sets forth Mazoon's interest coverage ratio as at the periods indicated.

	Year ended 31 December			Six months ended 30
	2014	2015	2016	June 2017
	<i>(OMR'000)</i>			
EBIT	19,145	33,310	30,767	16,671
Finance costs	2,160	4,017	8,417	5,736
Interest coverage ratio	8.86	8.29	3.65	2.91

Net Debt

The following table sets forth the composition of Mazoon's net debt as at the dates indicated.

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	<i>(OMR '000)</i>			
Long term loans ⁽¹⁾	-	205,130	230,832	220,983
Short term borrowing.....	162,000	-	47,020	73,200
Amounts due to Holding Company	46,413	2,808	-	-
Bank overdraft	1,854	3,237	1,345	5,683
Finance lease	-	573	618	569
Cash and Cash Equivalents.....	(2,432)	(1,062)	(10,255)	(806)
Net Debt.....	207,835	210,686	269,560	299,629

(1) Before taking account of unamortized transaction costs.

Net debt is a non-IFRS financial measure that is defined as term loan (current and non-current), short-term borrowings, amounts due to Holding Company, bank overdrafts and finance lease (current and non-current) less cash and cash equivalents. Net debt to EBITDA is a non-IFRS financial measure that represents net debt divided by EBITDA. Management believe that net debt and net debt to EBITDA are useful indicators of Mazoon's indebtedness, financial flexibility and capital structure because it indicates the level of debt after taking account of cash and bank balances within Mazoon's business that could be utilized to pay down the outstanding debt. Management believes that net debt and net debt to EBITDA can assist securities analysts, investors and other parties to evaluate Mazoon. Net debt, net debt to EBITDA and similar measures are used by different companies for differing purposes and are often calculated in ways that reflect the circumstances of those companies. Accordingly, caution is required in comparing net debt and net debt to EBITDA as reported by Mazoon to net debt and net debt to EBITDA of other companies.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following is a discussion and analysis of the results of operations and financial condition based upon Mazoon's Annual Financial Statements as at and for the years ended 31 December 2014, 2015 and 2016 and Interim Financial Statements of Mazoon as at 30 June 2017 and for the six months ended 30 June 2016 and 2017.

The following discussion should be read in conjunction with the Financial Statements and related notes which are scheduled to this Prospectus. The statements in this discussion regarding industry outlook, Mazoon's expectations regarding its future performance, liquidity and capital resources and other non-historical statements in this discussion are forward-looking statements. These forward-looking statements are subject to numerous risks and uncertainties, including, but not limited to, the risks and uncertainties described in the "Risk Factors" and "Forward-Looking Statements" sections of this Prospectus. Mazoon's actual results may differ materially from those contained in, or implied by, any forward-looking statements.

Overview

Mazoon is exclusively authorised under its Licence to undertake the regulated activities of distribution and supply of electricity in Dakhiliyah, North Sharqiyah, South Sharqiyah and South Al Batinah, which comprises a large supply area of almost 75,000 km² in the north-east corner of Oman. The Licence came into force on 1 May 2005 and continues in force until determined by the AER giving not less than 10 years' notice (such notice not to be served earlier than 1 May 2030) unless revoked earlier in accordance with condition 26 (for example if Mazoon is adjudicated insolvent or fails to any material extent, to perform any of its Licence duties or statutory duties). Mazoon owns and operates the electricity distribution network after the 33 kV incomers circuit breakers at the grid stations down to the customer's point of supply, which includes the 33 kV, 11 kV and the low voltage distribution networks and intermediate primary distribution substations.

Key Factors Affecting Mazoon's Results of Operations

Maximum Allowed Revenue (or MAR)

Mazoon is subject to RPI-X type price control regulation, implemented in the form of revenue caps. The company's revenue for each year is determined based on the Maximum Allowed Revenue calculated for the distribution business and supply business, using the formula set in the approved price control. The AER sets the Maximum Allowed Revenue formula for each price control period, as part of the price control review process.

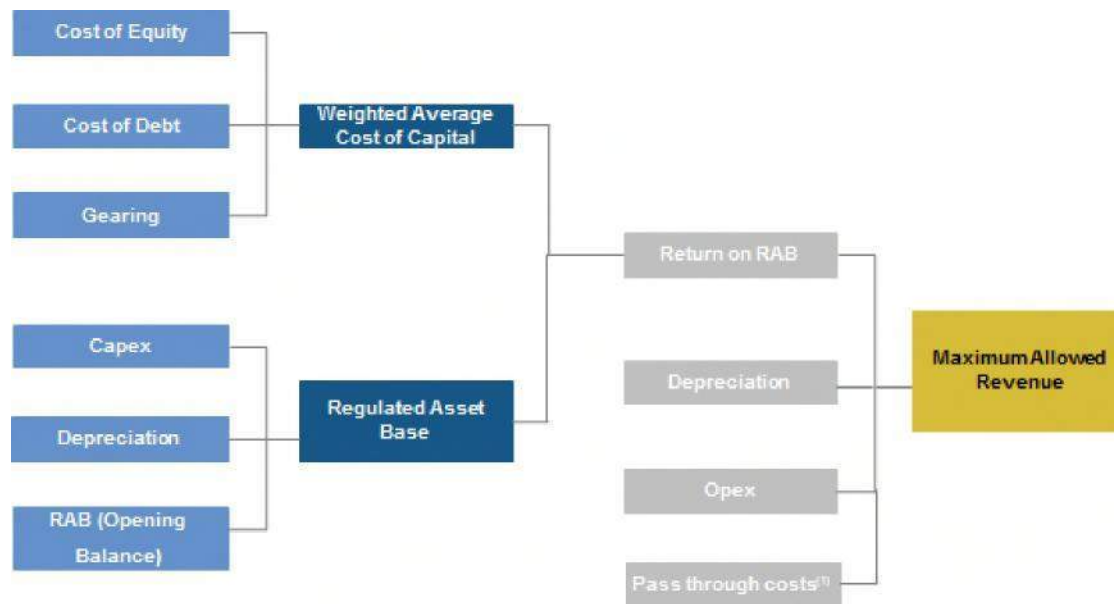
The AER adopts a cashflow approach to determine the present value of allowable revenue and takes into account:

- operational and capital expenditure;
- an investment return on RAV;
- depreciation of assets;
- WACC for the distribution business; and
- a margin as a percentage of the turnover for the supply business.

MAR also takes into account:

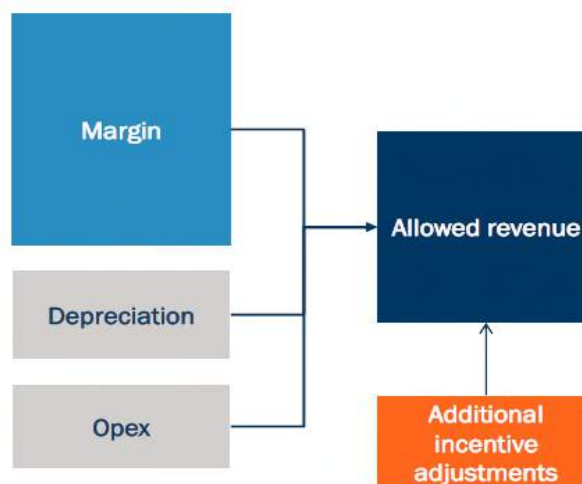
- incentives and penalties under the losses incentive mechanism and network security factor incentive mechanism; and
- "pass-through" costs, including:
 - bulk supply tariff charges payable to OPWP;
 - transmission connection charges payable to OETC;
 - transmission use of system charges payable to OETC; and
 - the AER Licence fee.

The main inputs used to establish MAR are set out in the following diagram:



(1) Pass through costs include the Licence fee.

Figure 2.2: Building blocks of Supply price control



When setting the price controls for the operations of Mazoon under its Licence, as a matter of policy, the AER follows principles of regulatory best practice in its approach to price control reviews and the periodic setting of the MAR, including transparency, stability and predictability. The formula under which the AER calculates the MAR is designed to allow Mazoon to:

- cover the efficient costs of its business, by taking into account capital expenditure, operating costs and the cost of capital employed (the WACC), discussed in more detail below; and
- earn a reasonable commercial rate of return on invested capital.

In its analysis, the AER has reference to forecasts of the regulated units distributed in each year of the MAR period.

The formula used to calculate MAR tends to result in a decreasing profit before tax for Mazoon in each successive year during a single price control period, all else being equal. These decreases reflect primarily the impact of the efficiency factor on revenue; increased depreciation as Mazoon fulfills its capital expenditure program over the period; and increased finance costs over the period in connection with borrowings to finance the capital expenditure programme, while price control revenue included in MAR remains constant for each

period (except in respect of the adjustment for inflation and the efficiency factor). Profit before tax then tends to return to a higher level in the first year of a new price control period, as Mazoon benefits from the new MAR.

The price control currently in effect was implemented with effect from 1 January 2015 and is due to expire on 31 December 2017 (Price Control IV). The current MAR is set using a formula based on the RPI-X Type price control regulation (consumer price index less an efficiency factor currently 2 per cent.), in order to drive improvements. The AER does not generally modify the MAR during a price control cycle without special circumstances existing outside the licensee's control and any agreed or acceptable modifications are generally made in the following price control cycle. The difference between the allowed capital expenditure and the outturn (realised) capital expenditure is compensated for as revenue adjustment in the subsequent price review period.

In the current price control cycle (2015-2017), MAR is based on a WACC of 5 per cent., as compared to 6 per cent. in the prior price control cycle (2012-2014), as discussed further below. In addition, RAB was adjusted downwards, by OMR 713,000, for the purposes of the latest price control cycle, to reflect the capital expenditure inefficiency, and MAR was adjusted to account for recovery of the entitled additional revenue on account of outturn capital expenditure being higher than allowed. Capital expenditure inefficiency is assessed when the AER determines that expenditure has been made or implemented in a suboptimal manner. For example, the adjustment in the latest period resulted from the AER's assessment of the 33 kV switch gear design and observation that certain 33 kV circuit breakers had been installed and utilised inefficiently. Accordingly, the cost of such circuit breakers was treated as inefficient investment.

The next price control period is scheduled to run from 1 January 2018 to 31 December 2021. Mazoon is currently discussing the parameters for MAR with the AER. Mazoon received the final proposal from the AER on 19 October 2017, and has until 12 November 2017 to submit its response. The latest proposal from the AER contemplates an efficiency factor of 1 per cent. applied to operating costs, as compared to 2 per cent. applied to revenue in the current price control cycle. In addition, the real, pre-tax WACC is proposed to be 5.6 per cent. There can be no assurance that the parameters will be set at these levels, and may be materially less favorable to Mazoon.

Total Actual Regulated Revenue (**ARR**) in excess of the maximum MAR for a year is deferred to the subsequent year and is shown as other current liabilities; total revenue less than the MAR is shown as other current assets.

Weighted Average Cost of Capital (WACC)

One of the key elements of MAR is the weighted average cost of capital, or WACC. The AER uses a pre-tax real WACC during every price control review as part of its overall determination of the MAR. The formula by which the AER calculates WACC takes account of both (i) Mazoon-specific measures, including Mazoon's cost of debt and cost of equity (in each case, as weighted by a notional gearing factor) and (ii) certain general economic indicators, including US treasury yields, interest rates, inflation and various risk premiums. The real pre-tax WACC is then used to discount the expected cashflows to determine the net present value of cash outflows which are to be recovered through the price control mechanism. The 'pass through costs' mentioned above are recovered separately every year on an accrual basis as part of the maximum Allowed Revenue.

Mazoon's WACC is set at 5 per cent. in the current price control period (i.e. from 2015 to 2017) and was 6 per cent. in the prior price control period (2012-2014). The most recent proposal from the AER for the next price control period (2018-2021) contemplates a real, pre-tax WACC of 5.6 per cent. over the period. There can be no assurance that the parameters will be set at these levels, and may be materially less favorable to Mazoon.

Regulated Asset Value (RAV)

The Regulated Asset Value, or RAV, consists of the assets used by Mazoon to perform its regulated activities. RAV is calculated based on the economic cost of the relevant asset, which differs from its accounting value calculated in accordance with IFRS. The calculation of RAV does not include certain customer funded assets (sponsored assets), which have been constructed solely for the benefit of a particular customer and are paid for by the relevant customers. The value of customer funded assets is not included in Mazoon's RAV or in the AER's determination of the MAR. These sponsored assets are paid for by customers.

Capital Expenditure Programme

Mazoon has in recent years made, and expects to continue to make, significant capital expenditures. These capital expenditures have been primarily for meeting growth in peak load and for connecting customers during

the period under review. Mazoon's total capital expenditure, defined as additions to property, plant and equipment, amounted to OMR 95.7 million in 2015 and OMR 124.1 million in 2016, and Mazoon has budgeted OMR 110.5 million for capital expenditure in 2017. In order to fund the capital expenditure programme, in addition to the Certificates, Mazoon expects to use cash flow from operations and borrowings. The higher level of indebtedness to be incurred in connection with the capital expenditure programme will result in increased finance costs, as well as increased depreciation on account of the increased assets. In 2016, 2015 and 2014 Mazoon's net finance costs (reflecting finance expense offset by finance income) were OMR 8.35 million, OMR 3.97 million and OMR 2.15 million respectively, and depreciation was OMR 22.8 million, OMR 19.7 million and OMR 18.7 million, respectively

The Licence requires Mazoon to submit a Distribution System Capability Statement (**DSCS**) to the AER for approval. The DSCS is produced annually and sets forth, *inter alia*, information on the progress of ongoing investments in the distribution systems in respect of the three succeeding financial years. The AER approved Mazoon's DSCS 2017-2019 communicated by letter dated 29 December 2016, which lists capital expenditure projects that Mazoon has executed and expects to execute between 2017 and 2019, and, in particular, defines the status and projected completion dates of individual projects.

As payments under the capital expenditure programme are due over the course of several years, Mazoon has adopted a long-term funding strategy to finance its capital expenditure programme. The long-term funding strategy includes the issuance of the Certificates (to cover capital expenditure requirements in 2017 and 2018) and the expected incurrence of additional debt to meet requirements for 2019 to 2021, subject to the next price control review. As such, Mazoon's commitments under the capital expenditure programme are, for the most part, predictable for a four-year period. Any delays in the implementation of capital expenditure projects may have the effect of reducing the expected growth of Mazoon's RAB, thereby reducing expected future MAR.

Growth in Demand for Electricity

Demand for electricity in Mazoon's coverage area has increased at an annual rate of 11 per cent. from 2012 to 2016 in Mazoon's coverage areas. Factors driving the increase in demand for electricity include population growth, the increase in the number of homes and businesses and the influx of Government subsidies to support electricity distribution companies licenced by the AER in providing affordable electricity to consumers.

Mazoon expects that demand for electricity in its coverage areas will expand at a compound annual growth rate of about 6 per cent. over the next five years, based on Mazoon's historical data of its distribution of electricity and consumer demand for electricity and Mazoon's related internal projections. See also "*Risk Factors — There can be no assurance as to the accuracy of forecasts for peak demand for electricity in Oman, which are used by Mazoon in establishing its capital expenditure plans*". According to Mazoon's records on maximum load demand and availability for its distribution systems, or Maximum Distribution System Demand (**MDS**D), demand for electricity distribution in Oman has increased each year since 2005. Distribution system demand increased from 1641 MW in 2014 to 1877 MW in 2015 and to 1975 MW in 2016 in Mazoon's coverage area.

Financial Support from the Government

Mazoon is indirectly wholly-owned by the Government. Pursuant to Article 67 of the Sector Law, so long as Mazoon remains wholly-owned by the Government, the Ministry of Finance is obliged to secure the availability of the necessary finance required (whether from the Government or from another source) by Mazoon in order for it to undertake its activities and achieve its objectives as specified in the Licence. See "*Risk Factors — Risk related to Mazoon's Business — Mazoon's obligations in respect of the Certificates and the Transaction Documents, are not guaranteed by the Government*".

Mazoon receives direct support from the Ministry of Finance, through subsidies paid by the Ministry of Finance as the difference between the MAR and the sales and other revenue included in the ARR in order to support its ability to pay the obligations and recover the economic costs including the cost of capital, in the context of the subsidised tariffs paid by the end consumers. The amount of the subsidy is determined annually based on a defined price control framework. Mazoon receives a portion of estimated subsidies in each quarter with any shortfall arising over the year (classified as "K factor deferred revenue") received during the following year. Total subsidies to the Omani electricity sector amounted to OMR 498 million, OMR 448 million and OMR 296 million in 2016, 2015 and 2014, respectively. Due to the subsidy reforms process initiated by the Government and introduction of CRT for large consumers with effect from 1 January 2017, the subsidies are expected to decrease in future periods.

Tax Developments

In connection with certain changes to the Omani Tax Law, which came into force on 27 February 2017, withholding tax is to be levied on the gross amount of certain categories of income (as specified under “*Taxation—Omani Tax*”) paid or credited to the account of any non-resident person, being foreign companies that do not have a permanent establishment in Oman and those that carry on business through a permanent establishment but do not include the accrued income in the gross income of that permanent establishment. Companies in Oman, including Mazoon, making payment to foreign based companies of the nature specified above are obliged to deduct withholding tax at source at the rate of 10 per cent. on the gross amount paid or credited and to remit it to the Secretariat General for Taxation. Any obligation to gross up payments is expected to increase Mazoon’s finance costs in connection with its borrowings (including in respect of the Certificates).

In addition, with effect from 27 February 2017, the threshold below which income is not taxed was eliminated (from OMR 30,000), and the rate of tax to which Mazoon is subject was increased to 15 per cent. (from 12 per cent.). Mazoon expects that these changes will increase its deferred tax charge in 2017 and future periods and accordingly reduce the profit for the period. Mazoon does not expect the changes in tax rates to increase its current tax charge or its net cash from operating activities, as Mazoon expects to continue to have a current tax loss position. However, applicable Oman tax law only permits deferred tax losses to be carried forward for a limited period (generally five years). As Mazoon does not currently generate substantial taxable profit, and does not expect to do so until at least the end of the next price control period, Mazoon may not be able to make full use of the deferred tax assets.

Seasonality

Generally, demand for electricity is significantly higher in the warmer summer period (May to September) than in the cooler winter period (October to April) due to the increased use of air conditioning in the summer months. As a result, Mazoon’s revenue tends to be higher in the second and third quarters of each year.

Explanation of Key Profit or Loss and other Comprehensive Income Items

Revenues

Mazoon's revenues consist of:

- electricity sales to private customers (which comprise all non-Government customers whether residential, commercial or industrial);
- electricity sales to Government customers;
- other income including connection charges and installation charges; and
- Government subsidy.

Revenue represents fair value income receivable in the ordinary course of business from the sale of electricity within Mazoon’s distribution network, revenue recognised in respect of customer contributed assets and other electricity related revenue. Total revenue in excess 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; total revenue below the maximum allowed by the regulatory formula is considered as accrued and shown as other current assets.

Other revenues

Other income includes meter connection fees, installation charges and other fees accounted for on an accrual basis.

Operating Costs

Operating expenses comprise the expenses Mazoon incurs in the course of operating its business, and includes the following:

Purchase of electricity

Purchase of electricity costs consist of the bulk supply tariff to Oman Power and Water Procurement Company SAOC, a related party.

Transmission use of system charges

The transmission use of system charges represent the charges payable to OETC, a related party, for the transmission of electricity generated by the generation companies into Mazoon's distribution network.

Transmission connection charges

The transmission connection charges represent the charges payable to OETC, a related party, for connections to the transmission system to cover the capital cost of the connection assets and ancillary assets and the ongoing cost of maintaining the connection assets. Such assets are single user assets, solely required to connect an individual user to the transmission system, which are not and would not normally be used by any other connected party.

Depreciation on Operating Assets

Depreciation is recognised in the profit or loss 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: buildings: 30 years; electricity distribution works: 25-50 years; substations, lines and cables: 25-50 years; other plant and machinery: 20-50 years; furniture, fixtures and vehicles: 5-7 years; and plant spares: 20 years.

General and Administrative Expenses

General and administrative expenses comprise staff costs, commission, service expenses, depreciation on common/administrative assets, directors remuneration and sitting fees and other expenses.

Other Income

Other income comprises penalties and fines, sale of scrap, sale of forms and tenders, amortisation of deferred revenue, gain on disposal of property and equipment and other income.

Finance Income

Finance income comprises interest on bank accounts. Interest is earned from current account balances held with banks during the year with interest rates from 0.75 to 0.85 per cent. in respect of 2016 and 2015 and 0.75 per cent. in respect of 2014.

Finance costs

Finance costs comprise interest on bank overdrafts, interest on short-term borrowings, interest on term loan, transaction cost, interest on intercompany borrowings, finance charge on leased assets and bank charges.

Taxation

Income tax is calculated as per the Omani Tax Law. Current tax is the expected tax payable on the taxable income for the year, using the tax rates enacted or substantially enacted at the reporting date, and any adjustment to income tax payable in respect of previous years.

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

Results of Operations

Results of operations for the six months ended 30 June 2016 and 2017

The following table sets forth Mazoon's statement of profit or loss and other comprehensive income for the periods indicated.

	Six months ended 30 June 2016	Six months ended 30 June 2017
	(OMR '000)	
Revenue	133,663	144,167
Operating costs	(107,616)	(118,320)
Gross profit	26,047	25,847
General and administrative expenses...	(10,469)	(11,053)
Other income	752	1,877
Profit from operations	16,330	16,671
Finance income.....	20	26
Finance costs	(3,762)	(5,736)
Profit before tax	12,588	10,961
Taxation.....	(1,483)	(7,862)
Profit for the period	11,105	3,099
Other comprehensive income		
<i>Item that may be reclassified subsequently to profit or loss</i>		
Fair value loss arising during the period on cash flow hedge – net of tax	-	(1,473)
Total comprehensive income for the period	11,105	1,626

Revenue

	Six months ended 30 June	
	2016	2017
	(OMR'000)	
Electricity sales to private customers.....	37,284	44,113
Electricity sales to Government customers.....	9,634	11,689
Government subsidy received.....	77,604	73,826
Other revenue	2,040	3,725
Adjustments for incentive/penalty and K Factor deferred revenue	7,101	10,814
Total	133,663	144,167

Revenue from electricity sales to private customers

Revenue from electricity sales to private customers (which comprise all non-Government customers, including domestic customers) increased by OMR 6.8 million, or 18 per cent., from OMR 37.3 million for the six months ended 30 June 2016 to OMR 44.1 million for the six months ended 30 June 2017. This increase was primarily the result of a 4.3 per cent. increase in consumption by domestic customers, reflected in an increase in sales revenues from domestic customers of approximately 13 per cent.

Revenue from electricity sales to Government customers

Revenue from electricity sales to Government customers increased by OMR 2.1 million, or 21 per cent., from OMR 9.6 million for the six months ended 30 June 2016 to OMR 11.7 million for the six months ended 30 June

2017. Since the introduction of the CRT, sales revenue increased due to the higher tariff charged to CRT customers. This does not, however, increase total revenue as any such increase would be offset by a reduction in the Government subsidy.

Revenue from Government subsidy

Revenue from Government subsidy decreased by OMR 3.8 million, or 5 per cent., from OMR 77.6 million for the six months ended 30 June 2016 to OMR 73.8 million for the six months ended 30 June 2017. However, taking into account adjustments for incentive/penalty and K Factor deferred revenue, net subsidy revenue remained stable at OMR 84.6 million for the six months ended 30 June 2016 compared to OMR 84.7 million for the six months ended 30 June 2017.

Other revenue

Other revenue increased by OMR 1.7 million, or 82.6 per cent., from OMR 2 million for the six months ended 30 June 2016 to OMR 3.7 million for the six months ended 30 June 2017. This increase was principally the result of the recognition of private customer contributions for projects funded by them and a respective increase in new installation charges by OMR 127,150 and disconnection charges by OMR 51,321.

Total revenue

Total revenue increased by OMR 10.5 million, or 7.9 per cent., from OMR 133.7 million for the six months ended 30 June 2016 to OMR 144.2 million for the six months ended 30 June 2017. The increase was mainly due to the recognition of contributions of private customers for projects funded by them and an increase in regulated revenue resulting from the increase in regulated units distributed and the number of customers. The income from private customers towards these projects was recognised as income.

Operating costs

	Six months ended 30 June	
	2016	2017
	<i>(OMR'000)</i>	
Purchase of electricity	80,676	89,256
Transmission use of system charges	11,920	12,301
Depreciation	9,756	11,256
Maintenance and repairs expenses.....	2,099	2,113
Transmission connection charges	2,520	2,844
Spares and consumable expenses	473	383
Other direct costs	172	167
	107,616	118,320

Purchase of electricity

Costs for the purchase of electricity increased by OMR 8.5 million, or 10.6 per cent., from OMR 80.7 million for the six months ended 30 June 2016 to OMR 89.3 million for the six months ended 30 June 2017. This increase was principally the result of an increased demand requiring Mazoon to purchase 4,507, 982 MWh, an increase of 488,840 MWh compared to purchases of electricity for the six months ended 30 June 2016.

Transmission use of system charges

Transmission use of system charges increased by OMR 0.4 million, or 3 per cent., from OMR 11.9 million for the six months ended 30 June 2016 to OMR 12.3 million for the six months ended 30 June 2017. This increase was principally a result of Mazoon's percentage share of peak load in the MIS increasing, therefore increasing its transmission use of system charges.

Depreciation

Depreciation costs increased by OMR 1.5 million, or 15.4 per cent., from OMR 9.8 million for the six months ended 30 June 2016 to OMR 11.2 million for the six months ended 30 June 2017. The increase reflected the increase in investments, and corresponding higher asset base.

Maintenance and repairs expenses

Maintenance and repairs expenses remained approximately constant for the six months ended 30 June 2016 and for the six months ended 30 June 2017.

Transmission connection charges

Transmission connection charges increased by OMR 0.3 million, or 12.9 per cent., from OMR 2.5 million for the six months ended 30 June 2016 to OMR 2.8 million for the six months ended 30 June 2017. The increase was primarily the result of the increase in Mazoon's connection assets.

Spares and consumable expenses

Spares and consumable expenses decreased by OMR 0.09 million, or 19 per cent., from OMR 0.47 million for the six months ended 30 June 2016 to OMR 0.38 million for the six months ended 30 June 2017, reflecting primarily the implementation of efficiency plans.

Other direct costs

Other direct costs remained stable at OMR 0.17 million for the six months ended 30 June 2016 and 2017.

Total Operating Costs

Total operating costs increased by OMR 10.7 million, or 9.9 per cent., from OMR 107.6 million for the six months ended 30 June 2016 to OMR 118.3 million for the six months ended 30 June 2017. The increase was mainly due to the increase in power purchase cost due to the increase in units sold during the period.

Gross Profit

Gross profit decreased by OMR 0.2 million, or 0.8 per cent., from OMR 26 million for the six months ended 30 June 2016 to OMR 25.8 million for the six months ended 30 June 2017. The gross profit decreased due to the impact of increased depreciation on capital investment and also due to the impact of the efficiency factor as per the revenue model in the second and third years of the price control period which was partially offset by the increase in contributions from private customers for projects funded by them.

General and Administrative Expenses

	Six months ended 30 June	
	2016	2017
	<i>(OMR'000)</i>	
Staff Costs	5,671	6,185
Commission.....	2,193	1,715
Service expenses.....	1,509	1,521
Depreciation	864	832
Directors remuneration and sitting fees	33	31
Other expenses.....	199	769
	10,469	11,053

General and administrative expenses increased by OMR 0.6 million, or 5.6 per cent., from OMR 10.5 million for the six months ended 30 June 2016 to OMR 11.1 million for the six months ended 30 June 2017. The increase was mainly due to the increase in staff costs, which was driven by: (i) annual salary increments and grade promotion; (ii) new recruitment; and (iii) the group compensation and benefit policy.

Other Income

	Six months ended 30 June	
	2016	2017
	<i>(OMR'000)</i>	
Penalties and fines	335	1,158
Sale of Scrap.....	-	108
Sale of forms and tenders	118	164
Amortization of Deferred Revenue.....	203	291
Gain or loss on disposal of property and equipment.....	3	-
Other income	93	156
	752	1,877

Other income increased by OMR 1.1 million, or 149.6 per cent., from OMR 0.8 million for the six months ended 30 June 2016 to OMR 1.9 million for the six months ended 30 June 2017. The increase was mainly due to an increase in penalties charged to contractors for delays in completing projects.

Profit from Operations

Profit from operations increased by OMR 0.3 million, or 2 per cent., from OMR 16.3 million for the six months ended 30 June 2016 to OMR 16.7 million for the six months ended 30 June 2017. The net increase in operating profit was mainly due to the increase in other revenue.

Finance Income

Finance income increased by OMR 6,000, or 30 per cent., from OMR 20,000 for the six months ended 30 June 2016 to OMR 26,000 for the six months ended 30 June 2017. This increase principally reflected higher average balances of cash on deposit during the year and an increase in the interest rate on call deposit from between 0.75 per cent. and 1.0 per cent.

Finance Costs

	Six months ended 30 June	
	2016	2017
	<i>(OMR'000)</i>	
Interest on bank overdrafts	39	119
Interest on short term borrowings.....	72	1,027
Interest on term loan	3,239	4,242
Transaction cost.....	340	294
Interest on intercompany borrowings	-	-
Finance charge on leased assets.....	23	20
Bank Charges.....	49	34
	3,762	5,736

Finance costs increased by OMR 2.0 million, or 53 per cent., from OMR 3.8 million for the six months ended 30 June 2016 to OMR 5.7 million for the six months ended 30 June 2017. The increase was primarily due to increased interest costs associated with higher loan balances, as Mazoon borrowed additional amounts to fund additional investment during the period ended 30 June 2017, reflected as interest on term loan. In addition, Mazoon entered into an interest rate swap arrangement to hedge its U.S. dollar exposure under its loans with five banks, the cost of which is included in the interest on term loan. Additionally, Mazoon has provided for the introduction of withholding tax effective from February 2017 pursuant to the Income Tax Law.

Profit Before Tax

Profit before tax decreased by OMR 1.6 million, or 13 per cent., from OMR 12.6 million for the six months ended 30 June 2016 to OMR 11.0 million for the six months ended 30 June 2017. The decrease was mainly due to increased finance cost and increased depreciation.

Taxation

Tax increased by OMR 6.4 million, or 430 per cent., from OMR 1.5 million for the six months ended 30 June 2016 to OMR 7.9 million for the six months ended 30 June 2017. The increase in deferred tax charge was due to the increase in deferred tax provision in connection with the increase in corporate tax rate from 12 per cent. to 15 per cent. which came into effect from 2017.

Profit for the Period and Total Comprehensive Income

Profit for the period decreased by OMR 8.0 million, or 72 per cent., from OMR 11.1 million for the six months ended 30 June 2016 to OMR 3.1 million for the six months ended 30 June 2017.

The total comprehensive income for the six months ended 30 June 2017 decreased by 1.5 million, from OMR 3.1 million to OMR 1.6 million due to the impact of loss on fair value of cashflow hedge.

Results of operations for the years ended 31 December 2016, 2015 and 2014

The following table sets forth Mazoon's statement of profit or loss and other comprehensive income for the years indicated:

	Year ended 31 December		
	2014	2015	2016
		(OMR'000)	
Revenue	197,097	257,203	272,633
Operating costs	(156,468)	(204,576)	(222,039)
Gross profit	40,629	52,627	50,594
General and administrative expenses	(22,640)	(21,722)	(22,394)
Other income	1,156	2,405	2,567
Profit from operations	19,145	33,310	30,767
Finance income	8	45	68
Finance costs	(2,160)	(4,017)	(8,418)
Profit before tax	16,993	29,338	22,417
Taxation	(3,398)	(3,003)	(3,756)
Profit for the period and total comprehensive income	13,595	26,335	18,661

Revenue

Years ended 31 December 2016, 2015 and 2014

	Year ended 31 December		
	2014	2015	2016
		(OMR'000)	
Electricity sales to private customers.....	76,207	85,809	89,161
Electricity sales to Government customers.....	21,905	25,419	23,573
Government subsidy	92,352	137,624	149,546
Adjustments for incentive/penalty and K factor deferred revenue	3,501	5,022	6,418
Other revenue	3,132	3,329	3,935
Total Revenue	197,097	257,203	272,633

Total revenue, before adjustments for incentive/penalty and K factor deferred income, increased by OMR 58.6 million, or 30 per cent., from OMR 193.6 million for the year ended 31 December 2014 to OMR 252.2 million for the year ended 31 December 2015, and by OMR 14.0 million, or 6 per cent., to OMR 266.2 million for the year ended 31 December 2016.

Revenue from electricity sales to private customers

Revenue from electricity sales to private customers increased by OMR 3.4 million, or 4 per cent., from OMR 85.8 million for the year ended 31 December 2015 to OMR 89.2 million for the year ended 31 December 2016. This increase reflected primarily the increased volume of sales from 6244.8 GWh in 2015 to 6713.8 GWh in 2016, representing an increase of 469 GWh as well as an increase in the number of new customer accounts by 23,973 (including certain Government customers recategorised as private customers).

Revenue from electricity sales to private customers increased by OMR 9.6 million, or 12.6 per cent., from OMR 76.2 million for the year ended 31 December 2014 to OMR 85.8 million for the year ended 31 December 2015. This increase also reflected primarily increased consumption (from 5,507.08 GWh in 2014 to 6,244.8 GWh in 2015 representing an increase of 737.7 GWh or 13.3 per cent) due to an increase in customers and consumption per customer.

Revenue from electricity sales to Government customers

Revenue from electricity sales to Government customers decreased by OMR 1.8 million, or 7 per cent., from OMR 25.4 million for the year ended 31 December 2015 to OMR 23.6 million for the year ended 31 December 2016. This decrease reflected primarily a 5.2 per cent. decrease in consumption and the re-categorisation of certain Government customers as private customers.

Revenue from electricity sales to Government customers increased by OMR 3.5 million, or 16 per cent., from OMR 21.9 million for the year ended 31 December 2014 to OMR 25.4 million for the year ended 31 December 2015. This increase reflected primarily increased consumption, by 181.4 GWh, or 18.5 per cent, from 980.5 GWh in 2014 to 1161.9 GWh in 2015. This increase was primarily due to increased consumption as a result of the expansion of certain Government offices and new Government customers being included in Mazoon's licenced regions.

Revenue from Government subsidy

	Year ended 31 December		
	2014	2015	2016
		(OMR'000)	
Government subsidy	92,352	137,624	149,546
Adjustments for incentive/penalty and K factor deferred revenue	3,501	5,022	6,418
Net subsidy revenue.....	95,853	142,646	155,964

Net subsidy revenue, consisting of the sum of Government subsidy and adjustment for incentive/penalty and K factor, increased by OMR 13.3 million, or 9.3 per cent., from OMR 142.6 million for the year ended 31 December 2015 to OMR 155.9 million for the year ended 31 December 2016. This increase reflected primarily the increase in power purchase cost, which is offset by an increase in the maximum allowed revenue and, in turn, by increased subsidy.

Net subsidy revenue increased by OMR 46.7 million, or 48.8 per cent., from OMR 95.9 million for the year ended 31 December 2014 to OMR 142.6 million for the year ended 31 December 2015. The increase was mainly due to (i) increased power purchase costs, transmission connection charges and transmission use of system charges which in aggregate amounted to OMR 46.9 million (partly offset by the increased sales revenue of OMR 13 million) and (ii) 2015 being the first year of the 4th price control period where the notified values were refixed.

Other revenue

Other revenue increased by OMR 0.6 million, or 18.2 per cent., from OMR 3.3 million for the year ended 31 December 2015 to OMR 3.9 million for the year ended 31 December 2016. The increase in other revenue reflected primarily increased installation and connection charges of OMR 0.33 million and OMR 0.1 million, respectively.

Other revenue increased by OMR 0.2 million, or 6.3 per cent., from OMR 3.1 million for the year ended 31 December 2014 to OMR 3.3 million for the year ended 31 December 2015. The increase was primarily due to increased installation and connection charges of OMR 0.14 million and OMR 0.06 million, respectively.

Operating Costs

	Year ended 31 December		
	2014	2015	2016
		(OMR'000)	
Purchase of electricity	108,081	152,902	166,469
Transmission use of system charges.....	22,250	23,802	24,333
Depreciation	17,103	17,844	20,955
Maintenance and repairs expenses.....	4,016	4,439	4,220
Transmission connection charges	3,504	4,070	4,837
Spares and consumable expenses	1,179	1,162	892
Other direct costs	335	357	333
	156,468	204,576	222,039

Total operating costs increased by OMR 48.1 million, or 30.7 per cent., from OMR 156.5 million for the year ended 31 December 2014 to OMR 204.6 million for the year ended 31 December 2015, and by OMR 17.5 million, or 8.5 per cent., to OMR 222.0 million for the year ended 31 December 2016.

Purchase of electricity

Purchase of electricity increased by OMR 13.6 million, or 8.9 per cent., from OMR 152.9 million for the year ended 31 December 2015 to OMR 166.5 million for the year ended 31 December 2016. This increase reflected primarily the increase in electricity consumption due to customer growth and usage.

Purchase of electricity increased by OMR 44.8 million, or 41.5 per cent., from OMR 108.1 million for the year ended 31 December 2014 to OMR 152.9 million for the year ended 31 December 2015. In addition to the normal customer demand growth this increase reflected primarily the increase in gas price which in turn affected the power production cost.

Transmission use of system charges

Transmission use of system charges increased by OMR 0.5 million, or 2.2 per cent., from OMR 23.8 million for the year ended 31 December 2015 to OMR 24.3 million for the year ended 31 December 2016. This increase reflected primarily increased volumes in connection with the increase in volume due to customer growth and consumption of electricity.

Transmission use of system charges increased by OMR 1.5 million, or 6.7 per cent., from OMR 22.3 million for the year ended 31 December 2014 to OMR 23.8 million for the year ended 31 December 2015. This increase reflected primarily the growth in electricity demand.

Depreciation

Depreciation increased by OMR 3.1 million, or 17.4 per cent., from OMR 17.8 million for the year ended 31 December 2015 to OMR 20.9 million for the year ended 31 December 2016. This increase reflected primarily increased depreciation resulting from Mazoon's greater asset base, being an additional OMR 124 million in 2016 (compared to OMR 95.7 million) and an increase of approximately OMR 28.3 million resulting from capital expenditures.

Depreciation increased by OMR 0.7 million, or 4 per cent., from OMR 17.1 million for the year ended 31 December 2014 to OMR 17.8 million for the year ended 31 December 2015. This increase reflected the impact of Mazoon's capital expenditure programme, limited by a reduction in the value of projects capitalised, to OMR 95.7 million in 2015 from OMR 98.7 million in 2014.

Maintenance and repairs expenses

Maintenance and repairs expenses decreased by OMR 0.2 million, or 4.9 per cent., from OMR 4.4 million for the year ended 31 December 2015 to OMR 4.2 million for the year ended 31 December 2016. Emergency and maintenance services are outsourced on fixed priced contracts. Expenditure for other repairs varies based on the network condition assessed as part of the annual maintenance program and the expenditure required due to rain or wind and the corrosion of network equipment near coastal areas. In 2015, Mazoon incurred non-routine maintenance and repairs expenditure as a result of heavy rain damaging its assets. The maintenance and repairs expenses for 2016 were, therefore, lower in comparison.

Maintenance and repairs expenses increased by OMR 0.4 million, or 10 per cent., from OMR 4.0 million for the year ended 31 December 2014 to OMR 4.4 million for the year ended 31 December 2015. As discussed above, Mazoon incurred non-routine expenses as a result of heavy rain in 2015.

Transmission connection charges

Transmission connection charges increased by OMR 0.8 million, or 18.8 per cent., from OMR 4.1 million for the year ended 31 December 2015 to OMR 4.8 million for the year ended 31 December 2016. This increase reflected increase in the number of connection assets and the related costs.

Transmission connection charges increased by OMR 0.6 million, or 16.2 per cent., from OMR 3.5 million for the year ended 31 December 2014 to OMR 4.1 million for the year ended 31 December 2015. This increase reflected increase in the number of connection assets and the related costs.

Gross Profit

For the reasons stated above, gross profit increased by OMR 12.0 million, or 29.5 per cent., from OMR 40.6 million for the year ended 31 December 2014 to OMR 52.6 million for the year ended 31 December 2015, and decreased by OMR 2.0 million, or 3.9 per cent., to OMR 50.6 million for the year ended 31 December 2016.

General and Administrative Expenses

General and administrative expenses increased by OMR 0.7 million, or 3.1 per cent., from OMR 21.7 million for the year ended 31 December 2015 to OMR 22.4 million for the year ended 31 December 2016. The increase reflected primarily an OMR 1.6 million, or 14.6 per cent., increase in staff costs, which was primarily attributable to an OMR 0.5 million bonus reversal, partially offset by a decrease in other expenses, resulting from a reversal of provisions for bad debts.

General and administrative expenses decreased by OMR 0.9 million, or 4 per cent., from OMR 22.6 million for the year ended 31 December 2014 to OMR 21.7 million for the year ended 31 December 2015. The decrease was primarily attributable to a reduction in staff costs in 2015 due to a reversal of bonus from 2014 of OMR 0.5 million as well as an OMR 0.5 million decrease in reduced services expenses (including consultancy expenses) and an OMR 0.2 million decrease in other expenses as a result of cost efficiency measures and budget control, partially offset by an increase of OMR 0.3 million in depreciation on administrative assets resulting from an increase in the number of such assets.

In each instance, the bonus reversal was the result of actual bonuses paid being lower than the bonus provision. As the bonus provision was not fully utilised, this was reversed subsequently.

Other Income

Other income increased by OMR 0.2 million, or 6.7 per cent., from OMR 2.4 million for the year ended 31 December 2015 to OMR 2.6 million for the year ended 31 December 2016. The increase was primarily due to sale of scrap in 2015, as well as increased revenue from penalties and fines, which Mazoon levies on the capital project contractors in connection with project delays.

Other income increased by OMR 1.2 million, or 108 per cent., from OMR 1.2 million for the year ended 31 December 2014 to OMR 2.4 million for the year ended 31 December 2015. The increase was primarily due to sale of scrap amounting to OMR 0.9 million in 2015 and increased revenue from penalties and fines, which Mazoon levies on capital project contractors in connection with project delays.

Profit from Operations

Profit from operations decreased by OMR 2.5 million, or 7.6 per cent., from OMR 33.3 million for the year ended 31 December 2015 to OMR 30.8 million for the year ended 31 December 2016. This reflects an OMR 2.0 million decrease in gross profit and an increase of OMR 0.7 million in general and administrative expenses.

Profit from operations increased by OMR 14.2 million, or 74 per cent., from OMR 19.1 million for the year ended 31 December 2014 to OMR 33.3 million for the year ended 31 December 2015. This reflects: (i) an increase of OMR 12.0 million in gross profit in 2015 as a result of the implementation of the price control IV; (ii) a decrease of OMR 0.9 million in general administrative expenses as a result of an OMR 0.5 million reduction in staff costs; and (iii) an OMR 1.2 million increase in other income mainly arising from penalties applied on contractors and scrap sales.

Finance Income and Costs

Finance income increased by OMR 0.023 million, or 51 per cent., from OMR 0.045 million for the year ended 31 December 2015 to OMR 0.068 million for the year ended 31 December 2016, reflecting increased interest on bank accounts on account of higher average balances of cash on deposit during the year.

Finance income increased by OMR 0.037 million, or 462.5 per cent., from OMR 0.001 million for the year ended 31 December 2014 to OMR 0.045 million for the year ended 31 December 2015, reflecting higher average balances of cash on deposit during the year and an increase in the interest rate on call deposit to 0.85 per cent. from 0.75 per cent. during 2015.

Finance Costs

Finance costs increased by OMR 4.4 million, or 110 per cent., from OMR 4.0 million for the year ended 31 December 2015 to OMR 8.4 million for the year ended 31 December 2016, reflecting primarily increased interest on additional borrowings obtained in 2016. Such additional borrowings included a loan obtained for

financing Mazoon's capital expenditure and a short term loan to fund working capital requirements. Furthermore, 2016 was the first full year in which Mazoon had interest expense on its new borrowings.

Finance costs increased by OMR 1.8 million, or 86 per cent., from OMR 2.2 million for the year ended 31 December 2014 to OMR 4.0 million for the year ended 31 December 2015, reflecting primarily increased interest on a term loan obtained and the refinancing of its bridge loan during 2015.

Profit Before Tax

As a result of the factors set forth above, profit before tax decreased by OMR 6.9 million, or 23.6 per cent., from OMR 29.3 million for the year ended 31 December 2015 to OMR 22.4 million for the year ended 31 December 2016.

Profit before tax increased by OMR 12.3 million or 72.6 per cent., from OMR 17.0 million for the year ended 31 December 2014 to OMR 29.3 million for the year ended 31 December 2015.

Taxation

Mazoon is subject to taxation in Oman in accordance with the provisions of the income tax law, after adjusting for non-assessable or disallowed items. During 2014, 2015 and 2016, the statutory tax rate applicable to Mazoon was 12 per cent. After the adjustment of expenses in accordance with applicable tax law, Mazoon was in a tax loss position in each of 2015 and 2016, and accordingly did not recognize any current tax expense in those years. Deferred tax assets of OMR 1.1 million in carry forward tax losses were not recognized in 2016, as management understands that there is a remote chance of having taxable income until the expiry of tax losses due to a higher tax depreciation charge, resulting in a lapse of carry forward losses. Accordingly, Mazoon's taxation charge for each of 2015 and 2016 consists of deferred tax for the current and prior year, amounting to OMR 3.0 million in 2015 and OMR 3.8 million in 2016. Taxation charge for 2014 consisted of OMR 0.6 million in current tax, and OMR 2.8 million in deferred tax for the current and prior year.

Profit for the Year and Total Comprehensive Income

Profit for the year and total comprehensive income decreased by OMR 7.6 million, or 29.1 per cent., from OMR 26.3 million for the year ended 31 December 2015 to OMR 18.7 million for the year ended 31 December 2016. This decrease was primarily due to an OMR 2.5 million decrease in profit from operations, an OMR 4.4 million increase in net finance costs and an OMR 0.8 million increase in tax.

Profit for the year and total comprehensive income increased by OMR 12.7 million, or 93.7 per cent., from OMR 13.6 million for the year ended 31 December 2014 to OMR 26.3 million for the year ended 31 December 2015. This increase was primarily due to an OMR 14.1 million increase in profit from operations, partially offset by an OMR 1.8 million increase in net finance costs.

Property, Plant and Equipment

The net book value of Mazoon's property, plant and equipment was OMR 621.8 million, OMR 520.7 million and OMR 444.7 million as at 31 December 2016, 31 December 2015 and 31 December 2014, respectively. The increase in the net book value of Mazoon's property, plant and equipment reflects the addition of assets on completion of the projects under Mazoon's capital expenditure programme, less depreciation charges.

Mazoon's RAB was OMR 604.9 million, OMR 508.4 million and OMR 432.7 million, respectively, as at 31 December 2016, 2015, and 2014, respectively. The difference between RAB and the net book value of property, plant and equipment reflects primary connection related assets, which are financed by customers which do not form part of and thus are not included in RAB.

Liquidity and Capital Resources

Mazoon's financial condition and liquidity is and will continue to be influenced by a variety of factors, including:

- the ability to generate cash flows from its operations;
- the level of outstanding financial indebtedness, and the interest it is obliged to pay on such indebtedness, which affects its finance costs;
- prevailing interest rates, which affect its debt service requirements;
- ability to continue to borrow funds from banks and international debt capital markets;

- capital expenditure requirements and maintenance projects; and
- ability to collect receivables from its customers.

Mazoon's cash requirements consist mainly of the following:

- funding capital expenditures;
- operating costs and working capital;
- dividends; and
- servicing its indebtedness.

Mazoon's sources of liquidity consist mainly of cash generated from its operating activities and existing cash and external borrowings.

As at 30 June 2017, total current liabilities exceeded the total current assets by OMR 179.6 million. Mazoon's principal sources of liquidity are cash flow from its operations and proceeds of maturing financial assets together with borrowings from third parties. Operating expenses and capital expenditures are financed from a combination of Mazoon's own liquidity and bank loans and borrowings under debt securities.

Borrowings

Mazoon expects that its net cash from operations will not be sufficient to execute its capital expenditure programme for the next few years, and, accordingly, it expects to experience negative free cash flows, meaning that cash from operations will be insufficient to fund investment activities over this period. Mazoon intends to raise funds in the international and domestic capital markets and loan markets (including the net proceeds received by Mazoon from the issue of the Certificates) to offset the expected financing shortfall. As part of its Long-Term Funding Strategy, Mazoon estimates that it will require approximately OMR 192.5 million in external financing from 2017 to 2018 based on current forecasts and subject to regulatory approvals, and subject to changes to its model as a result of future events or information not currently known by Mazoon. See "*Risk Factors—Risks Related to Mazoon's Business—Mazoon's level of indebtedness may affect its ability to raise additional financing and Mazoon's business may be adversely affected by changes in interest rates*". Mazoon's principal long-term borrowing consists of a loan of OMR equivalent 220.9 million.

Bank overdrafts

Mazoon has a working capital facility, consisting of an overdraft and revolving short-term loan and bank guarantee from Ahli Bank SAOG for an amount of up to OMR 10 million and OMR 5 million, respectively. The overdraft limit of OMR 10 million is interchangeable between overdraft and revolving short-term loan upon a condition that the combined utilisation of both the facilities is not to exceed OMR 10 million at any point in time. The facilities are unsecured, payable on demand and bear interest at the rate of 3.5 to 4 per cent. per annum depending on the outstanding balance for the overdraft and 0.4 per cent. per annum for the guarantee. Currently this tranche of the facility is utilised as an overdraft. This working capital facility is supported by a promissory note issued by Mazoon in favour of Ahli Bank SAOG dated 2015 for an amount of OMR 10 million. As at 30 June 2017, Mazoon had an overdraft of OMR 5.7 million.

In addition, the drawing under the guarantee tranche of this working capital facility is an advance payment bond in favour of the Royal Oman Police dated 30 November 2015 for OMR 4.8 million. This is supported by a counter indemnity/guarantee given by Mazoon in favour of Ahli Bank SAOG for the same amount.

Short-term borrowings

On 11 December 2016, Mazoon entered into a loan agreement with bank muscat SAOG for OMR 27 million to fund its capital expenditure requirements. The facilities are supported by a letter of comfort given by EHC. The facility has been renewed and is due for repayment on 15 December 2017; Mazoon intends to repay the loan from the proceeds of the issue of the Certificates (see "*Use of Proceeds*"). Interest is charged at a rate of 2.5 per cent. to 3.5 per cent per annum and the facility is fully drawn as at 30 June 2017.

On 8 December 2016, Mazoon entered into a revolving loan facility agreement with a consortium comprising Arab Banking Corporation (B.S.C.), BBK (B.S.C.), Gulf International Bank B.S.C., First Abu Dhabi Bank PJSC and Standard Chartered Bank with Arab Banking Corporation acting as the agent bank, for an amount of U.S.\$120 million. The facility bears interest at a rate of 3 month LIBOR plus a margin of 1.5 per cent. per annum. The loan facility is available for a period of 12 months with Mazoon having the option to extend for a further 12-month period. As at 30 June 2017, the facility has been utilised, repaid and was fully available.

On 8 May 2017, Mazoon entered into a U.S.\$ 150 million term loan facility agreement with JPMorgan Chase Bank, N.A., London Branch. As at 30 June 2017, the facility is fully drawn. The interest rate currently applicable is 1 month LIBOR plus a margin of 1.50 per cent. per annum. The term is six months with Mazoon having the option to extend the term by a further six months. Mazoon intends to repay this facility from the proceeds of the issue of the Certificates (See “*Use of Proceeds*”).

Term loan

Mazoon entered into a dual currency term loan facility agreement with a consortium with Ahli Bank as facility agent and account bank, for an amount of OMR 117 million and U.S.\$320 million, on 17 September 2015. The loans are unsecured and are for a period of 11 years. Interest is payable as follows:

- OMR 117 million at 3.5 per cent. fixed interest per annum for a period of five years from the date of first utilisation of the OMR tranche of the term loan. Thereafter interest is reviewed annually. As at 30 June 2017 and 31 December 2016, the outstanding amount under the facility was OMR 107.6 million and OMR 112.6 million; and
- U.S.\$ 320 million (equivalent to OMR 123 million as at 30 June 2017) at a fixed interest rate of equivalent 3 month LIBOR plus a margin of 2 per cent. per annum for a period of 11 years from the date of first utilisation, payable quarterly. As at 30 June 2017 and 31 December 2016, the outstanding amount under the facility amounted to OMR 113.3 million and OMR 118.3 million, respectively.

Mazoon has entered into ISDA master agreements each relating to interest rate swaps in connection with this facility with each of Bank Dhofar SAOG, Abu Dhabi Commercial Bank PJSC, Ahli United Bank B.S.C, Arab Banking Corporation (B.S.C.) and bank muscat S.A.O.G.

Finance lease

On 1 January 2016, Mazoon entered into a finance lease arrangement for OMR 1.2 million with National Renaissance Rent A Car. Mazoon’s obligations under this finance lease are secured by a contractual agreement from the lessor to transfer the vehicle in the name of Mazoon at the end of the lease period of six years. Fixed instalments are payable each month over the six year term.

Cash Flow Data

Six Months Ended 30 June 2017 Compared with the Six Months ended 30 June 2016

The following table summarises Mazoon’s cash flow statement for the periods indicated.

	Six months ended 30 June	
	2016	2017
	<i>(OMR'000)</i>	
Net cash from operating activities	7,761	48,002
Net cash used in investing activities	(49,959)	(65,051)
Net cash from financing activities	44,664	7,600
Net change in cash and cash equivalents	2,466	(9,449)
Cash and cash equivalents at the beginning of the period	1,062	10,255
Cash and cash equivalents at the end of the period.....	3,528	806

Net cash from operating activities

Mazoon’s operating activities generated OMR 48.0 million in net cash from operating activities in the six months ended 30 June 2017, an increase of OMR 40.2 million from the six months ended 30 June 2016, when Mazoon generated OMR 7.7 million in net cash from operating activities. The increase was mainly due to a decrease of OMR 37.8 million in Mazoon’s working capital during the six month period ended 30 June 2017 in connection with an OMR 2.4 million increase in operating cash flows before working capital changes. The decrease in working capital was attributable to the difference in the level of Government subsidy receivable and increased payables to contractors as at 30 June 2017.

Net cash used in investing activities

Mazoon’s net cash used in investing activities increased by OMR 15 million, or 30 per cent., to OMR 65.1 million in the six months ended 30 June 2017 from OMR 49.9 million in the six months ended 30 June 2016 due to increased investment in 33 kV assets to meet the distribution system security standards and other 11 kV and low voltage assets.

Net cash from financing activities

Mazoon's net cash flows from financing activities decreased by OMR 37 million, or 83 per cent., to OMR 7.6 million in the six months ended 30 June 2017 from OMR 44.7 million in the six months ended 30 June 2016. The net cash inflows during the six month period ended 30 June 2016 was the net result of cash inflows of OMR 25.3 million of proceeds from the term loan, a short-term loan from EHC of OMR 20.0 million, an overdraft of OMR 2.3 million and cash outflows of OMR 2.8 million towards finance charges. The net cash inflow during the six month period ended 30 June 2017 was the net result of cash inflows of OMR 26.2 million in respect of short term loans and an increase in overdraft by OMR 4.3 million and the outflows towards payment of instalment of term loan (OMR 9.5 million), finance costs (OMR 5.2 million) and the dividend payment of OMR 7.5 million.

Cash and cash equivalents at the end of the period

Mazoon's cash and cash equivalents as at 30 June 2017 decreased by OMR 2.7 million or 77.2 per cent., to OMR 0.8 million from OMR 3.5 million as at 30 June 2016. As shown in the table above and for the reasons stated in preceding paragraphs, the net decrease in cash and cash equivalents during the six months period ended 30 June 2017 was OMR 9.40 million from the cash and cash equivalents of OMR 10.25 million at the beginning of the period, resulting in cash and cash equivalents of OMR 0.8 million at the end of the period.

Year Ended 31 December 2016 Compared with the Year Ended 31 December 2015 and Year Ended 31 December 2014

The following table summarises Mazoon's cash flow statement for the periods indicated.

	Year ended 31 December		
	2014	2015	2016
		(OMR'000)	
Net cash from operating activities	36,634	60,028	80,270
Net cash used in investing activities	(97,038)	(95,676)	(123,855)
Net cash from financing activities	62,813	34,278	52,778
Net change in cash and cash equivalents	2,409	(1,370)	9,193
Cash and cash equivalents at the beginning of the period.....	23	2,432	1,062
Cash and cash equivalents at the end of the period.....	2,432	1,062	10,255

Net cash from operating activities

Net cash from operating activities increased by OMR 20.2 million, or 33.7 per cent., from OMR 60.0 million for the year ended 31 December 2015 to OMR 80.3 million for the year ended 31 December 2016. This increase was mainly due to a decrease of OMR 20.1 million in working capital, due to movement of OMR 18.6 million in Government subsidies receivable as at 31 December 2015 that was received during 2016.

Net cash from operating activities increased by OMR 23.4 million, or 64 per cent., from OMR 36.6 million for the year ended 31 December 2014 to OMR 60.0 million (including deferred revenue of OMR 3.1 million) for the year ended 31 December 2015. This increase was mainly due to an increase of OMR 14.7 million in operating cash flows before working capital change (attributable to increased profit before tax) as the notified values were reset as part of the new price control PC IV and on account of an OMR 8.7 million decrease in working capital reflecting a decrease in inventory of OMR 1 million, a net increase in receivables (of which OMR 24.7 million was from subsidies receivable from the Government) by OMR 28.9 million, an increase in current liabilities of OMR 33.5 million and an increase in deferred revenue by OMR 3.1 million.

Net cash used in investing activities

Net cash used in investing activities increased by OMR 28.2 million, or 29.5 per cent., from OMR 95.7 million for the year ended 31 December 2015 to OMR 123.9 million for the year ended 31 December 2016. This was due to increased investment in 33kV assets, 11kV, low voltage and other assets.

Net cash used in investing activities decreased by OMR 3.0 million, or 3.0 per cent., from OMR 98.7 million (excluding deferred revenue) for the year ended 31 December 2014 to OMR 95.7 million for the year ended 31 December 2015. This was due to lower capitalisation of projects relating to 33kV, 11kV, low voltage and other assets compared to 2014.

Net cash from financing activities

Net cash from financing activities increased by OMR 18.5 million, or 54 per cent., from OMR 34.3 million for the year ended 31 December 2015 to OMR 52.8 million for the year ended 31 December 2016. The net cash inflows from financing activities during 2016 of OMR 52.8 million was the net result of: (i) cash inflows of OMR 25.70 million from a term loan and OMR 47.0 million from short-term loans; and (ii) cash outflows of OMR 2.8 million to EHC as repayment of loan, OMR 7.8 million towards finance charges and OMR 7.5 million of dividend payments; and (iii) net decrease in bank overdraft balances of OMR 1.8 million. Similarly, in respect of (i) the net cash inflow from financing activities during 2015, OMR 34.3 million was mainly the net result of cash inflows of OMR 200.0 million from long term loan and increase in overdraft facilities of OMR 1.4 million; and (ii) the cash outflows towards repayment of short term loan (OMR 162.0 million), finance costs (OMR 3.8 million) and the dividend payments of OMR 1.50 million

Net cash from financing activities decreased by OMR 28.5 million, or 45.4 per cent., from OMR 62.8 million for the year ended 31 December 2014 to OMR 34.3 million for the year ended 31 December 2015. In respect of the net cash inflows from financing activities during 2016, OMR 62.8 million was the net result of: (i) cash inflows of OMR 72.0 million as proceeds from short-term loan; and (ii) cash outflows of OMR 2.1 million towards finance charges, OMR 1.3 million as dividend payments; and (iii) a net decrease in bank overdraft balances of OMR 5.8 million. In respect of the net cash inflows from financing activities during 2015, OMR 34.3 million was mainly the net result of cash inflows of OMR 200.0 million from long term loan and an OMR 1.4 million increase in overdraft facilities and the outflows towards repayment of short term loans.

Capital Expenditures and Acquisitions

The following table sets forth Mazoon's capital expenditures for the periods indicated.

	31 December		30 June	
	2014	2015	2016	2017
		(OMR'000)		
Buildings on leasehold land.....	2,416	201	1,963	985
Electricity distribution networks.....	38,210	35,337	54,424	31,098
Lines and cables.....	19,606	8,980	20,866	9,595
Substation assets.....	10,454	9,161	22,375	6,921
Other plant and machinery and plant spares	12,207	2,156	2,457	1,021
Furniture, fixtures, vehicles and finance lease assets.....	2,468	2,130	1,388	200
Capital work in progress.....	13,388	37,774	20,580	15,230
Total.....	98,749	95,739	124,053	65,051

The table below sets out Mazoon's planned capital expenditure in 2017, which is the end of the current price control period.

	Through 31 December 2017
	(OMR'000)
Buildings on leasehold land.....	1,674
Electricity distribution networks.....	52,850
Lines and cables.....	16,307
Substation assets.....	11,762
Other plant and machinery and plant spares	1,735
Furniture, fixtures, vehicles and finance lease assets.....	340
Capital work in progress.....	25,885
Total.....	110,533

Based on current proposals from the AER, Mazoon is authorised to make cash capital expenditure at OMR 358.5 million for 2018 through 2021 (calculated at 2016 prices) including OMR 94.2 million in 2018. While Mazoon initially submitted a higher proposal for total capital expenditure (on a cash basis) of OMR 432.1 million, the capital expenditure allowance considered in accordance with the AER's initial proposal was for OMR 337.4 million. Mazoon then submitted a revised proposal for OMR 444 million (based on assumed 2018 prices) to the AER for its consideration and approval; the AER's final proposal was for cash capital expenditure of OMR 358.5 million (calculated at 2016 prices). There can be no assurance that these plans will be approved by the AER, or that the amount approved may change materially.

Contingent Liabilities and Commitments

As at 30 June 2017 and 31 December 2016, Mazoon had capital commitments of OMR 37.8 million and OMR 54.8 million, respectively, largely for construction projects in connection with its capital expenditure programme. These construction projects typically have long construction periods of two to four years, and payments under these commitments are spread out over such time. See "*Description of Mazoon's business—Key Capital Expenditure Projects*" for further information on Mazoon's capital expenditure projects.

Mazoon's capital expenditure programme is designed to meet anticipated future demand for electricity in Oman. Although Mazoon may prepare long-term demand forecasts and preliminary capital expenditure plans based on the forecasts, these plans are subject to material change from year to year.

In addition, as of 30 June 2017 and 31 December 2016, Mazoon had issued letters of guarantees of OMR 4.9 million and OMR 4.9 million respectively, in connection with an advance received from the Royal Oman Police for sponsored projects.

Off-Balance Sheet Arrangements

Mazoon does not have any off-balance sheet arrangements that would have, or are reasonably likely to have, a current or future effect on its financial obligations, changes in its financial condition, revenue, expenses, results of operations, liquidity, capital expenditure or capital resources that are material to prospective investors.

Quantitative and Qualitative Disclosures about Risk Management

Mazoon's activities expose it to a variety of financial risks, market risks (including price risk, foreign currency risks and interest rate risk), liquidity risks and credit risks. Mazoon has an established risk management programme that focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on Mazoon's financial performance.

Overview

Mazoon carries out credit, liquidity and market risk management under policies approved by the Board. The Board has adopted written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, use of non-derivative financial instruments and investment of excess liquidity.

See Note 32 to the Interim Financial Statements and Note 31 to the 2016 Financial Statements for additional information on Mazoon's financial risks, market risks (including price risks, foreign current risks and interest rate risks), liquidity risks and credit risks.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise two types of risk: currency risk and interest rate risk. Market risk exposures are supplemented by sensitivity analysis – for additional information about market risk and certain sensitivity information relating to the risks discussed below, see Note 31 "*Financial Risk Management*" to the Annual Financial Statements.

Price risk

The permitted tariffs for the supply and connection of electricity are determined by the permitted tariff regulations issued by the PAEW. Hence, Mazoon is not subject to significant price risk.

Foreign currency risk

Mazoon is subject to foreign exchange risk arising from currency exposures, primarily with respect to the U.S. Dollar. However, as the Omani Rial is pegged to the U.S. Dollar and most of the foreign currency transactions

are in the U.S. Dollar or other currencies linked to the U.S. Dollar, Mazoon believes that exchange rate fluctuations would not have a significant impact on its results of operations.

Cash flow and fair value interest rate risk

Mazoon has call deposits which are interest bearing and are exposed to changes in market interest rates. Mazoon carries out periodic analysis and monitors the market interest rates fluctuations taking into consideration Mazoon's needs.

Mazoon is exposed to interest rate risk on its interest-bearing financial instruments, consisting of bank overdrafts, short-term borrowings, finance lease and term loan. A 1 per cent. increase in interest rates at the reporting date would have reduced Mazoon's profit by approximately OMR 2.7 million, based on interest bearing financial instruments of OMR 275.0 million as at 31 December 2016. A 1 per cent. decrease in interest rates would have had the equal but opposite effect on the basis that all other variables remain constant. Mazoon does not account for any fixed rate financial instrument at fair value, therefore a change in interest rate at the reporting date will not affect the profit or loss and other comprehensive income.

Credit risk

Credit risk is the risk that Mazoon will incur a loss if a counterparty defaults or fails to honour a financial obligation as it falls due. It takes into account the probability of involuntary default, where the counterparty does not possess the financial means to repay, as well as strategic default, where the counterparty has the ability to repay, but deliberately defaults.

Mazoon attributes its credit risk primarily to trade and other receivables and bank balances. Trade receivables primarily represent the amount due from Government and private customers for the sale of electricity.

Mazoon's exposure to credit risk on trade and other receivables is influenced mainly by the individual characteristics of each customer. To manage this, Mazoon has established credit policies and procedures that it considers appropriate and commensurate with the nature and size of its receivables.

Liquidity risk

Mazoon manages liquidity risk, under policies approved by the Board, by keeping flexibility in funding by maintaining availability under committed credit lines. As at the date of this Prospectus, Mazoon had access to a fixed deposits pool of OMR 154 million available from EHC for exigent circumstances; any drawings on these funds will bear interest at a market rate.

Mazoon faces liquidity risk arising principally in connection with the purchase of electricity from OPWP and transmission of electricity using the OETC transmission network, capital expenditure requirements and repayment of its borrowings on maturity.

Critical Accounting Policies and Estimates

In connection with the preparation of the Financial Statements, Mazoon's management is required to exercise judgment in applying Mazoon's accounting policies, and to make estimates and assumptions concerning the future. Areas requiring a high degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements.

Depreciation

The calculation of useful lives for depreciation is based on management's assessment of factors such as the operating cycles, maintenance programs and normal wear and tear.

Allowance for doubtful debts

Allowance for doubtful debts is based on management's estimates of recoverability of the amounts due along with the number of days for which debts are outstanding.

Revenue recognition

A portion of Mazoon's revenue is estimated, rather than based on actual billing. Detailed computations are based on pre-determined billing patterns and unit usage related criteria in order to arrive at the estimated revenue from customers where Mazoon is unable to obtain meter readings. If actual meter readings for such customers differ from the estimates, Mazoon's revenue is impacted to the extent of such differences.

Provision for inventory obsolescence

Provision 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

Mazoon has considered revenue arising from customer contributor assets recognised under IFRIC18, 'Transfers of assets from customers' as taxable income based on management's interpretation of correspondence with the tax authorities. Accordingly, amounts received are treated as income in the year of receipt and the depreciation is considered as expenditure in the useful life of the asset. Mazoon expects the tax authorities to allow depreciation in the respective years.

DESCRIPTION OF MAZOOON'S BUSINESS

Overview

Mazoon is a closed joint stock company registered under the Oman Commercial Companies Law with commercial registration number 1712390 undertaking regulated distribution and supply of electricity in Dakhilyah, North Sharqiya, South Sharqiya and South Al Batinah governorates of Oman under a license issued by the AER.

Mazoon was registered on the commercial register at the MOCI on 2 February 2003 and 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 the Sector Law.

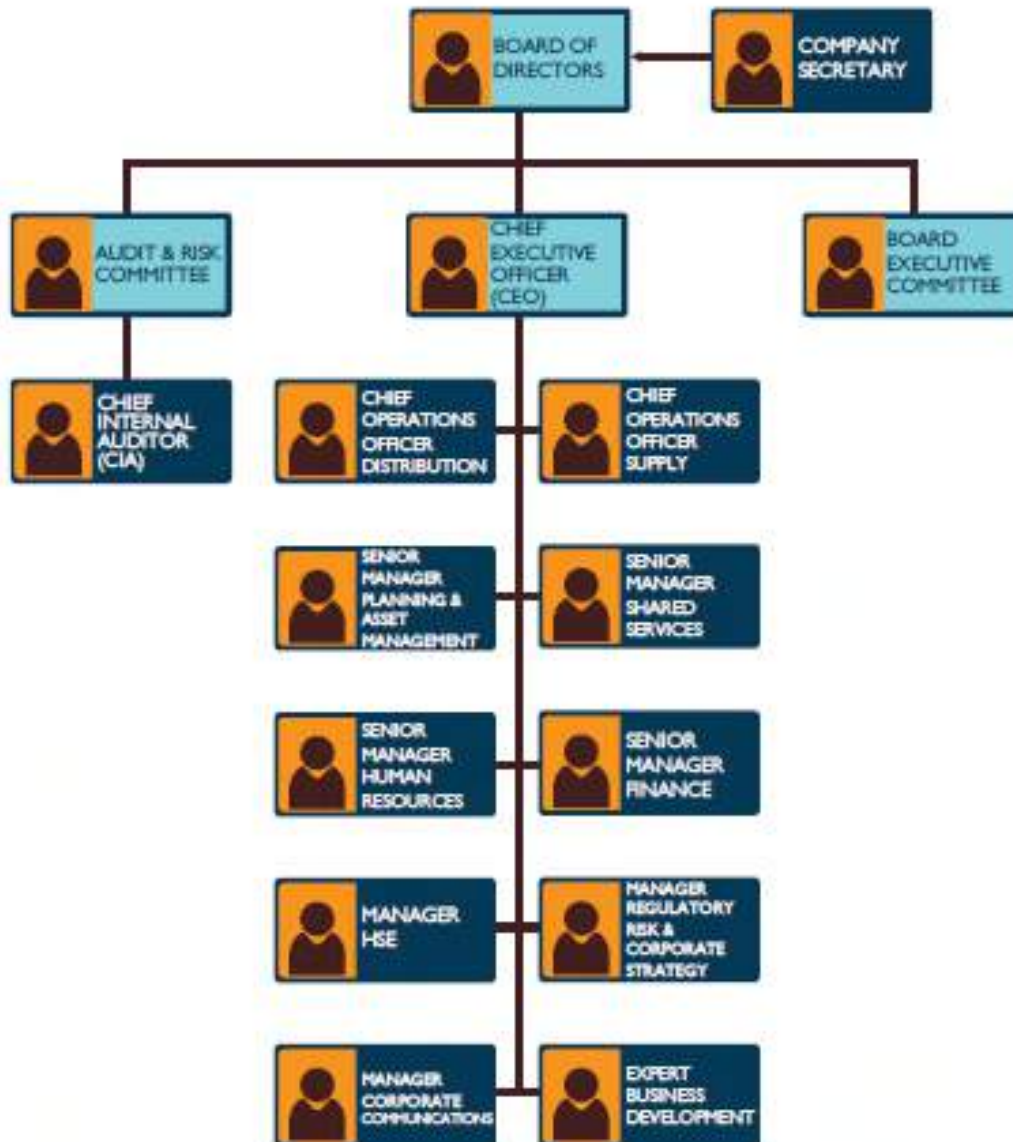
Mazoon is exclusively authorised under its Licence to undertake the regulated activities of distribution and supply of electricity in Dakhiliyah, North Sharqiyah, South Sharqiyah and South Al Batinah, which comprises a large supply area of almost 75,000 km² in the north-east corner of Oman. The Licence came into force on 1 May 2005 and continues in force until determined by the AER giving not less than 10 years' notice (such notice not to be served earlier than 1 May 2030) unless revoked earlier in accordance with condition 26 (for example if Mazoon is adjudicated insolvent or fails to any material extent, to perform any of its Licence duties or statutory duties). Mazoon is the largest electricity distribution company in Oman by geographical area (based on management's estimates) and number of customers (based on the AER's annual report for the year 2016). Mazoon owns and operates the electricity distribution network after the 33 kV incomers circuit breakers at the grid stations down to the customer's point of supply, which includes the 33 kV, 11 kV and the low voltage distribution networks and intermediate primary distribution substations.

For the year ended 31 December 2016, Mazoon's revenue was OMR 272.6 million (U.S.\$ 708.9 million), its operating costs were OMR 222.0 million (U.S.\$ 577.4 million), and its profit for the year and total comprehensive income (net profit after tax) was OMR 18.7 million (U.S.\$ 48.6 million).

Mazoon's principal office is located at: Al Qurum, Sultanate of Oman and its telephone number is +968 24573400.

Organisational Structure

The following chart sets out Mazoon’s management structure:



Corporate Purpose and Strategy

Mazoon’s corporate purpose, as mandated under the Sector Law and its Licence and stated in its constitutional documents, is to finance, operate, maintain, develop and expand its distribution system in a safe manner and to offer terms for connection with and use of its distribution system in a non-discriminate manner.

Mazoon’s strategy is focused on implementing the Government’s policy for the development of the electricity and related water sector in Oman, with the primary objective being the distribution of a reliable and safe supply of electricity to customers. In addition, Mazoon’s strategy includes a significant capital expenditure programme to expand and upgrade its distribution network in order to meet growing demand for electricity and improve efficiency and safety.

Reliability is defined by the degree to which the performance of the elements in a system results in electricity being delivered to customers within accepted standards and in the desired volumes. The network reliability of Mazoon is measured using international reliability indices for frequency and duration. In recent years, Mazoon has focused on maintaining and improving the reliability of its distribution network, reducing the number of interruptions and benchmarking its distribution network performance to international standards.

In order to further ensure reliable and safe operations, meet Oman's growing needs for electricity and connecting new customers, in particular in planned areas, tourist and industrial areas, Mazoon estimates its capital expenditure will be OMR 110.5 million in 2017 (of which OMR 95.2 million has been spent as of 30 September 2017). The most recent AER proposal for the 2018 to 2021 price control period contemplates cash capital expenditure at OMR 358.5 million through 2021 (calculated at 2016 prices) including OMR 94.2 million in 2018. Mazoon expects to finance this expenditure through borrowings in the international and domestic capital markets and loan markets (including the net proceeds received by Mazoon from the issue of the Certificates) and through retained earnings. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations – Borrowings*".

Strengths

Mazoon's business is characterised by a number of key strengths, including the following:

Monopoly position in electricity distribution and supply

Mazoon has both an operational and legal monopoly in the electricity distribution business in Dakhiliyah, North Sharqiyah, South Sharqiyah and South Al Batinah governorates of Oman. Since the electricity distribution business is a "natural monopoly" as a result of the high fixed costs of distribution infrastructure, only one operator is economically viable in any particular territory. As at 31 December 2016, Mazoon had 390,689 customers accounting for 41.6 per cent. of all customers connected to the main interconnected system (MIS) in Oman. Furthermore, as at 31 December 2016, Mazoon supplied 7920 GWh of electricity to its customers amounting to 29.5 per cent. of electricity supplied in the MIS. Mazoon performs a function that is of critical importance to Oman generally, and to the electricity and related water sector in particular, and therefore Mazoon has received, and expects to continue to receive, significant Government support as a Government-owned entity.

Government ownership

Mazoon is indirectly 100 per cent. owned by the Government and accordingly benefits from direct and indirect support mandated by law. In particular, Article 67 of the Sector Law requires the Ministry of Finance to secure the availability of the necessary finance for Mazoon to undertake its activities for as long as it is wholly-owned by the Government (whether such finance is provided by the Ministry of Finance or from another source) and under Article 18 of the Sector Law, Mazoon is entitled to receive a subsidy from the Ministry of Finance (see "*Transparent and supportive regulatory systems*" and "*Customers – Subsidies*" for further details).

EHC, the Government vehicle that holds all Government-owned providers of electricity in Oman and related water sector and is a wholly-owned subsidiary of the Ministry of Finance, owns 149,985,000 shares of Mazoon, representing 99.99 per cent. of the authorised, issued and paid-up share capital of Mazoon as at 30 June 2017. On 10 April 2017, the Ministry of Finance transferred its holding of 15,000 shares in Mazoon, which represents the remaining 0.01 per cent. of the authorised, issued and paid-up share capital of Mazoon, to two other Government related entities, Nama Institute for Competency Development LLC (NICD) and Nama Shared Services LLC (NSS). The transfer was part of the Government's strategy to consolidate its holdings in the electricity sector and followed a decision taken by the Ministry of Finance with respect to its direct shareholding in eight of EHC's subsidiary companies including Mazoon.

As a requirement of the Oman Commercial Companies Law, members of the board of directors of closed joint stock companies are elected to office for a period of three years, it being permissible for such board members to be re-elected or replaced periodically. In accordance with the Oman Commercial Companies Law and in line with EHC and the Ministry of Finance's customary practices, the current board of directors of EHC consists of four members, two of whom are Government officials, while the other two are independent. A fifth director has recently resigned and such position remains, at the date of this Prospectus, vacant. All directors are appointed by the Cabinet of Ministers through the Ministry of Finance for a term of three years, with the current term commencing 13 May 2015. The Board of Mazoon consists of five members, constituted by a decision of EHC after consultation with the Ministry of Finance and the current composition is four members nominated by EHC and one representing the other shareholders, NICD and NSS, both controlled by EHC.

Mazoon understands that, notwithstanding the composition of EHC's board of directors or the transfer of the Ministry of Finance's minority shareholding in Mazoon to NICD and NSS, the policies of EHC with respect to Mazoon are not expected to substantively change, and, accordingly, there are not expected to be any resultant changes in the management of EHC or of Mazoon.

Transparent and supportive regulatory systems

Mazoon operates within a transparent and supportive regulatory system with a defined price control and subsidy framework that has been in place since 2005.

Under the Sector Law, as long as Mazoon remains wholly-owned by the Government, it has statutorily enshrined support from the Ministry of Finance to secure adequate funds, through the Government or market sources, to undertake its main activities as defined under the Sector Law. In addition, by virtue of Article 18 of the Sector Law, Mazoon has benefited from, and expects to continue to benefit from, subsidies paid by the Government under the Sector Law. In 2016, 2015 and 2014, the Ministry of Finance supported the Omani electricity sector with OMR 498.1, 448.1 million and OMR 295.6 million subsidies, respectively. Of these payments, Mazoon received subsidy payments of OMR 149.5 million, OMR 137.6 million and OMR 92.3 million in respect of 2016, 2015 and 2014, respectively (see “*Risk Factors – Risks related to Mazoon’s Business – Mazoon relies on Ministry of Finance subsidies supporting the electricity and related water sector, and any reduction or delay in the payment of such subsidies could materially affect Mazoon*” for details regarding the timing mismatch of the 2015 subsidy payment). For 2017, the AER has estimated subsidies in the amount of OMR 456 million to support the Omani electricity sector. Of these budgeted subsidies, Mazoon expects to receive OMR 148.6 million.

Mazoon also operates within the AER’s regulatory jurisdiction, which prevents unlicensed businesses from engaging in electricity distribution or supply (see “*Regulation of the Electricity Sector in Oman–Authority for Electricity Regulation–Functions of the AER*” for further details on the price control framework).

Stable distribution and supply activities with low operating risk

Mazoon’s electricity distribution and supply activities are stable and comprise relatively simple operations. Accordingly, management believes Mazoon’s business is characterised by and subject to low operating risks. Moreover, due to the nature of its operations, Mazoon is exposed to limited commodity and foreign exchange risks. Mazoon has a consistent track record in achieving, and aims to continue to achieve, high levels of reliability and safety in providing electricity distribution and supply services in Oman.

One of the key measurements of the performance of electricity distribution is Customer Average Interruption Duration Index (**CAIDI**). The following table sets out the CAIDI for Mazoon for the years shown below.

	2012	2013	2014	2015	2016
CAIDI-minutes	67	70	87	81	90

The calculation of CAIDI shown above is based on both planned and unplanned outages. There has been an increase in planned outages in recent years, for maintenance and for customer connections which resulted in an increase in CAIDI. The increase in CAIDI also reflects the planned outages in respect of Mazoon’s 33 kV and 11 kV projects to meet distribution system security standard compliance and new customer connections.

Attractive growth trends in Oman

The following table sets out the growth in regulated units distributed by Mazoon (other than units sold directly to connected customers) for the years indicated below.

	2009	2010	2011	2012	2013	2014	2015	2016
Regulated units distributed (<i>GWh</i>)	3,843	4,188	4,645	5,267	5,974	6,706	7,550	7,815
Annual growth rate (%)	18	9	11	13	13	12	13	4

The above table shows that regulated units indicates a compound annual growth rate of 11 per cent. over the period of seven years from 2009 to 2016.

Based on its own estimates, Mazoon expects that demand for electricity will expand at a compound annual growth rate of about 6 per cent. over the next five years, based on Mazoon’s historical data of its distribution of electricity in Al Dakhiliyah, North Al Sharqiyah and South Al Sharqiyah and South Al Batinah and Mazoon’s

related internal projections. Factors driving the increase in demand for electricity include population growth, the increase in the number of homes and businesses, high temperature during the summer months of May to August and the continuance of significant Government subsidies to support distribution companies in providing affordable electricity to consumers.

The following table shows the growth in the number of Mazoon's customers for the years indicated below.

	2009	2010	2011	2012	2013	2014	2015	2016
Number of customers	231,372	249,252	269,099	292,963	318,182	340,923	366,716	390,689
Annual growth rate (%)	6	8	8	9	9	7	8	7

Strong and stable financial position

Mazoon believes that it has a solid and stable financial position and capital structure. As of 30 June 2017, Mazoon had net debt of OMR 299.6 million. Mazoon benefited from financial flexibility, through working capital facilities such as an OMR 10 million facility with Ahli Bank and a US\$120 million syndicated working capital facility. Mazoon has also been able to obtain additional bank financing, such as an OMR 27 million loan from bank muscat and a US\$150 million loan from J.P. Morgan (both of which are expected to be repaid from the proceeds of the Offering). Mazoon has historically had access to additional liquidity facilities from EHC, when required, and expects to continue to have access to such liquidity in future.

The following table shows the annual growth in the net book value of Mazoon's property, plant and equipment for the years indicated below.

	2009	2010	2011	2012	2013	2014	2015	2016
Property, plant and equipment (OMR million)	172	211	253	305	365	445	521	622
Annual growth rate (%)	17	23	20	21	19	22	17	19

Reflecting its natural monopoly and Government ownership, Mazoon's revenue has grown at a compound annual growth rate of 14 per cent. between 2009 and 2016. The following table shows the annual growth in Mazoon's total revenue for the periods indicated.

	2009	2010	2011	2012	2013	2014	2015	2016
Total revenue (OMR million)	108	113	129	159	179	197	257	273

Strong Commitment to Social Policies

Mazoon maintains a social policy that its management believes fosters positive relations with Mazoon's employees, trade unions and the communities in which it operates. Mazoon shares a variety of corporate social projects with the group comprising EHC and its subsidiaries (the **Nama Group**) including energy saving initiatives, volunteering and blood donation campaigns. Mazoon believes that such projects increase its presence and brand-recognition in the community and help it remain connected to its market, employees and customers.

The Nama Group's sustainability policy has adopted three focus areas: social, environmental and economic responsibility. As a subsidiary of Nama Group, Mazoon participates in the programme through providing each employee a day each year to participate in volunteering activities during which employees participate in Nama Group-led initiatives to support social, economic and environmental activities; such as health and safety campaigns, energy conservation campaigns and as mentors for college and university students who are looking to pursue self-employment opportunities.

Experienced Management Team

Mazoon has an experienced senior management team. The majority of Mazoon's senior management team who are responsible for operations have transferred from the Ministry of Electricity and Water with a proven record in the electricity sector. Mazoon is focussed on recruiting professionally qualified executives with strong managerial and commercial expertise for managing Mazoon's finance, audit, governance, strategy and supply

business. Mazoon has also paid special attention to building and developing talent internally as part of its growth strategy and succession planning. The majority of Mazoon's senior management have undergone leadership development programs and attended the executive program run by the International Institute for Management Development, Switzerland. Furthermore, new talent is identified as part of Mazoon's 'Ruwad' program and are supported with further development training programs.

The senior management team have been instrumental in the development of Mazoon's strategy and delivering its profitability.

Main Business Activities

Mazoon is authorised to undertake the regulated activities of distribution and supply within the authorised area stipulated in its License. It serves a large supply area of almost 75000 km² in the north-east corner of Oman. Mazoon's supply area is split into four governorates which are Al Dakhiliyah (to the central-north of Oman), North Al Sharqiyah and South Al Sharqiyah (the coastal region to the eastern part of Oman) and South Al Batinah and Wilayat of Suwaiq (the coastal region to the north-east of Oman). Mazoon produces its analysis of its distribution network by considering these four governorates as three supply regions as follows: Al Dakhiliyah, Al Sharqiyah which consists of South Al Sharqiyah Governorate and North Al Sharqiyah Governorate and South Batinah.

As at 31 December 2016, the South Al Batinah governorate had the highest number of customer accounts with estimated supply area of 6260 km² followed by Al Dakhiliyah with an estimated supply of 31900 km² with the second highest number of customer accounts. The South Al Sharqiyah governorate and North Al Sharqiyah governorates together were, as at 31 December 2016, the largest among the three supply regions with an estimated supply area of 37674 km² and which individually have the lowest number of customer accounts.

Mazoon owns and operates the electricity distribution network below 132 KV down to the customer's point of supply, which includes the 33 kV, 11 kV and the low voltage distribution networks and intermediate primary distribution substations. The 33 kV distribution network is supplied from the transmission network of OETC through seventeen 132/33 kV grid stations on the transmission system spread across the supply area. Seventeen of the 132/33 kV grid stations, namely Muladah, Khabourah (shared with Majan EC), Mudhairib, Mudhaibi, Jalan Bani Bu Ali, Jalan bani Bu Hassan, Qalat Al Awamir, Khdrah, AL Eigga, Interconnection Substation (MIS), Bahla, Nizwa, Madinat Nizwa Nakhal, Izki, Sumail-A and Sur are of the standard 2x125 MVA transformer, two with 3x125 MVA which are Barka and Rustaq, and one with 2x160 MVA (Al Swadi) design with a crossover arrangement such that the transformers supply both 33 kV busbars. The remaining stations are of the more conventional design without the crossover arrangement, one with 2x63 MVA transformers Sumail-B and one with 2x40 MVA (Adam).

Distribution and Supply of Electricity

Distribution Network

Mazoon's distribution network consists of distribution lines and sub-stations with varying voltage ranges. Mazoon serves its customers through a distribution network classified by voltage level. Electricity is distributed at 11 kV, 33 kV and 0.433 kV.

The table below sets forth the assets used by Mazoon in its distribution network.

	Unit of Measure	2016	2015
33/11 kV substation.....	Number	253	239
11/0.433 kV substation.....	Number	17278	16310
33/11 kV transformer.....	Number	423	439
33/0.433 kV transformer.....	Number	39	77
11/0.433 kV transformer.....	Number	16798	15982
33 kV network overhead line.....	Km	3680	3271
33 kV network underground cable.....	Km	923	550
11 kV network overhead line.....	Km	9472	9256
11 kV network underground cable.....	Km	2580	2152
0.433 kV network overhead line.....	Km	9875	9821
0.433 kV network underground cable.....	Km	7119	6368

Mazoon outsources emergency and maintenance services to contractors in all the districts where it operates.

Geographical Coverage

Mazoon serves a large supply area of almost 75000 km² in the north-east corner of Oman. Mazoon's supply area is split into four Governorates: Al Dakhilyah and Sharqiya North (to the central-north of Oman), South Sharqiyah (the coastal region to the eastern part of Oman) and South Batinah (the coastal region to the north-east of Oman).

Al Dakhilyah is a great plateau from the northerly mountain slopes of Jebal Al Akhdhar to the desert in the south, with borders with most regions in Oman. It adjoins Al Sharquiyah North to the east, Al Dhahirah to the west, Al Wusta to the South and Muscat and Al Batinah to the north. As at 31 December 2016, the total population of Al Dakhilyah was 333,030 Omanis and 108,718 expatriates. Al Dakhilyah comprises eight willayats: Nizwa, Sumail, Bahla, Adam, Al Hmara, Manah, Izki and Bid Bid. Nizwa is the regional centre and is approximately 164 kilometres from Muscat. Mazoon has six offices in Al Dakhilyah.

South Al Sharqiyah is situated on the north east of Oman, overlooking the Arabian Sea. As at 31 December 2016, the total population of South Al Sharqiyah was 195,467 Omanis and 103,576 expatriates. South Al Sharqiyah comprises four willayats: Sur, Al Kamel and Al Wafi, Jaalan Bani Bu-Ali, Jaalan Banu Bi-Hassan. Mazoon has three offices in Al Sharqiyah South.

North Al Sharqiya comprises the interior Hajar Mountains to the north and adjoins Rimal Al Sharqiyah to the south and Al Dakhilyah to the west. As at 31 December 2016, the total population of Al Sharqiyah was 167,712 Omanis and 97,798 expatriates. Al Sharqiyah North comprises six willayats: Ibra, Bidiya, Al Qabel, Al Mudhibi, Dema-w-Al Taein, Wadi Bani Khalid. Mazoon has four offices in North Al Sharqiyah.

Al Batinah rests in the north of Muscat and is considered the connecting link between the major regions of Oman and the Governorate of Mussandam and the United Arab Emirates. Al Batinah is divided into South Al Batinah and North Al Batinah. As at 31 December 2016, the total population of Al Batinah was 764,628 Omani and 363,487 expatriates. South Al Batinah comprises six willayats: Al Rustaq, Barka, Al Musanah, Al Awabi, Nakhal and Wadi Al Ma'awel. Mazoon has four offices in South Al Batinah. Mazoon also distributes and supplies electricity in Suwaiq of North Al Batinah with one office.

Among the three regions, Al Sharqiyah is the largest one with an estimated supply area of 37,674 km², and also has the highest number of customer accounts (139,106 as at 31 December 2016) followed by Al Dakhilyah with an estimated supply area of 31,900 km² with the lowest number of customer accounts (112,742 as at 31 December 2016). South Batinah is the smallest of the three supply areas with an estimated supply area of 6,260 km² and has the second highest number of customer accounts (138,841 as at 31 December 2016).

Yearly Distribution

The following table sets forth Mazoon's peak load for the years 2008 to 2016 in MW.

	2008	2009	2010	2011	2012	2013	2014	2015	2016
Peak load (MW)	990	1,097	1,125	1,268	1,427	1,505	1,641	1,877	1,974
Growth (%)*	0	9.7	2.4	11.3	11.1	5.2	8.2	12.5	4.9

* Calculated as year-on-year growth.

System Performance

The AER has set targets for all distribution operators in Oman to reduce its electricity losses. The following table sets forth the annual system loss targets imposed on Mazoon by the AER and Mazoon's performance against each system loss target, expressed as a percentage of electricity bought/received at bulk supply points for the relevant year.

Distribution system loss is calculated as the difference between the units entering the distribution network and the quantity billed for a period. The distribution system losses include both technical and non-technical losses. The AER has introduced an incentive/penalty scheme associated with the distribution system loss targets. For the price control V period (as per the most recent proposal by AER), the incentive rate for the first year is 9.3 per MWh and will be further indexed for inflation in subsequent years. The AER allows for a 0.5 per cent. deviation from the incentive rate to ensure that targets are met long term and no penalties are applied if actual system losses are less than 0.5 per cent. above the target for any year. Mazoon has historically paid penalties

when it could not action specific targets amounting to OMR 1.04 million, OMR 629,000 and OMR 305,000 in 2012, 2015 and 2016, respectively.

	2008	2009	2010	2011	2012	2013	2014	2015	2016
Target (%)	No Target	19.5	17.6	15.7	12.8	11.9	10.7	9.8	8.9
Actual (%)	21.3	17.8	15.3	14.3	15.3	11.2	10.3	10.7	9.3

The following table sets forth information concerning the frequency and duration of electricity outages per customer per year for the periods indicated:

	Year ended 31 December	
	2015	2016
Frequency of outages per customer per year (SAIFI) ⁽¹⁾	3.96	2.84
Duration of outages per customer per year (SAIDI) ⁽²⁾	323.63	255.72

(1) SAIFI, or System Average Interruption Frequency Index, is a system index of average frequency of interruptions in the power supply calculated as the total number of interruptions divided by the number of all customers.

(2) SAIDI, or System Average Interruption Duration Index, is a system index of average duration of interruption in the power supply indicated in minutes per customer calculated as total duration of interruptions divided by number of customers.

Power Outages management

The requirements set by AER in its distribution system security standards are given in the table below.

DEMAND CLASS	Initial System Conditions		
	First Outage (Forced Outage)	Second Outage (Planned Outage + Forced Outage)	
A	Less than 2 MW	Repair time	No requirement
B	2 to 6 MW	3 Hours	No requirement
C	6 to 20 MW	Within 15 minutes	Restoration time of planned outage
D	20 to 100 MW	Immediately	Restoration time of planned outage
E	Greater than 100 MW	Immediately	Immediately, 2/3rds of demand

Mazoon's major capital expenditure consists of the construction of new substation and upgrading the existing substation as part of the long term measures for mitigating the risk of noncompliance with system security standards.

Further, every year, after assessing the expected loading levels at primary substations and 33 kV feeders, the company updates the contingency plans to meet the peak demand expected over and above the secured capacity of the primary substations.

Purchase of Electricity for Distribution

For the year ended 31 December 2016, Mazoon purchased 8,868 GWh of electricity for distribution compared to 8,581 GWh for the year ended 31 December 2015.

Asset Management

In June 2016, Mazoon obtained accreditation for ISO 55001 (for Asset Management System).

Customers

Customer Profile

The total number of customers as at 30 June 2017 was 398,809 compared to 390,689 as at 31 December 2016, 366,878 as at 31 December 2015 and 340,923 as at 31 December 2014. As at 30 June 2017, this comprised 297,846 (75 per cent.) domestic customers, 80,736 (20 per cent.) commercial customers, 14,706 (4 per cent.) Government customers and 5,521 (1 per cent.) other customers. Mazoon's future growth is anticipated to be the result of new house plots, new areas of development and overall economic and population growth.

The following table sets out Mazoon's distribution of electricity in terms of MWh and gross revenues, by type of customer, for the periods indicated.

	Six months ended 30 June				Year ended 31 December			
	2017		2016		2015		2014	
Distribution to:	(OMR millions)	(MWh)	(OMR millions)	(MWh)	(OMR millions)	(MWh)	(OMR millions)	(MWh)
Domestic	24.0	2,174,891	54.0	4,931,628	52.2	4,607,282	45.0	4,077,449
Commercial.....	17.0	698,363	30.2	1,538,690	29.0	1,455,438	27.1	1,353,401
Government.....	11.7	528,681	23.6	1,101,539	25.4	1,161,968	21.9	980,527
Other*	2.9	165,545	4.9	347,979	4.6	325,753	4.1	294,331
Total	55.8	3,567,479	112.7	7,919,836	111.2	7,550,441	98.1	6,705,708

* Other includes agriculture/fisheries, hotels/tourism and industrial customers.

Tariffs

Each customer is placed on a tariff in accordance with the tariff structure which is approved by the Government according to the following:

A: Permitted Tariffs for Electricity Supply

Permitted Tariff Category	Tariff Structure				
	All Regions except Dhofar			Dhofar Region	
Industrial 1	September to April: 12 Baiza per kWh			August to March: 12 Baiza per kWh	
	May to August: 24 Baiza per kWh			April to July: 24 Baiza per kWh	
	Flat rate @ 20 Baiza per kWh				
Commercial	Flat rate @ 20 Baiza per kWh				
Ministry of Defence and the Sultan Special Forces	Flat rate @ 20 Baiza per kWh				
Residential	0-3000 kWh	3001-5000 kWh	5001-7000 kWh	7001-10000 kWh	above 10000 kWh
	10 Bz / kWh	15 Bz / kWh	20 Bz / kWh	25 Bz / kWh	30 Bz / kWh
Government	0-3000 kWh	3001-5000 kWh	5001-7000 kWh	7001-10000 kWh	above 10000 kWh
	10 Bz / kWh	15 Bz / kWh	20 Bz / kWh	25 Bz / kWh	30 Bz / kWh
Agriculture & Fisheries	0-7000 kWh			7001 kWh & above	
	10 Baiza per kWh			20 Baiza per kWh	
Tourism ²	0-3000 kWh	3001-5000 kWh	5001-7000 kWh	above 7001 kWh	
	10 Bz / kWh	15 Bz / kWh	20 Bz / kWh	20 Bz / kWh	

¹ Customers require a MOCI letter of recommendation and must maintain a power factor of least 0.9

² Subject to Ministry of Tourism regulations and approval

B: Permitted Tariff fees for Disconnection & Reconnection of accounts

Disconnection fee (all types of metered accounts): 7.500 Rial Omani

Reconnection fee (all types of metered accounts): 7.500 Rial Omani

Furthermore, the Government has introduced CRTs among new large-scale consumers (typically industrial, government and commercial customers with consumption above 150MWh per year). The CRT is designed to reflect the actual cost (i.e. without any Government subsidy) of supplying electricity to these customers. The introduction of CRTs removes the subsidy entitlement from these large customers and ensure that the price they

pay for electricity better reflects the cost of production, transmission, distribution and supply at a given time of the day or year. According to the AER, CRTs will thus provide an incentive for large consumers to better manage their demand and is expected to reduce consumption during peak hours.

Mazoon has limited flexibility to increase customer tariffs as: (i) under its Licence, Mazoon may only charge 'Permitted Tariffs' and 'Cost Reflective Tariffs' set in accordance with the Sector Law (see "*Regulation of the Electricity Sector in Oman – Regulation of the Electricity and Related Water Sector*"); and (ii) the AER sets price controls that limit that MAR that Mazoon may earn. See "*Regulation of the Electricity Sector in Oman – Regulation of the Electricity and Related Water Sector – the Authority for Electricity Regulation*" for further information regarding the price control applicable to Mazoon.

Subsidies

As a licensed supplier of electricity, Mazoon is entitled to receive a subsidy from the Ministry of Finance pursuant to Article 18 of the Sector Law. The amount of the annual subsidy payable (if any) is calculated by the AER as being an amount equal to any shortfall between (a) the revenue collected by Mazoon from customers and others in the relevant year; and (b) MAR in the relevant year (i.e. the amount that is available to be earned by Mazoon where it has effectively discharged its obligations under the Sector Law and its Licence). MAR allows the company to recover economic cost including the cost of capital. Mazoon is entitled to claim the difference between the actual regulated revenue (except the Government subsidy) and the MAR as subsidy. The Ministry of Finance has reinforced this mandate under Article 18 by establishing a core policy to provide 100 per cent. support to the electricity sector. Accordingly, Mazoon has historically benefited from significant support from the Ministry of Finance in the form of subsidies.

In 2016, the Ministry of Finance supported the Omani electricity sector with an OMR 498 million subsidy. For 2017, the AER has estimated subsidies in the amount of OMR 456 million to support the Omani electricity sector. The reduction in subsidies is the result of the Government's subsidy reform policy which is being implemented from 1 January 2017 and includes the application of CRT for large consumers. The higher tariff applicable to large consumers will be offset by a corresponding reduction in the subsidies provided to the distribution companies.

For the year ended 31 December 2016, Mazoon received Government subsidies of OMR 149.5 million compared to OMR 137.6 million in respect of the year ended 31 December 2015 (of which OMR 24.7 million was received in 2016).

For more information of this subsidy, please see "*Management's Discussion and Analysis of Financial Condition and Results of Operations – Financial Support from the Government*"

Electricity Prices

Mazoon's primary operating expenses are: (i) bulk supply tariff to Oman Power and Water Procurement Company SAOC; (ii) use of system charges to OETC; and (iii) transmission connection charges to OETC. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" for further discussion on Mazoon's primary operating expenses.

Billing Procedures

Mazoon's billing procedures are determined by the customer category. Meter readings and invoicing take place on a monthly basis. Bills are prepared from meter readings or on the basis of estimated usage. In case of non-payment, a notification of non-payment is sent to the customer with the next month's invoice and a period of 15 days is provided for payment. If payment is not received within 30 days from the due date, a reminder notice is sent by the services provider to the customer with the second bill. If payment is not received for the first bill within 60 days from the due date, a final notice is sent by the services provider to the customer with the third bill. If payment is not received for the first bill within 10 days from receiving the final notice, the customer is disconnected.

The billing system was previously owned and operated by a service provider. To mitigate the risk of a service provider having full control over customers' bill generation, Mazoon decided to move the billing function in house in 2015. Mazoon has been able to have full control over billing processes in house. The new system supported Mazoon to generate high quality customer bills and reduce billing omissions.

In addition, Mazoon is implementing an Automatic Meter Reading System, which is expected to be completed during 2018. This system will enable the collection of meter readings in a more efficient manner. It is expected

to reduce operational costs and decrease commercial power losses due to manual metering issues as well as increasing the level of customer satisfaction.

For the years ended 31 December 2016 and 31 December 2015, Mazoon had allowance of doubtful debt of OMR 2.7 million and OMR 2.9 million. Such allowances for doubtful debt have remained stable over recent years.

Material Agreements

Pursuant to Article 74 of the Sector Law and Condition 21 of the OPWP's licence, OPWP is required to make bulk supplies to licence suppliers. The bulk supplies are charged in four rate bands, based on the day of the week and the time of day that electricity is taken as determined on an annual basis by the AER. Mazoon is obliged, pursuant to a bulk supply agreement, to accept delivery of such bulk supplies from OPWP and to pay for such supplies in accordance with the bulk supply agreement and the bulk supply tariff determined by the AER.

Furthermore, Mazoon has entered into a framework agreement for the extended supply of cable and conductor products and services with Oman Cables Industry SAOG (**OCI**) and Nuhas Oman, with other members of the Nama Group. This framework agreement was extended on 22 June 2016 until 31 December 2017. Under this agreement, Mazoon provides forecasts of its product requirements and submits purchase enquiries and purchase orders to OCI requiring OCI to specify a purchase price for the products. Agreed quote prices are appended to the framework agreement. Under the framework agreement, OCI gives various warranties relating to the quality of the products and is required to keep Mazoon fully informed of new or enhanced product offerings.

Licence

On 1 May 2005, pursuant to its powers under the Sector Law, the AER granted the Licence to Mazoon. The Licence has been amended from time to time, including after each price control review. The Licence was amended most recently on 1 January 2016 to introduce new cyber security requirements.

As at the date of this Prospectus, management of Mazoon believes that Mazoon is in compliance, in all material respects, with the terms of its Licence.

The Licence authorises Mazoon: (i) to distribute electricity and to finance, develop, own and/or operate and maintain its distribution system in order to do so; (ii) to supply electricity to customers; (iii) to the extent permitted by the Sector Law and this Licence, to design, own, operate and maintain international interconnections; (iv) to acquire certain assets and business of the Rural Areas Electricity Company SAOC in accordance with Article 88 of the Sector Law and this Licence; and (v) to carry out any other functions assigned to it by the Sector Law, in each case, within the 'Authorised Area' (being Al Dakhiliyah, North Al Sharqiyah and South Al Sharqiyah and South Al Batinah and Wilayat of Suwaiq).

Mazoon's Licence covers distribution and supply and there are specific conditions relating to each of these functions. The key terms of the Licence include the following:

- Condition 2, which prohibits Mazoon from engaging in the generation of electricity, desalination of water, transmission or dispatch of electricity and acquiring any other entity that undertakes a regulated activity as per the Sector Law;
- Condition 3, which states that Mazoon shall comply with the Grid Code. The Grid Code is the set of rules prepared by each licensed transmission system operator and approved by the AER that sets out standard technical criteria to be complied with in respect of connection to, use and operation of the transmission system operator's transmission system and, in respect of dispatch, pursuant to the transmission system operator's licence;
- Condition 4, which states that Mazoon shall comply with the Distribution Code and co-operate with other licensed distribution system operators in the maintenance and development of the Distribution Code. The Distribution Code is a set of rules prepared by Mazoon and approved by the AER that sets out standard technical criteria to be complied with in respect of connection to, use and operation of Mazoon's distribution system;
- Condition 6, which states that Mazoon shall comply with the 'Metering and Data Exchange Code'. The Metering and Data Exchange Code is part of the Grid Code;
- Condition 26, which sets out the grounds on which the AER may revoke the Licence, which include: (i) by mutual agreement of the AER and Mazoon; (ii) if Mazoon ceases to carry on its licensed activities

for more than 90 days; (iii) if certain amounts payable by Mazoon to the AER remain unpaid; (iv) if Mazoon fails to perform its statutory duties or licence duties to any material extent; (v) if Mazoon has been adjudicated insolvent; (vi) on expiry of the duration of existence of Mazoon; (vii) if Mazoon undergoes a change of control with the AER's prior approval; and (viii) if it is found that the issue of the Licence was based on inaccurate or incorrect information;

- Condition 28, which states that Mazoon shall, upon application, offer to enter into an electrical connection agreement for connection with Mazoon's distribution network or for the modification to an existing connection;
- Condition 31, which sets out the security standards for the distribution system and other requirements for the operation and maintenance of an efficient and economic distribution system;
- Condition 32, which requires Mazoon to submit a distribution system capability statement to the AER for approval, on an annual basis;
- Condition 35, which requires Mazoon to maintain an accurate register of customer connections; and
- Condition 38, which requires Mazoon to prepare and maintain standard terms and conditions for the supply of electricity to customers, approved by the AER.

Usufruct Rights and Rights of Way

Mazoon is granted usufruct rights to lands by the Ministry of Housing (the successor to the MHEW) under usufruct agreements with respect to the property where Mazoon's sub-stations are located. These usufruct agreements typically have terms of 25 years; although more recently, some usufruct rights have been granted for terms of between one and three years (which are renewable). The usufruct agreements provide Mazoon rights-of-occupation of the land on which its primary substations and distribution substations are constructed. In addition, Mazoon has obtained the benefit of a number of rights of way in relation to the overhead and underground electricity lines which are acknowledged by the Ministry of Housing pursuant to drawings delineating the relevant areas. See *"Risk Factors – Risks related to Mazoon's Business – Mazoon does not own the land on which its distribution network is situated, which is instead held under usufruct rights, and Mazoon's access to some of its overhead and underground electricity lines are held under the benefit of rights of way. Mazoon may be unable to renew usufruct rights upon their expiration or continue to benefit from rights of way"*.

Capital Expenditure Projects

The following table sets out Mazoon's capital expenditure projects and how each category of project is funded.

Category of capital expenditure project	Budget for 2017 (OMR '000)	Mode of funding
11kV investment – load related .	47,736	Internal accruals and external borrowing
11kV investment – non-load related	12,836	Internal accruals and external borrowing
33kV investment.....	42,522	Internal accruals and external borrowing
Common assets	5,058	Internal accruals and external borrowing
Sponsored projects.....	2,401	Customer and Government funding
Total.....	110,553	

Most of the capital expenditure projects are related to 33kV investments, customer extension and other low tension investments. The majority of the 11 kV non-load related investments are towards reinforcements, replacement or relocation of the assets crossing wadis and dangerous service connections During 2016, Mazoon's additions in fixed assets increased to OMR 124 million, an increase of 30 per cent. from OMR 95.7 million in 2015.

Mazoon is required pursuant to its Licence and the distribution system security standards (please see *"Regulation of the Electricity Sector in Oman – Regulation of the Electricity and Related Water Sector – The Authority for Electricity Regulation"*) and, as such, plans to replace its aging network assets, ensure reliable and safe operation of its network, connect new customers, in particular in major cities, tourist and industrial areas, and expand existing lines.

Development Plans for the Al Dakhiliyah Governorate

The Al Dakhiliyah governorate has seen demand growth most notably in Nizwa, Bahla and Sumail due to natural human growth and new industrial and housing expansions. The governorate's industrial customer growth is mainly as a result of the new industrial estate in Sumail and expansion of the already existing Nizwa Industrial Estate. Mazoon has a defined three-year development plan for the governorate which includes: upgrading current sub-stations, constructing new substations, constructing new grid supply points and constructing new 33kV feeders.

Development Plans for the North Al-Sharqiyah Governorate

The North Al-Sharqiyah governorate has seen high demand growth in most areas but most notably around Mudhaibi and Ibra driven by the high growth of simple connections. In addition, there are some complex connection applications in this governorate expected to be connected before the end of 2019. Mazoon has a defined three-year development plan for the governorate which includes: upgrading current grid substation, upgrading current sub-stations, constructing new substations, constructing new grid supply points and constructing new 33kV feeders.

Development Plans for the South Al-Sharqiyah Governorate

The South Al-Sharqiyah governorate has seen a high growth in demand in most areas but especially around Sur area, driven by the high growth of simple connections. In addition, there are many complex connection applications in this governorate that are expected to be connected before the end of 2019. Mazoon has a defined three-year development plan for the governorate which includes: upgrading current sub-stations, constructing new substations, constructing new grid supply points, constructing a new 33kV branch, and constructing new 33kV feeders.

Development Plans for the South Al Batinah Governorate

The South Al Batinah governorate has seen a growth in demand especially around the Barka area due to a movement of population from Muscat and a lot of growth in commercial buildings and centres. Mazoon has also noted non-ordinary growth in the coastal areas of South Al Batinah driven by a considerable number of governmental investments in the form of tourism projects, infrastructure projects, and industrial projects as well as private sector investments accompanying them. Mazoon has a defined three-year development plan for the governorate which includes: upgrading current grid substation, upgrading current sub-stations, constructing new substations, constructing new grid supply points, constructing new 33kV branches, and constructing new 33kV feeders.

For additional information on Mazoon's capital expenditures, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations – Capital Expenditure Programme*".

Health and Safety

Mazoon has implemented a health and safety policy that focuses on ensuring human health, operational safety, environmental protections and community goodwill. Mazoon aims to keep its health and safety commitments in the best interests of its employees, customers, contractors and those that might be affected by its activities. The purpose of the policy is to:

- ensure each employee focuses on achieving excellence in safety, health, work environment, quality and productivity;
- routinely evaluate the practices and procedures and implement the necessary processes to maintain and improve the health and safety of employees, customers and contractors;
- provide adequate training for all staff to reduce the risks and hazards;
- promote a safety focussed culture;
- ensure that every employee and contractor, whose work may give rise to health and safety concerns, shall be fully trained and be held accountable for the implementation of Mazoon's health and safety policies and related health and safety legislation in Oman;
- ensure that Mazoon's safety rules are followed by all;
- ensure that the environment is protected against any pollution created in Mazoon's business;

- understand that all injuries, incidents and occupational illness and investigation of such incidents is fundamental to future prevention;
- ensure that employees and contractors are fully aware of hazards and safe work practices in their work premises;
- motivate all employees and contractors to report near misses and health and safety violations to ensure that everyone can contribute to the safety of the community; and
- set objectives, targets and measures and appraise and publicly report on Mazoon’s health and safety performance.

The table below sets forth certain key metrics relating to Mazoon’s performance in health and safety.

Performance Indicator	Year ended 31 December 2016	Six months ended 30 June 2017
Near misses, unsafe conditions, unsafe acts	6,809	2,754
Occupational illness frequency	0	0
Number of first aid cases	48	21
Number of restricted work cases	0	1
Fatalities	1	1
Lost time incident frequency	0.28	0.39
Total recordable case frequency*	0.28	0.39
Road traffic accidents	0.59	0
Roll over accidents	0	0
Environmental incidents	0	0

* Includes fatalities, lost time injuries and restricted work cases.

In February 2016, Mazoon obtained accreditation for OHSAS 18001 (Occupational Health Safety Management System).

Environment

MECA is the environmental regulator of Mazoon. Mazoon is subject to regulation by MECA and must comply with all applicable provisions of the Law on Environment. See “*Regulation of the Electricity Sector in Oman*”. When planning its activities, Mazoon assesses the environmental requirements set out in the legislation and takes into account trends in environmental protection. As of the date of this Prospectus, Mazoon was in compliance with all material environmental legislative requirements. In February 2016, Mazoon obtained accreditation for ISO 14001 (Environment Management System).

Insurance

Mazoon maintains several types of insurance coverage to protect itself against potential liabilities including: a comprehensive general liability policy, directors’ and officers’ liability insurance, workmen’s compensation insurance, group life insurance, vehicle insurance, furniture fixture and equipment insurance and an industrial all risks policy.

Mazoon’s industrial all risk policy includes London market 7 wording suitably modified to reflect Mazoon’s business and covers property damage up to OMR 179.87 million with OMR 30,000 deductible for each loss.

Intellectual Property

Mazoon does not own rights to any patents, utility models or industrial designs.

Risk Management and Internal Controls

Mazoon’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. Mazoon’s overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on Mazoon’s financial performance.

See also “*Management’s Discussion and Analysis of Financial Condition and Results of Operations—Quantitative and Qualitative Disclosures about Risk Management*” and note 31 of the 2016 Financial Statements.

Legal Proceedings

Mazoon has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Mazoon is aware) in the 12 months preceding the date of this document, which may have, or have had, a significant effect on its financial position or profitability.

In addition, Mazoon believes that it is in material compliance with all laws and regulations to which it is subject.

Information Technology

Mazoon's information systems are managed by the information technology department within Mazoon. Mazoon's IT department manages a tier III data centre to provide services to all employees and to facilitate a high quality of service to Mazoon's customers. To ensure high integrity and security of customer information, Mazoon's IT department implemented Information Security Management System ISO27001:2013. In addition, to cope with business growth and meet customer expectations, the IT department has a highly skilled development team that is able to utilise technology to optimise operation and select the best-fit technology for efficient performance. The main task of the IT department is to meet Mazoon's strategic objective of enhancing maturity in asset and information management. This strategic objective focuses on efficient and effective investments in its information management assets to deliver the benefits anticipated. To meet this strategic objective, several IT asset and systems related to operating and enhancing IT infrastructure, systems and applications, network and communication and security tools are maintained and operated. In terms of IT infrastructure, special attention is given to maintaining a business continuity centre, data recovery and computational capabilities and storage system. On the networking side, protecting Mazoon branches through state of the art firewall systems and enhancing network performance are the main daily operations. All end users' support requests are currently managed through an automated help desk system (Al Musaed).

Tender Process

Mazoon is required to comply with regulation in respect of tender processes applicable under Omani law. Contractors participating in the tendering of projects or services in relation to electrical networks are required to register with the Oman Tender Board and Distribution Code Review Panel (**DCRP**).

Mazoon's tender process is as follows:

- 1) The tender process and budgets are determined before any tendering exercise. Depending upon the value of the contract, tenders are either advertised or registered suppliers are invited to tender. Tenders above OMR 100,000 are advertised in a local newspaper and all other tenders are either announced on Mazoon's notice board or quotes from suppliers/contractors/service providers are sought directly. Tenders are approved by the relevant committee outlined below.
- 2) Each tender should have a closing submission date before which the supplier must submit his best sealed quotation.
- 3) At a minimum, three quotes are to be received for a tender otherwise the tendering process must be repeated. If less than three quotations are received after a second round of tendering, the quotations received are evaluated. Bids received are recorded and signed by the members of the relevant committee (as outlined below). The results of the tender must be documented on a comparative tender evaluation sheet and the lowest quote must be identified. Technical tender evaluation is the responsibility of the respective user department and is carried out in accordance with Mazoon's procurement manual.
- 4) If the contract is awarded to a party that did not provide the lowest bid, written reasons must be documented on the comparative tender evaluation sheet.
- 5) The contract must be approved in accordance with the designated levels of authority prescribed in Mazoon's 'Delegation of Authority Manual' as summarised below.

In accordance with Mazoon's governance frameworks, there are three committees (established by the Board) with different authorities to approve tendered contracts. The Governorate Purchase Committee is authorised to approve tenders up to OMR 10,000; the Internal Tender Committee is authorised to approve tenders up to OMR 3 million; and the Board Executive Committee is authorised to approve tenders above OMR 3 million.

Employees

As at 31 December 2016, Mazoon had 524 employees, as compared to 522 employees as at 31 December 2015. For detail on work stoppages experience by Mazoon, see "*Risk Factors – A strike or other labour disruption could adversely affect its business*". Ministerial Decision 248/2014 requires Mazoon to meet certain percentage

thresholds relating to the employment of Omani citizens (as opposed to foreign nationals), a requirement known as Omanisation. Mazoon has been working towards meeting its Omanisation requirements and has achieved its required targets for the majority of the employment categories, with an overall 97.9 per cent. of Mazoon's workforce being Omani.

Mazoon has an employees' union called 'Naqaba' which, as at 31 December 2016, had a membership of 390 employees and is managed by a committee of five members elected from among the employees (excluding any member of Mazoon's management).

Mazoon has developed employment policies, embodying principles of equal opportunity. Mazoon encourages involvement of employees in the performance of the business in which they are employed and aims to achieve a sense of shared commitment through programmes such as the international leadership management programmes levels 3 and 5 which have the goal of developing a uniform leadership culture to achieve the strategic business objectives of Mazoon. In addition, the Nama Group has implemented a program called 'Ruwad' whereby potential candidates for higher positions, as part of the Nama Group's succession planning, are identified and provided with the required training to increase their ability to perform within such higher positions.

Most of the continuing and professional education and training is provided for employees through a separate subsidiary company of EHC, Nama Institute for Competency Development LLC. Mazoon also approaches external training providers for specialized training. This results in considerable savings for Mazoon. Mazoon also sends a significant number of promising Omani staff for higher studies locally. For specialised training Mazoon sends staff abroad when the training cannot be resourced locally.

Mazoon does not provide a separate pension or retirement plan for its employees. Most of Mazoon's Omani employees, like other similarly situated employees in Oman, participate in the national retirement system and are registered with the Public Authority for Social Insurance (**PASI**). Mazoon makes the requisite contributions for the concerned employees to PASI. A smaller number of Omani employees who transferred from the MHEW are covered by the Civil Service Pension Fund.

Mazoon is permitted to have a total of 596 employees as at the end of 2017, under the current price control approved by AER. It was permitted to have 571 employees as at the end of 2016; however, as part of its efforts to promote efficiency and reduce staff costs, Mazoon did not fully utilise this quota for 2016 and the total number of staff was 524.

Mazoon also provides wage increases of three per cent. each year, in line with inflation and labour law, in addition to performance linked increases, which typically fall in the range of two to three per cent.

SHAREHOLDERS AND MANAGEMENT

Shareholders

As at 30 June 2017, Mazoon's authorised, issued and paid-up share capital consisted of 150,000,000 shares of OMR 1 each. EHC, wholly-owned by the Oman Ministry of Finance, owned 149,985,000 shares (representing 99.99 per cent.) of Mazoon and NSS and NICD each owned 7,500 shares (representing 0.005 per cent., respectively). EHC holds a 99 per cent. participating interest in Nama Shared Services LLC and 149,999 shares in Nama Institute for Competency Development LLC. The remaining 1 per cent. interest in Nama Shared Services LLC is held by Nama Institute for Competency Development LLC and the remaining share of Nama Institute for Competency Development LLC is held by Nama Shared Services LLC.

EHC is the government vehicle that owns all government-owned constituents of the Omani electricity and related water sector, consisting of procurement, generation/desalination, transmission, distribution and supply.

Following a branding exercise, EHC is now also known as Nama Holding in certain publications. However, EHC retains its legal name.

Mazoon held its latest annual general meeting on 26 March 2017, which, among other things, approved a cash dividend equal to OMR 0.05 per share amounting to OMR 7,500,000 for the year ended 31 December 2016. This was based on the suggestion of the Board. The dividends were paid on 10 May 2017. On 30 March 2016, Mazoon approved at its general meeting payment of OMR 7,500,000 in dividends for the financial year ended 31 December 2015. This equates to OMR 0.05 per share. The dividends were paid on 21 August 2016.

Management Structure

Mazoon's main management structure consists of the Board, which has two committees, and a management team consisting of the Chief Executive Officer (the **CEO**), two Chief Operations Officers (the **COOs**), senior managers, managers and their staff.

Board of Directors

Overview

The Board is responsible for the overall direction, supervision and control of the business of Mazoon. The Board has delegated responsibility for overall executive management to Mazoon's senior management team under the leadership of the CEO. The principal role of the Board is to oversee implementation of Mazoon's strategic initiatives and its functioning within the agreed framework in accordance with relevant statutory and regulatory structures. The CEO and other members of management are responsible for the conduct of Mazoon's business affairs and day-to-day management. The CEO reports to the Board on a regular basis.

The Board comprises five members, which are appointed in accordance with the Commercial / Companies Law and Articles 68 of the Sector Law, pursuant to Article 15 of Mazoon's articles of association. As at the date of this Prospectus, four Directors are nominated by EHC and one Director represents the other shareholders, NIDC and NSS. The Board met six times in 2016. At least half of the Directors are required to attend, including the chairperson or deputy chairperson, for there to be a quorate Board meeting. A Director may appoint another Director to represent and vote for him in his absence. With limited exceptions, the majority of votes of a quorum of Directors present (in person or by proxy) at a Board meeting constitutes a decision of the Board.

Each Director serves for a three-year term, but may be re-elected and may be replaced periodically. The election or re-election of Board members specified by the decision of EHC after consultation with the Ministry of Finance must occur at an ordinary general meeting (and usually occurs at Mazoon's annual general meeting), pursuant to the Oman Commercial Companies Law. The election or re-election of the current Directors occurred at Mazoon's annual general meeting held on 26 March 2017.

Members of the Board

The members of the Board of Mazoon were re-appointed in the annual general meeting held on 26 March 2017. The address of each Director is the registered office of Mazoon.

The composition of the Board is as follows:

Name	Position	Year of Appointment
Omar Qatan	Chairperson	2017
Fatma Khalifa Al Maskari	Deputy Chairperson	2017
Sunil Raykar	Member	2017
Mansoor Al Hinai	Member	2017
Abdul Aziz Al Kharousi	Member	2017

Omar Qatan – Chairperson

Mr. Qatan has been the chairperson of Mazoon since 30 March 2014 and was re-elected to the Board in March 2017 and appointed chairperson in April 2017. Mr. Qatan has a BSc in Civil Engineering from the University of California and an MSc in Tropical Public Health from the University of Leeds. He has previously held positions as chief executive officer of Oman Oil Marketing Company (2006 to 2016), general manager of Gulf Stone Company SAOG (2004 to 2006) and general manager and board member of Dhofar Vegetable Oils and Derivatives Co. (SAOG), Salalah, (2000 to 2004). As at the date of this Prospectus, Mr. Qatan was also chairman of Muscat Gases.

Fatma Khalifa Al Maskari – Deputy Chairperson

Ms. Maskari has been deputy chairperson of Mazoon since 30 March 2014 and was re-elected to the Board in March 2017 and appointed deputy chairperson in April 2017. Ms. Maskari has a bachelor of science in management information systems from Simmons College, Boston, graduated from the executive programme at the Goizueta Business School at Emory University and has a masters in business administration. As at the date of this Prospectus, Ms. Maskari was the assistant general manager of SME banking and global trade services at Bank Muscat.

Sunil Raykar – Member

Mr. Raykar has been a member of the Board since 30 March 2014. Mr. Raykar has a bachelor of commerce from a reputed university in India and is a certified public accountant (USA) and fellow of the institute of chartered accountants of India. Mr. Raykar worked at ONIC Holding Company (1997 to 2002) in various positions including group financial controller, Oman Development Bank SAOG as financial controller (1992 to 1997) and PriceWaterhouse Coopers as audit supervisor (1987 to 1992). As at the date of this Prospectus, Mr. Raykar was also a financial adviser at the Ministry of Finance, Directorate General of Investment and joined the Ministry of Finance in 2003.

Mansoor Al Hinai – Member

Mr. Al Hinai has been a member of the Board since 25 March 2015. Mr. Al Hinai has a BA in economics from Temple University, USA, an executive MBA from Europe Grande Ecole, Paris, France, an executive MBA from Krannert School of Business and a PhD in financial economics. Mr. Al Hinai worked at Muscat Electricity Distribution Company as chief operations officer between 2012 and 2014, deputy general manager in finance and administration between 2009 and 2012 and regulatory manager between 2001 and 2009. Between 2003 and 2007, Mr. Al Hinai was a regulatory economist at the Telecommunications Regulatory Authority. As at the date of this Prospectus, Mr. Al Hinai was also deputy chairman of Dhofar Power Company SAOG and board member of Rural Areas Electricity Company SAOG.

Abdul Aziz Al Kharousi – Member

Mr. Al Kharousi has been a member of the Board since September 2011. Mr Kharousi has been an employee of the Ministry of Finance since September 1997 and was, at the date of this Prospectus, the director (budget department) of the Ministry of Finance. Mr. Al Kharousi is also a board member at Oman Broadband and Royal Oman Police Pension.

All potential conflicts of interest between the private interests of the Directors and their duties to Mazoon have all be properly disclosed in accordance with Mazoon’s articles of association and as noted above.

Board Committees

As at the date of this Prospectus, the Board has two committees: the Audit and Risk Committee and the Board Executive Committee.

Audit and Risk Committee

The Audit and Risk Committee comprises three independent and non-executive directors of Mazoon. As at the date of this Prospectus, Mr. Sunil A Raykar, Mr. Abdul Aziz Al Kharousi and Mansoor Al Hinai sat on the Audit and Risk Committee. The Audit and Risk Committee met six times in 2016.

The roles and responsibilities of the Audit and Risk Committee are as follows:

- ensure the adequacy of the internal control systems through the regular reports of the internal and external auditors. The Audit and Risk Committee may appoint external consultants to assist in the matter, if the need arises;
- evaluate whether the management is setting the appropriate “Control Culture” by communicating the importance of internal controls and risk management;
- consider how management is held accountable for the security of systems and applications and ensuring that the contingency plans for processing financial information are in place in the event of a system failure
- gain an understanding of whether internal control recommendations made by the Audit and Risk Committee, internal and external auditors have been implemented by the management;
- serving as a channel of communication between the Board and the external and internal auditors;
- reviewing the internal audit functions;
- gain an understanding of the current areas of significant financial risk and how management is mitigating the risks;
- discussing with the legal department and the internal and external auditors any fraud, illegal acts, deficiencies in internal controls or other similar issues;
- checking financial fraud particularly fictitious and fraudulent portions of the financial statements. The Audit and Risk Committee ensures that an appropriate system that ensure adoption of appropriate accounting policies and principles is in place and complied with;
- reviewing significant accounting and reporting issues;
- reviewing financial statements before issue with particular reference to any qualifications to the financial statements;
- discussing with management and the internal and external auditors the significant risks and exposure and the plans to minimize such risks;
- reviewing any legal matters in the presence of the legal department members which could significantly impact the financial statements;
- reviewing the annual financial statements and determine whether they are complete and consistent with the information known to the Audit and Risk Committee members; assess whether the financial statements reflect appropriate accounting principles;
- paying particular attention to non-recurring and unusual transactions;
- focusing on judgmental areas, for example those involving valuation of assets and liabilities; warranties, product or environmental liability; litigation reserves; and other commitments and contingencies created for any unforeseeable future loss;
- meeting with management and the external auditors to review the financial statements and the results of the audit;
- reviewing other sections of the annual report before its release and consider whether the information is understandable and consistent with members’ knowledge about Mazoon and its operations;
- reviewing how management develops preliminary announcements, interim financial information, the extent of internal audit involvement; and the extent to which the external auditors review such information; and

- assessing the fairness of preliminary and interim statements and disclosures, and obtain explanations from management and external and internal auditors.

Board Executive Committee

The Board Executive Committee comprises the Chairman and two members of the Board. As at the date of this Prospectus, Mr. Omar Qatan, Ms. Fatma Al Maskari and Mansoor Al Hinai sat on the Board Executive Committee. The Board Executive Committee met five times in 2016.

The roles and responsibilities of the Board Executive Committee are as follows:

- review and approve capital investment projects (CIP) above OMR 3,000,000;
- study the recommendations of the internal tender committee and approve awarding of tenders above OMR 3,000,000;
- ensure effective governance of the capital investment program including: monitoring CIP performance through regular reports prepared by management; ensuring the adequacy of the capital delivery improvement program; ensuring the adequacy of mitigation plans prepared by management to address material performance gaps; ensuring the adequacy and transparency of capital investment performance through key performance indicators; and seeking independent assurance, as required;
- reviewing and advising on benefits realization reports for CIP above OMR 3,000,000, using standard templates and other supporting documents;
- communicate effectively with Audit and Risk Committee and the Board and escalate material issues on timely basis; and
- review and approval of human resource policies and internal procedures.

Management

Overview

The CEO, COOs, senior managers and managers administer Mazoon's day-to-day business and affairs. Mazoon's management and their respective positions are listed below.

Members of the Management Team

Name	Position	Year of Appointment to Current Position
Zahir Abdulla Al Abri	Chief Executive Officer	2012
Majid Nasser Al Busaidi.....	Chief Operations Officer Distribution	2015
Mohammed Salim Al Ghenaimi	Senior Manager; Planning and Asset Management	2016
Sultan Saleem Al Alawi	Senior Manager; Shared Services	2014
Mohammed Rashid Al Qurri	Senior Manager; Projects Management	2014
Salim Said Al Kamyani	Chief Operations Officer- Electricity Supply	2017
Said Ali Al Araimi.....	Senior Manager Operations; South Sharquiah and North Sharquiah	2014
Fahad Abdullah Al Abri	Senior Manager Operations; South Al Batinah (acting)	2015
Mohammed Abdullah Al Hajri.....	Senior Manager Operations; Al Dakhliyah	2010
Saleem Nasser Al Mahrouqi	Health and Safety; Environment Manager	2010
Khalfan Nasser Al Burtumani	Manager; Regulatory, Risk and Corporate Strategy	2016
Biju Joseph Padanilam	Business Development Expert and Senior Manager Finance (acting)	2016

Zahir Abdulla Al Abri – Chief Executive Officer

Mr. Al Abri was appointed as general manager and subsequently retitled as Chief Executive Officer in 2012. Mr. Al Abri has an MSc in Electrical Power Engineering and Management and BS in Electrical Engineering. He has over 25 years of experience in the industry and was previously general manager of MEDC from 2005 to 2012 and deputy chief executive officer of EHC from 2004 to 2005.

Majid Nasser Al Busaidi – Chief Operation Officer - Distribution

Mr. Al Busaidi was appointed as Chief Operation Officer – Distribution in 2015. Mr. Al Busaidi has a bachelor degree in electrical and electronic engineering. He has previously worked as senior manager in planning and asset management (2014 to 2015) senior manager in asset management (2011 to 2014), senior distribution manager (2009 to 2010) and manager of planning and projects (2005 and 2009) at Mazoon. Mr. Al Busaidi held various positions at MHEW between 1993 and 2005 including head of operation and maintenance, acting head of extension and follow up and head of electricity services.

Salim Said Al Kamyani – Chief Operations Officer – Electricity Supply

Mr. Al Kamyani was appointed as Chief Operations Officer – Electricity Supply in July 2017 and has held various positions at Mazoon since February 2007 including senior manager of commercial affairs. Mr. Al Kamyani has a bachelor degree in finance and master of business administration. Before joining Mazoon, Mr. Al Kamyani worked at the Oman Petrochemical Industry Co and Telecommunication Regulatory Authority.

Mohammed Salim Al Ghenaimi – Senior Manager; Planning and Asset Management

Mr. Al Ghenaimi was appointed Senior Manager; Planning and Asset Management in 2016. Mr. Al Ghenaimi has a masters degree in electrical utility engineering from Curtin University, Western Australia. Prior to joining Mazoon in 2005, Mr. Al Ghenaimi was employed with OPWP. Mr. Al Ghenaimi has 12 years' experience in the electrical distribution sector as an operation and maintenance engineer, head of operations and maintenance and asset manager.

Sultan Saleem Al Alawi – Senior Manager; Shared Services

Mr. Al Alawi was appointed Senior Manager; Shared Services in 2014. Mr. Al Alawi has a masters degree in information technology and bachelor degree in computer science. Prior to being appointed as Senior Manager; Shared Services, Mr. Al Alawi held positions as IT manager (January 2011 to February 2014) and within the GIS and IT section (October 2001 to August 2007) at Mazoon. Before joining Mazoon, Mr. Al Alawi worked at the Ministry of Oil and Gas.

Mohammed Rashid Al Qurri – Senior Manager; Projects Management

Mr. Al Qurri was appointed Senior Manager; Projects Management in 2014. He has a bachelor of science in electrical and electronics (power stream) from Sultan Qaboos University and a master of business administration from Hull University. Mr. Al Qurri joined Mazoon from the Ministry of Housing in 2005 as a manager of operations at Al Sharqiyah and was later manager of planning and projects for eight years before being appointed to his current position. Prior to joining Mazoon, Mr. Al Qurri worked as an engineer with the Ministry of Electricity and Water from 1997.

Said Ali Al Araimi – Senior Manager Operations; South Sharqiah and North Sharqiah

Mr. Al Araimi was appointed Senior Manager Operations; South Sharqiah and North Sharqiah in 2014. He has a bachelor of science degree in electrical and electronics engineering from Sultan Qaboos University, Oman. Prior to being appointed to his current position, Mr. Al Araimi was in charge of the 'BB Hassan' and 'BB Ali' districts at Mazoon (2005 to 2008) and distribution manager in Sharqiah (2009). Prior to joining Mazoon, he was a shift charge engineer at the Ministry of Electricity and Water (2001 and 2005) and electrical engineer (1992 to 1995). Between 1996 and 2001, Mr. Al Araimi worked as a project manager at Al Daleh Electrical Company.

Fahad Abdullah Al Abri – Senior Manager Operations; South Al Batinah (acting)

Mr. Al Abri was appointed acting Senior Manager Operations; South Al Batinah in 2015. He has a bachelor degree in electrical engineering from Sultan Qaboos University, Oman and a master of business administration from Hull University, UK. Prior to his appointment to his current position, Mr. Al Abri was operation manager at Mazoon (2014 to 2015), distribution manager in charge of Rustaq district from (2005 to 2014) and

distribution manager (2005 to 2011). Prior to joining Mazoon, Mr. Al Abri worked at the Ministry of Electricity and Water (1999 to 2005).

Mohammed Abdullah Al Hajri – Senior Manager Operations; Al Dakhliyah

Mr. Al Hajri was appointed Senior Manager Operations; Al Dakhliyah in 2010. He has a bachelor of science degree in electrical and electronic engineering. Prior to his appointment to his current position, Mr. Al Hajri was operations manager for Dakhliyah (2005 to 2010). Prior to joining Mazoon, he worked at the Ministry of Electricity and Water as a transmission and control engineer (1992 to 2005).

Saleem Nasser Al Mahrouqi – Health and Safety; Environment Manager

Mr. Al Mahrouqi was appointed Health and Safety; Environment Manager in January 2011. He has a BSc (Hons) in electrical engineering from Sultan Qaboos University, Oman and a masters in business administration from the University of Bedfordshire, UK. Prior to his appointment to his current position, Mr. Al Mahrouqi was in charge of distribution for the Al Mudhaibil district (January 2005 to December 2005) and electrical engineer for the 'BBA' district (2004 to 2005).

Khalfan Nasser Al Burtumani – Manager; Risk and Corporate Strategy

Mr. Al Burtumani was appointed Manager; Risk and Corporate Strategy in October 2016. He has a bachelor degree in electrical and computer engineering, specialising in power system and energy engineering, and a master in business administration from the University of Bedfordshire, UK. Mr. Al Burtumani has held a various of positions at Mazoon including head of corporate and strategy (2014 to 2016), head of operation Nizwa district (2012 and 2014), in charge of district 'JBBA' (2009 to 2012) and operation and maintenance engineer (2007 to 2009).

Biju Joseph Padanilam – Business Development Expert and Senior Manager Finance (acting)

Mr. Padanilam was appointed business development expert and acting senior manager finance in 2016. Mr. Padanilam is a member of the Institute of Chartered Accounts of India and is a certified information systems auditor of ISACA, USA. He graduated from a reputed university in India and has completed the executive program in business management from IIM Calcutta, India. Prior to joining Mazoon, he worked as consultant to the Directorate General of Electricity (1997 to 2006) and joined Mazoon in 2006 as an internal auditor and later in other capacities including business analyst, head of corporate strategy, manager regulatory, corporate strategy and risk management.

Corporate Governance Principles and Policies

EHC, as Mazoon's controlling shareholder, is influential in Mazoon's corporate governance principles and policies, and Mazoon adopts EHC's corporate governance principles and policies as its own. EHC's corporate governance principles seek to create long-term business value for EHC. This is a combination of processes, customs, policies, laws and institutions, which ensure positive workplace management, marketplace responsibility, environmental stewardship, community engagement and sustained financial performance. This is an important component in creating and sustaining shareholder values while ensuring corporate behaviour is ethical, legal and transparent. EHC and its subsidiaries follow the idea that corporate governance is primarily concerned with sustaining shareholder value, without ignoring the interests of stakeholders in the company, such as employees, customers, suppliers and the community at large. Good governance practices instil in companies the essential vision, processes and structures to make decisions that ensure long-term sustainability. Therefore, the way boards of directors oversee the running of a company by its management, highlighting various areas of responsibility and accountability have implications for company behaviour not only to shareholders, but also to employees, customers, those financing the company and other stakeholders including the communities in which the business operates. The corporate governance principles for the group would be revised every few years by EHC and provide a basis for promoting the highest standards of corporate governance with the objective of making the roles and responsibilities of the Board, its committees and the management transparent and institutionally sound.

Compensation of Directors

The remuneration of the Directors is set by a proposal made by the Board to the general meeting of the shareholders of Mazoon, which has the power to either approve or reject the Board's proposal. For the years ended 2016 and 2015, the aggregate remuneration paid to the Directors was OMR 55,300 and OMR 52,450 respectively.

The table below sets forth a summary of director remuneration for the years ended 2016 and 2015.

Description	Total Sitting Fees	
	2016 (OMR)	2015 (OMR)
Board Sitting Fee	14,900	13,750
Audit and Risk Committee Sitting Fee	5,700	6,700
Board Executive Committee Sitting Fee	4,700	3,000
Board Remuneration Provision.....	30,000	30,000
Total Fees	55,300	52,450

The table below sets forth a breakdown in respect of the remuneration provisions awarded to the Directors for the years ended 2016 and 2015.

	Member Position	Remuneration for	
		2016	2015
Omar Qatan	Chairperson	15,900	14,450
Fatma Al Maskari	Deputy Chairperson	9,200	7,900
Sunil Raykar	Member	10,400	10,300
Mansoor Al Hinai	Member	10,500	8,600
Abdul Aziz Al Kharousi	Member	9,300	9,300
Sydney McDowell	Member	-	1,900

RELATED PARTY TRANSACTIONS

Related parties comprise other companies in the electricity sector, the shareholders, directors, key management personnel and business entities in which they have the ability to control or exercise significant influence in financial and operating decisions (other related parties). Mazoon maintains balances with these related parties which arise in the normal course of business. Outstanding balances at year end are unsecured and settlement occurs in cash. Mazoon may also have recourse to liquidity support from EHC. For example, as at 30 June 2016, Mazoon had received a short term loan from EHC of EMR 20.0 million which was repaid prior to the year end (see “*Management’s Discussion and Analysis of Financial Condition and Results of Operations – Cash Flow Data – Net cash from financing activities*” and “*The Government, as the ultimate owner of Mazoon, can control Mazoon’s policies and may pursue decisions that reflect Government policy which may conflict with the interests of Mazoon and the Certificateholders*”).

Related party transactions with entities within the Nama Group include, but are not limited to, power purchase from OPWP, transmission use of system charges and transmission connection charges paid to OETC, training services from Nama Institute for Competency Development LLC, accounting and IT related services from EHC and other miscellaneous services from entities within the Nama Group.

The following table sets forth balances due to and from related parties as at 30 June 2017 and 31 December 2016, 2015, and 2014.

	Year ended 31 December			Six months ended 30 June
	2014	2015	2016	2017
	<i>(OMR'000)</i>			
Payable to related parties under common ownership				
Oman Electricity Transmission Company SAOC	4,212	6,156	5,537	8,159
Oman Power and Water Procurement Company SAOC	4,071	37,672	12,513	61,021
Electricity Holding Company SAOC	819	1,300	3,673	3,746
Muscat Electricity Distribution Company SAOC	5	5	5	5
Nama Institute for Competency Development LLC	-	280	109	60
Majan Electricity Company	-	-	6	6
Rural Areas Electricity Company SAOC	76	89	123	40
	9,183	45,502	21,966	73,037
Receivable from related parties under common ownership				
Oman Electricity Transmission Company SAOC	14	5	5	6
Electricity Holding Company SAOC	-	-	1	-
Muscat Electricity Distribution Company SAOC	22	28	22	22
Rural Areas Electricity Company SAOC	2	2	2	2
	38	35	30	30

THE TRUSTEE

General

The Trustee is an Omani closed joint stock company incorporated under the Commercial Companies Law of the Sultanate of Oman (Sultani Decree 4/74, as amended) with commercial registration number: 1301712. The Trustee has been established to issue Certificates and enter into the transactions contemplated by the Transaction Documents. The registered office of the Trustee is Alhamrya, Muttrah, Muscat 131, Sultanate of Oman and its telephone number is +968 91428959.

The Trustee's authorised share capital is OMR 500,000 and its issued share capital is OMR 500,000 consisting of 500,000 ordinary shares of a par value of OMR 1 each, all of which have been fully paid up (the **Shares**). The Shares are 99.99 per cent. owned by Mazoon and each of Nama Share Services LLC and Nama Institute for Competency Development LLC hold a 0.005 per cent. share.

Business of the Trustee

Since its establishment, the Trustee has not engaged in any material activities other than those regarding or incidental to the issue of the Certificates and the matters contemplated in this Prospectus and the Transaction Documents and the authorisation of its entry into the other transactions and documents referred to in this Prospectus to which it is or will be a party.

The Trustee has no prior operating history or prior business. The Trustee has no, and does not intend to have, subsidiaries or employees. The objects for which the Trustee is established are set out in its memorandum of association and articles of association signed on 19 September 2017.

Financial Statements

The Trustee is required by Omani law to prepare audited year-end financial statements and audited financial statements from the date of the Trustee's incorporation to the year ending 31 December 2017. KPMG Lower Gulf Limited, operating in Oman as KPMG, member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (**KPMG**) have been appointed as auditors of the Trustee for the financial year ending 31 December 2017.

Board of Directors of the Trustee

The Trustee shall be managed by a board of directors appointed in accordance with its Articles of Association (the **Board of Directors**). As of the date of this Prospectus, the Board of Directors consists of the following members: Eng. Zahir Abdullah Al Abri, Eng. Majid Nasser Al Busaidi, Mr. Salim Said Al Kamyani, Mrs. Suhaila Mohammed Al Farsi and Mr. Ibrahim Said Al Suleimany.

Conflicts

There are no conflicts of interest between the private interests or other duties of the Board of Directors members listed above and their duties to the Trustee. The address of each of the Board of Directors is the registered office of the Trustee.

Accounting and Administrative Service Provider

Mazoon has been engaged to provide the Trustee with accounting and administrative services.

TERMS AND CONDITIONS OF THE CERTIFICATES

The following are the Terms and Conditions of the Certificates which (subject to modification and except for the text in italics) will be endorsed on the Global Certificate (as defined below) in respect of the Certificates and each Certificate in definitive form (if issued).

Each of the U.S.\$500,000,000 Certificates due 2027 (the **Certificates**) is issued by Mazoon Assets Company SAOC (the **Trustee**), in its capacity as issuer, and represents an undivided beneficial ownership interest in the Trust Assets (as defined below) held on trust (the **Trust**) for the holders of such Certificates pursuant to a declaration of trust (the **Declaration of Trust**) dated 8 November 2017 (the **Issue Date**) made between the Trustee, Citibank, N.A., London Branch as the Trustee's delegate (the **Delegate**) and Mazoon Electricity Company S.A.O.C. (**Mazoon**).

Payments relating to the Certificates will be made pursuant to an agency agreement dated the Issue Date (the **Agency Agreement**) made between the Trustee, the Delegate, Mazoon and Citibank, N.A., London Branch as principal paying agent (in such capacity, the **Principal Paying Agent** and, together with any further or other paying agents appointed from time to time in respect of the Certificates, the **Paying Agents**) and Citibank, N.A., London Branch and Citigroup Global Markets Deutschland AG as transfer agents (each in such capacity, a **Transfer Agent**, and, together with any further or other transfer agents appointed from time to time in respect of the Certificates, the **Transfer Agents**) and Citigroup Global Markets Deutschland AG as registrar (the **Registrar**). The Paying Agents, the Registrar and the Transfer Agents are together referred to in these Conditions as the **Agents**. References to the Agents or any of them shall include their successors.

The Certificateholders (as defined below) are entitled to the benefit of, are bound by, and are deemed to have notice of the Transaction Documents (as defined below) (copies of which are available for inspection and/or collection during normal business hours at the specified offices of the Principal Paying Agent).

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Transaction Documents. In the event of any inconsistency between any such document, these Conditions will prevail.

Each initial Certificateholder, by its acquisition and holding of its interest in a Certificate, shall be deemed to authorise and direct the Trustee, on behalf of the Certificateholders: (a) to apply the sums paid by it in respect of its Certificate in acquiring the Trust Assets; and (b) to enter into each Transaction Document to which it is a party, subject to the provisions of the Declaration of Trust and these Conditions.

1. DEFINITIONS AND INTERPRETATION

Words and expressions defined in the Declaration of Trust and the Agency Agreement shall have the same meanings where used in these Conditions unless the context otherwise requires. In addition, in these Conditions the following expressions have the following meanings:

Additional Lease Period has the meaning given to it in the Lease Agreement;

Additional Rental Amount means the amount of rental payable for the period from (and including) the date on which any Dissolution Distribution Amount falls due to (but excluding) the date on which such Dissolution Distribution Amount is actually paid;

Asset Redemption Date has the meaning given to it in the Sale and Substitution Undertaking;

Asset Redemption Notice has the meaning given to it in the Sale and Substitution Undertaking;

Authorised Denomination(s) has the meaning given to it in Condition 2.1;

Cancellation Notice means a cancellation notice in substantially the form of Schedule 6 to the Declaration of Trust;

Certificate means each certificate represented by the Global Certificate as described in Condition 2.1;

Certificateholders means the several Persons in whose names the Certificates are registered in the Register save that, for so long as the Certificates or any part of them are represented by a Global Certificate held on behalf of DTC, Euroclear and Clearstream, each Person (other than another clearing system) who has for the time being a particular aggregate face amount of such Certificates credited to his securities account in the records of DTC, Clearstream or Euroclear shall be deemed to be the Certificateholder in respect of the aggregate face amount of such Certificates for the purposes hereof

other than for the purpose of payments in respect thereof, the right to which shall be vested, as against the Trustee, solely in the registered holder of such Global Certificate in accordance with and subject to the terms of the Global Certificate, and the expressions **holder** and **holder of Certificates** and related expressions shall (where appropriate) be construed accordingly;

a **Change of Control** shall occur if at any time the government of Oman (or any ministry or instrumentality thereof) ceases to own, directly or indirectly, at least 51 per cent. of the issued share capital of Mazoon;

Change of Control Exercise Notice has the meaning given to it in Condition 10.3;

Change of Control Exercise Price has the meaning given to it in the Purchase Undertaking;

Change of Control Notice has the meaning given to it in Condition 10.3;

Change of Control Put Option has the meaning given to it in Condition 10.3;

Change of Control Put Option Date has the meaning given to it in Condition 10.3;

Change of Control Put Period has the meaning given to it in Condition 10.3;

Clean Up Call Right means the right exercisable by the Trustee at the request of Mazoon pursuant to Condition 10.4;

Clean Up Call Right Dissolution Date has the meaning given to it in Condition 10.4;

Clearstream means Clearstream Banking, SA;

Conditions means these terms and conditions of the Certificates;

control means the power to appoint and/or remove all or the majority of the members of the board of directors or other governing body of a Person or to control or have the power to control the affairs and policies of that Person, whether through the ownership of share capital, the possession of voting power, contract, trust or otherwise;

Custodian has the meaning given to it in Condition 2.1;

Dispute has the meaning given to it in Condition 24.2;

Dissolution Date means, as the case may be:

- (a) the Scheduled Dissolution Date;
- (b) the Early Tax Dissolution Date;
- (c) any Change of Control Put Option Date on which the outstanding Certificates are redeemed in full;
- (d) the Clean Up Call Right Dissolution Date;
- (e) the Dissolution Event Redemption Date; or
- (f) the Total Loss Event Dissolution Date;

Dissolution Distribution Amount means, in relation to each Certificate, the sum of:

- (a) the outstanding face amount of such Certificate; and
- (b) any accrued but unpaid Periodic Distribution Amounts relating to such Certificates;

Dissolution Event has the meaning given to it in Condition 14;

Dissolution Event Redemption Date has the meaning given to it in Condition 14;

DTC means the Depository Trust Company;

Early Tax Dissolution Date has the meaning given to it in Condition 10.2;

Electronic Consent has the meaning given to it in Condition 19.1;

Encumbrance means any lien, pledge, mortgage, security interest, deed of trust, charge or other encumbrance or arrangement having a similar effect;

Euroclear means Euroclear Bank SA/NV;

Exchange Act has the meaning given to it in Condition 20;

Exercise Notice has the meaning given to it in the Purchase Undertaking and the Sale and Substitution Undertaking;

Exercise Price has the meaning given to it in the Purchase Undertaking and the Sale and Substitution Undertaking;

Extraordinary Resolution has the meaning given to it in Schedule 5 of the Declaration of Trust;

Face Amount means, at any time, the aggregate face amount of the Certificates then outstanding;

Full Reinstatement Value has the meaning given to it in the Servicing Agency Agreement;

Global Certificate means an Unrestricted Global Certificate and/or a Restricted Global Certificate as the context may require;

Indebtedness means any indebtedness or obligation of any Person for money borrowed or raised and including any obligations incurred in respect of any Islamic financing arrangements, in each case whether incurred, assumed or guaranteed, other than trade credit in the ordinary course of business;

Joint Venture Company means an entity which is, at any particular time, jointly controlled (whether directly or indirectly) by Mazoon and any other Person or Persons;

LCIA has the meaning given to it in Condition 24.2;

Lease Agreement means the lease agreement dated the Issue Date and entered into between Mazoon and the Trustee;

Lease Assets has the meaning given to it in the Lease Agreement;

Liability means any loss, damage, cost (excluding any cost of funding), charge, claim, demand, expense, fee, judgment, action, proceeding or other liability whatsoever (including, without limitation in respect of Taxes) and including any value added tax or similar tax charged or chargeable in respect thereof and legal or other fees and expenses on a full indemnity basis and references to **Liabilities** shall mean all of these;

Material Subsidiary means any Subsidiary of Mazoon:

- (a) whose revenue (consolidated in the case of a Subsidiary which itself has Subsidiaries) or whose total assets (consolidated in the case of a Subsidiary which itself has Subsidiaries) represent in each case (or, in the case of a Subsidiary acquired after the end of the financial period to which the then latest audited consolidated accounts of Mazoon and its Subsidiaries relate, are equal to) not less than 10 per cent. of consolidated revenue or, as the case may be, not less than 10 per cent. of consolidated total assets of Mazoon and its Subsidiaries taken as a whole, all as calculated respectively by reference to the then latest audited accounts (consolidated or, as the case may be, unconsolidated) of such Subsidiary and the then latest audited consolidated accounts of Mazoon and its Subsidiaries, provided that, in the case of a Subsidiary of Mazoon acquired after the end of the financial period to which the then latest audited consolidated accounts of Mazoon and its Subsidiaries relate, the reference to the then latest audited consolidated accounts of Mazoon and its Subsidiaries for the purposes of the calculation above shall, until consolidated accounts for the financial period in which the acquisition is made have been prepared and audited as aforesaid, be deemed to be a reference to such first-mentioned accounts as if such Subsidiary had been shown in such accounts by reference to its then latest relevant audited accounts, adjusted as deemed appropriate by Mazoon;
- (b) to which is transferred the whole or substantially the whole of the undertaking and assets of a Subsidiary of Mazoon which immediately prior to such transfer is a Material Subsidiary, provided that the transferor Subsidiary shall upon such transfer forthwith cease to be a Material Subsidiary and the transferee Subsidiary shall cease to be a Material Subsidiary pursuant to this paragraph (b) on the date on which the consolidated accounts of Mazoon and its Subsidiaries for the financial period current at the date of such transfer have been prepared and audited as aforesaid but so that such transferor Subsidiary or such transferee Subsidiary

may be a Material Subsidiary on or at any time after the date on which such consolidated accounts have been prepared and audited as aforesaid by virtue of the provisions of paragraph (a) above or, prior to or after such date, by virtue of any other applicable provision of this definition; or

- (c) to which is transferred an undertaking or assets which, taken together with the undertaking or assets of the transferee Subsidiary, generated (or, in the case of the transferee Subsidiary being acquired after the end of the financial period to which the then latest audited consolidated accounts of Mazoon and its Subsidiaries relate, generate revenue equal to) not less than 10 per cent. of consolidated revenue, or represent (or, in the case aforesaid, are equal to) not less than 10 per cent. of the consolidated total assets, of Mazoon and its Subsidiaries taken as a whole, all as calculated as referred to in paragraph (a) above, provided that the transferor Subsidiary (if a Material Subsidiary) shall upon such transfer forthwith cease to be a Material Subsidiary unless immediately following such transfer its undertaking and assets generate (or, in the case aforesaid, generate revenue equal to) not less than 10 per cent. of consolidated revenue, or its assets represent (or, in the case aforesaid, are equal to) not less than 10 per cent. of the consolidated total assets of Mazoon and its Subsidiaries taken as a whole, all as calculated as referred to in paragraph (a) above, and the transferee Subsidiary shall cease to be a Material Subsidiary pursuant to this paragraph (c) on the date on which the consolidated accounts of Mazoon and its Subsidiaries for the financial period current at the date of such transfer have been prepared and audited, but so that such transferor Subsidiary or such transferee Subsidiary may be a Material Subsidiary on or at any time after the date on which such consolidated accounts have been prepared and audited as aforesaid by virtue of the provisions of paragraph (a) above or, prior to or after such date, by virtue of any other applicable provision of this definition;

Mazoon Event has the meaning given to it in Condition 14;

Official List means the official list of the Irish Stock Exchange plc;

Oman means the Sultanate of Oman;

Payment Business Day means a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets in London and New York City settle payments and are open for general business and, in the case of presentation of a Certificate, in the place in which the Certificate is presented;

Periodic Distribution Amount has the meaning given to it in Condition 8.1;

Periodic Distribution Date means 8 May and 8 November in each year, commencing on 8 May 2018, and subject to Condition 8.3, ending on the Scheduled Dissolution Date;

Periodic Distribution Period means the period from (and including) a Periodic Distribution Date (or, in the case of the first Periodic Distribution Period, from, and including, the Issue Date) to (but excluding) the next (or, in the case of the first Periodic Distribution Date, first) Periodic Distribution Date;

Person means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

Potential Dissolution Event means any condition, event or act which, with the giving of notice, lapse of time, declaration, demand, determination or fulfilment of any other applicable condition (or any combination of the foregoing), would constitute a Dissolution Event;

Purchase Agreement means the purchase agreement dated the Issue Date and entered into between Mazoon and the Trustee;

Purchase Undertaking means the purchase undertaking dated the Issue Date and granted by Mazoon for the benefit of the Trustee and the Delegate and includes the form of sale agreement to be entered into in accordance with the terms of the Purchase Undertaking;

QIB means "qualified institutional buyer" within the meaning of Rule 144A of the Securities Act;

Record Date means, in the case of the payment of a Periodic Distribution Amount or the Dissolution Distribution Amount on the Scheduled Dissolution Date (as the case may be), the date falling on the

15th day before the relevant Periodic Distribution Date or the Scheduled Dissolution Date (as the case may be) and, in the case of the payment of any other Dissolution Distribution Amount, the date falling two Payment Business Days before the relevant Dissolution Date or other due date for payment of such amount;

Register has the meaning given to it in Condition 2.1;

Registered Account has the meaning given to it in Condition 9.1;

Regulation S means Regulation S under the Securities Act;

Relevant Accounts means, at any time, the most recently available audited consolidated financial statements of Mazoon;

Relevant Indebtedness means any present or future Indebtedness (whether being principal or other amounts) which is in the form of, or represented by any bond, note, debenture, debenture stock, loan stock, certificate, sukuk or other instrument that is, or is capable of being, listed, quoted or traded on any stock exchange or any securities market (including, without limitation, any over-the-counter-market);

Relevant Period has the meaning given to it in Condition 8.2;

Rental has the meaning given to it in the Lease Agreement;

Restricted Certificates has the meaning given to it in Condition 2.1;

Registered Global Certificate has the meaning given to it in Condition 2.1;

Return Accumulation Period means the period beginning on (and including) the Issue Date and ending on (but excluding) the first Periodic Distribution Date and each successive period beginning on (and including) a Periodic Distribution Date and ending on (but excluding) the next succeeding Periodic Distribution Date;

Rules has the meaning given to it in Condition 24.2;

Sale Agreement means any sale agreement entered into in connection with the Purchase Undertaking or Sale and Substitution Undertaking;

Sale and Substitution Undertaking means the sale and substitution undertaking dated the Issue Date and granted by the Trustee for the benefit of Mazoon and includes the form of sale agreement to be entered into in accordance with the terms of the Sale and Substitution Undertaking;

Securities Act means the Securities Act of 1933, as amended;

Scheduled Dissolution Date means 8 November 2027;

Security Interest means any mortgage, charge, pledge, lien or other form of encumbrance or security interest, including, without limitation, any other agreement or arrangement having the effect of conferring security including without limitation any conditional sale or other title retention agreement or lease in the nature thereof, any sale with recourse against the seller or any Subsidiary of the seller, or any agreement to give any security interest) and anything analogous to any of the foregoing under the laws of any jurisdiction;

Service Charge Amount has the meaning given to it in the Servicing Agency Agreement;

Servicing Agency Agreement means the service agency agreement dated the Issue Date and entered into between the Servicing Agent and the Trustee;

Servicing Agent means Mazoon Electricity Company S.A.O.C. in its capacity as servicing agent under the Servicing Agency Agreement;

Subsidiary means, in relation to any legal entity (the **first Person**) at any particular time, any other legal entity (the **second Person**) (i) whose affairs and policies the first Person controls or has the power to control, whether by ownership of share capital, contract, the power to appoint or remove members of the governing body of the second Person or otherwise or (ii) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the first Person;

Supplemental Declaration of Trust means any supplemental declaration of trust entered into pursuant to the Declaration of Trust;

Supplemental Purchase Agreement means any supplemental purchase agreement entered into pursuant to the Purchase Agreement;

Taxes has the meaning given to it in Condition 11;

Total Loss Event has the meaning given to it in Condition 10.6;

Total Loss Event Dissolution Date has the meaning given to it in Condition 10.6;

Total Loss Shortfall Amount has the meaning given to it in the Servicing Agency Agreement;

Transaction Account means the account in London in the Trustee's name held with the Principal Paying Agent, into which Mazoon will deposit all amounts due to the Trustee under the Transaction Documents;

Transaction Documents means the Declaration of Trust, any Supplemental Declaration of Trust, the Agency Agreement, the Purchase Agreement, the Lease Agreement, the Servicing Agency Agreement, the Purchase Undertaking, the Sale and Substitution Undertaking, any Supplemental Purchase Agreement and any Sale Agreement, each as may be amended, restated and/or supplemented from time to time;

Trust Assets has the meaning given to it in Condition 6.1;

Unrestricted Certificates has the meaning given to it in Condition 2.1;

Unrestricted Global Certificate has the meaning given to it in Condition 2.1; and

Written Resolution has the meaning given to it in Condition 19.1.

2. FORM, DENOMINATION AND TITLE

2.1 Form and Denomination

The Certificates are issued in registered form in face amounts of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof (each an **Authorised Denomination**). A Certificate will be issued to each Certificateholder in respect of its registered holding of Certificates. Each Certificate will be numbered serially with an identifying number which will be recorded on the Certificate and in the register of Certificateholders (the **Register**), which the Trustee will cause to be kept by the Registrar outside the United Kingdom in accordance with the provisions of the Agency Agreement.

Upon issue, Certificates offered and sold outside the United States of America to non-US persons, within the meaning of, and in accordance with, Regulation S (the **Unrestricted Certificates**) will be represented by beneficial interests in a Global Certificate (an **Unrestricted Global Certificate**), in registered form, without coupons attached, which will be deposited with, and registered in the name of a nominee for, a common depositary for Euroclear and Clearstream.

Certificates offered and sold within the United States of America to persons that are QIBs (the **Restricted Certificates**) will be represented on issue by beneficial interests in one or more permanent Global Certificates (each a **Restricted Global Certificate** and, together with the Unrestricted Global Certificate, the **Global Certificates**), in registered form, without coupons attached, which will be deposited with Citibank, N.A., London Branch as custodian (the **Custodian**) for, and registered in the name of Cede & Co. as nominee of, DTC.

Certificates represented by the Global Certificates will be transferable only in accordance with the rules and procedures for the time being of DTC, Euroclear and Clearstream.

2.2 Title

Title to the Certificates passes only by registration in the Register. The registered holder of any Certificate will (except as otherwise required by law) be treated as the absolute owner of the Certificates represented by the Certificate for all purposes (whether or not any payment thereon is overdue and regardless of any notice of ownership, trust or any interest or any writing on, or the theft or loss of, the Certificate) and no Person will be liable for so treating the holder of any Certificate. The registered holder of a Certificate will be recognised by the Trustee as entitled to his Certificate free

from any equity, set-off or counterclaim on the part of the Trustee against the original or any intermediate holder of such Certificate.

3. TRANSFERS OF CERTIFICATES

3.1 Transfers

Subject to Condition 3.4, a Certificate may be transferred in an Authorised Denomination by depositing the Certificate, with the form of transfer on the back duly completed and signed, at the specified office of any of the Transfer Agents.

Transfer of interests in the Certificates represented by a Global Certificate will be effected in accordance with the rules of the relevant clearing system through which the interest is held.

3.2 Delivery of New Certificates

Each new Certificate to be issued upon any transfer of Certificates will, within five business days of receipt by the relevant Transfer Agent of the duly completed form of transfer endorsed on the Certificate (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), be delivered at the specified office of the relevant Transfer Agent or be mailed by uninsured mail at the risk of the holder entitled to the Certificate to the address specified in the form of transfer. For the purposes of this Condition, **business day** shall mean a day on which banks are open for business in the city in which the specified office of the Transfer Agent with whom a Certificate is deposited in connection with a transfer is located. Where some but not all of the Certificates in respect of which a Certificate is issued are to be transferred, a new Certificate in respect of the Certificates not so transferred will, within five business days of receipt by the relevant Transfer Agent of the original Certificate, be delivered at the specified office of the relevant Transfer Agent or be mailed by uninsured mail at the risk of the holder of the Certificates not so transferred to the address of such holder appearing on the Register or as specified in the form of transfer.

3.3 Formalities Free of Charge

Registration of any transfer of Certificates will be effected without charge by or on behalf of the Trustee by the Registrar or any Transfer Agent but upon payment (or the giving of such indemnity as the Trustee, any Transfer Agent or the Registrar may reasonably require) by the transferee in respect of any stamp duty, tax or other governmental charges which may be imposed in relation to such transfer.

3.4 Closed Periods

No Certificateholder may require the transfer of a Certificate to be registered (i) during the period of 15 days ending on (and including) the due date for any payment of the Dissolution Distribution Amount or any Periodic Distribution Amount or any other date on which any payment of the face amount or payment of any profit in respect of that Certificate falls due or, (ii) after any such Certificate has been called for redemption pursuant to Condition 10.

4. STATUS AND LIMITED RECOURSE

4.1 Status

(a) Each Certificate evidences an undivided beneficial ownership interest of the Certificateholders in the Trust Assets, subject to the terms of the Transaction Documents and these Conditions, and is a direct, unsubordinated, unsecured and limited recourse obligation of the Trustee. Each Certificate will at all times rank *pari passu*, without any preference or priority, with all other Certificates.

(b) The payment obligations of Mazoon under the Transaction Documents to which it is a party are and will be direct, unconditional, unsubordinated and (subject to the negative pledge provisions described in clause 5.2 of the Purchase Undertaking) unsecured obligations of Mazoon and shall (save for such exceptions as may be provided by applicable legislation and subject to the negative pledge provisions described in clause 5.2 of the Purchase Undertaking) at all times rank at least equally with all other unsecured and unsubordinated obligations of Mazoon, present and future.

4.2 **Limited Recourse**

The proceeds of the Trust Assets are the sole source of payments on the Certificates. Save as provided in the next sentence, the Certificates do not represent an interest in or obligation of any of the Trustee or Mazoon. Accordingly, Certificateholders, by subscribing for or acquiring the Certificates, acknowledge that they will have no recourse to any assets (other than the Trust Assets) of the Trustee or Mazoon (to the extent that each of them fulfils all of its obligations under the Transaction Documents to which it is a party) or the Delegate, any Agent or any director or officer of the Trustee in respect of any shortfall in the expected amounts from the Trust Assets to the extent the Trust Assets have been enforced, realised and fully discharged, following which all obligations of the Trustee, the Delegate and their respective directors and agents shall be extinguished.

Mazoon is obliged to make certain payments under the Transaction Documents to which it is a party directly to the Trustee (for and on behalf of the Certificateholders) or the Delegate (acting in the name and on behalf of the Trustee). The Trustee and the Delegate will have direct recourse against Mazoon to recover such payments.

The net proceeds of realisation of, or enforcement with respect to, the Trust Assets may not be sufficient to make all payments due in respect of the Certificates. If, following distribution of such proceeds, there remains a shortfall in payments due under the Certificates, subject to Condition 15, no Certificateholder will have any claim against the Trustee (to the extent the Trust Assets have been exhausted) or the Delegate, any Agent or any director or officer of the Trustee, Mazoon (to the extent that it fulfils all of its obligations under the Transaction Documents to which it is a party), any affiliate of any of the foregoing entities or against any assets (other than the Trust Assets to the extent not enforced, realised or fully discharged) in respect of such shortfall and any unsatisfied claims of Certificateholders shall be extinguished. In particular, no Certificateholder will be entitled to petition for, or join any other Person in instituting proceedings for, the reorganisation, liquidation, winding up or receivership of the Trustee as a consequence of such shortfall or otherwise.

4.3 **Agreement of Certificateholders**

By purchasing Certificates, each Certificateholder is deemed to have agreed that notwithstanding anything to the contrary contained in these Conditions or any Transaction Document, that, in relation to the Certificates:

- (a) no payment of any amount whatsoever shall be made by any of the Trustee or the Delegate or any agents of the Trustee on its behalf except to the extent funds are available therefor from the Trust Assets and no recourse shall be had for the payment of any amount owing hereunder, whether for the payment of any fee, indemnity or other amount hereunder or any other obligation or claim arising out of or based upon the Transaction Documents, against the Trustee to the extent the Trust Assets have been exhausted, following which all obligations of the Trustee and the Delegate shall be extinguished;
- (b) it will not institute against, or join with any other Person in instituting against, the Trustee, any bankruptcy, reorganisation, arrangement or liquidation proceedings or other proceedings under any bankruptcy or similar law in any jurisdiction against the Trustee or any of its directors, officers, employees, agents or affiliates as a consequence of such shortfall or otherwise; and
- (c) no recourse (whether by institution or enforcement of any legal proceedings or assessment or otherwise) in respect of any breaches of any duty, obligation or undertaking of the Trustee arising under or in connection with the Declaration of Trust, the Certificates and the Conditions (as from time to time supplemented or modified in accordance with the provisions herein or therein contained), by virtue of any customary law, statute or otherwise shall be had against any shareholder, member, officer, agent or director of the Trustee in its capacity as such and any and all personal liability of every such shareholder, member, officer, agent or director in their capacity as such for any breaches by the Trustee of any such duty, obligation or undertaking is expressly waived and excluded to the extent permitted by law save in the case of wilful default or fraud. Reference herein to wilful default or actual fraud means a finding to such effect by a court of competent jurisdiction in relation to the conduct of the relevant party.

5. NEGATIVE PLEDGE

So long as any Certificate remains outstanding, Mazoon shall not, and shall procure that none of its Material Subsidiaries will, create or permit to subsist any Security Interest upon the whole or any part of its present or future undertaking, assets or revenue (including uncalled capital) to secure any Relevant Indebtedness or any guarantee of any Relevant Indebtedness, unless (i) the aggregate amount secured in respect of Relevant Indebtedness or any guarantee of any Relevant Indebtedness by all such Security Interests (including any Security Interest to be then created) is less than 15 per cent. of the amount of the consolidated total Indebtedness of Mazoon and its Subsidiaries taken as a whole, all as calculated in the same manner as is required for the determination of Material Subsidiaries as set out in the definition thereof or, in any case, (ii) at the same time or prior thereto, Mazoon's payment obligations under the Transaction Documents to which it is a party are (x) secured equally and rateably therewith or (y) have the benefit of such other security as may be approved by an Extraordinary Resolution or Written Resolution of the Certificateholders.

6. TRUST

6.1 Trust Assets

Pursuant to the Declaration of Trust, the Trustee has declared that it will hold certain assets (the **Trust Assets**), consisting of:

- (a) all of the Trustee's rights, title, interests, benefits and other entitlements, present and future, in and to the Lease Assets;
- (b) all of the Trustee's rights, title, interests, benefits and other entitlements, present and future, in and to the Transaction Documents excluding any representations given to the Trustee by Mazoon pursuant to any of the Transaction Documents;
- (c) all monies standing to the credit of the Transaction Account; and
- (d) all proceeds of the foregoing,

upon trust absolutely for the Certificateholders *pro rata* according to the face amount of the Certificates held by each Certificateholder in accordance with the Declaration of Trust and these Conditions.

6.2 Application of Proceeds from Trust Assets

On each Periodic Distribution Date and on any Dissolution Date, the Principal Paying Agent shall apply the monies standing to the credit of the Transaction Account in the following order of priority:

- (a) *first*, to the Delegate in respect of all amounts owing to it under the Transaction Documents in its capacity as Delegate;
- (b) *second*, to the Principal Paying Agent for application in or towards payment *pari passu* and rateably of all Periodic Distribution Amounts due but unpaid;
- (c) *third*, only if such payment is made on a Dissolution Date, to the Principal Paying Agent for application in or towards payment *pari passu* and rateably of the Dissolution Distribution Amount;
- (d) *fourth*, only if such payment is made on a Dissolution Date, to the Servicing Agent in or towards payment of all outstanding Service Charge Amounts (as defined in the Servicing Agency Agreement); and
- (e) *fifth*, only if such payment is made on a Dissolution Date, payment of the residual amount (if any) to Mazoon in its capacity as Servicing Agent as an incentive fee payment for its performance under the Servicing Agency Agreement.

7. TRUSTEE COVENANTS

7.1 Subject to Condition 7.2, the Trustee covenants that for so long as any Certificate is outstanding it shall not (without the prior written consent of the Delegate):

- (a) incur any indebtedness in respect of financed, borrowed or raised money whatsoever (whether structured (or intended to be structured) in accordance with the principles of *Shari'ah* or otherwise), or give any guarantee or indemnity in respect of any obligation of any person or

issue any shares (or rights, warrants or options in respect of shares or securities convertible into or exchangeable for shares) except, in all cases, as provided in the Transaction Documents;

- (b) secure any of its present or future indebtedness by any lien, pledge, charge or other security interest upon any of its present or future assets, properties or revenues (other than those arising by operation of law (if any) and other than under or pursuant to any of the Transaction Documents);
- (c) sell, lease, transfer, assign, participate, exchange or otherwise dispose of, or pledge, mortgage, hypothecate or otherwise encumber (by security interest, lien (statutory or otherwise), preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever or otherwise) (or permit such to occur or suffer such to exist), any part of its interest in any of the Trust Assets except pursuant to any of the Transaction Documents;
- (d) except as provided in Condition 19, amend or agree to any amendment of any Transaction Document to which it is a party (other than in accordance with the terms thereof) or its constitutional documents;
- (e) except as provided in the Declaration of Trust, act as trustee in respect of any trust other than the Trust or in respect of any parties other than the Certificateholders;
- (f) have any subsidiaries or employees;
- (g) redeem any of its shares or pay any dividend or make any other distribution to its shareholders;
- (h) use the proceeds of the issue of the Certificates for any purpose other than as stated in the Transaction Documents;
- (i) put to its directors or shareholders any resolution for, or appoint any liquidator for, its winding-up or any resolution for the commencement of any other bankruptcy or insolvency proceeding with respect to it; or
- (j) enter into any contract, transaction, amendment, obligation or liability other than the Certificates and the Transaction Documents to which it is a party or as expressly contemplated, permitted or required thereunder or engage in any business or activity other than:
 - (i) as contemplated, provided for or permitted in the Transaction Documents;
 - (ii) in connection with the ownership, management and disposal of the Trust Assets as provided in the Transaction Documents; and
 - (iii) such other matters which are incidental thereto.

7.2 Nothing in Condition 7.1 above shall prevent the Trustee issuing (or entering into any transaction for the purpose of issuing or entering into any contract in relation thereto or performing any of its obligations thereunder) any sukuk, certificates or other securities intended to be issued in compliance with the principles of *Shari'ah* provided that: (i) such securities are, or are intended to be or are capable of being, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market; (ii) in respect of such securities, the obligations of Mazoon to the Trustee shall rank *pari passu* with the obligations of Mazoon to the Trustee in respect of the Certificates; and (iii) the obligations of the Trustee in respect of such securities shall rank *pari passu* with the Certificates.

8. PERIODIC DISTRIBUTIONS

8.1 Periodic Distribution Amount

Profit shall accrue at 5.20 per cent. per annum and such profit shall be payable in arrear in respect of the Certificates on each Periodic Distribution Date in respect of the Return Accumulation Period ending on such date (each such profit distribution being referred to in these Conditions as a **Periodic Distribution Amount**). The Trustee shall distribute to Certificateholders, out of amounts transferred to the Transaction Account, Periodic Distribution Amounts *pro rata* to their respective holdings on each Periodic Distribution Date in arrear in accordance with these Conditions. Subject to Condition 8.2 and

Condition 9, the Periodic Distribution Amount payable on each Periodic Distribution Date shall be U.S.\$26.00 per U.S.\$1,000 in face amount of the Certificates.

8.2 **Calculation of Periodic Distribution Amounts payable other than on a Periodic Distribution Date**

If a Periodic Distribution Amount is required to be calculated in respect of a period of less than a full Return Accumulation Period (the **Relevant Period**), it shall be calculated as an amount equal to the product of:

- (a) 5.20 per cent. per annum;
- (b) the face amount of the Certificate; and
- (c) the Day Count Fraction for such period, with the result being rounded to the nearest U.S.\$0.01, U.S.\$0.005 being rounded upwards. For these purposes, **Day Count Fraction** means, in respect of the calculation of an amount of profit on any Certificate for any period (whether or not constituting a Return Accumulation Period, the **Calculation Period**), the number of days in the Calculation Period divided by 360 (the number of days in such period to be calculated on the basis of a year of 360 days with 12 30-day months and, in the case of an incomplete month, the number of days elapsed).

8.3 **Cessation of Accrual**

No further amounts will be payable on any Certificate from and including its due date for redemption, unless default is made in payment of the Dissolution Distribution Amount in which case Periodic Distribution Amounts will continue to accrue in respect of the Certificates in the manner provided in this Condition 8.

9. **PAYMENT**

9.1 **Payments in Respect of Certificates**

Subject to Condition 9.2, payment of any Periodic Distribution Amount and the Dissolution Distribution Amount will be made by the Principal Paying Agent in U.S. dollars by wire transfer in same day funds to the Registered Account (as defined below) of each Certificateholder. Payments of the Dissolution Distribution Amount will only be made against surrender of the Certificate at the specified offices of any of the Paying Agents. The Dissolution Distribution Amount and each Periodic Distribution Amount will be paid on the due date to the holder shown on the Register at the close of business on the Record Date.

For the purposes of these Conditions, a Certificateholder's **Registered Account** means the U.S. dollar account maintained by or on behalf of it with a bank that processes payments in U.S. dollar, details of which appear on the Register at the close of business on the relevant Record Date.

9.2 **Payments subject to Applicable Laws**

All payments are subject in all cases to any applicable laws, regulations and directives in the place of payment, but without prejudice to the provisions of Condition 11. No commission or expenses shall be charged to the holders of the Certificates in respect of such payments.

9.3 **Payment only on a Payment Business Day**

Where payment is to be made by transfer to a Registered Account, payment instructions (for value the due date or, if that is not a Payment Business Day, for value the first following day which is a Payment Business Day) will be initiated by the Principal Paying Agent on the due date for payment or, in the case of a payment of the Dissolution Distribution Amount, if later, on the Payment Business Day on which the Certificate is surrendered at the specified office of a Paying Agent for value as soon as practicable thereafter.

Certificateholders will not be entitled to any additional payment for any delay after the due date in receiving the amount due if the due date is not a Payment Business Day or, if the Certificateholder is late in surrendering its Certificate (if required to do so).

If the amount of the Dissolution Distribution Amount or any Periodic Distribution Amount is not paid in full when due, the Registrar will annotate the Register with a record of the amount actually paid.

9.4 **Agents**

In acting under the Agency Agreement and in connection with the Certificates, the Agents act solely as agents of the Trustee and (to the extent provided therein and in the Declaration of Trust) the Delegate and do not assume any obligations towards or relationship of agency or trust for or with any Certificateholder.

The names of the initial Agents and their initial specified offices are set out in the Agency Agreement.

The Trustee reserves the right at any time to vary or terminate the appointment of any Agent and to appoint additional or other Agents provided that:

- (i) it will at all times maintain a Principal Paying Agent;
- (ii) it will at all times maintain a Registrar (which may be the Principal Paying Agent); and
- (iii) it will at all times maintain a Paying Agent (which may be the Principal Paying Agent) having its specified office in a jurisdiction within Europe for so long as the Certificates are listed on the Official List.

Notice of any termination or appointment and of any changes in the specified offices shall be given by the Trustee to the Certificateholders in accordance with Condition 18.

10. **CAPITAL DISTRIBUTIONS OF THE TRUST**

10.1 **Dissolution on the Scheduled Dissolution Date**

Unless the Certificates are previously redeemed or purchased and cancelled, the Trustee will redeem each Certificate at the Dissolution Distribution Amount on the Scheduled Dissolution Date.

Upon payment in full of the Dissolution Distribution Amount, the Trust will be dissolved and the Certificates shall cease to represent interests in the Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

10.2 **Early Dissolution for Tax Reasons**

The Certificates may be redeemed by the Trustee in whole, but not in part, on the date specified in the Exercise Notice delivered in connection with the Sale and Substitution Undertaking (an **Early Tax Dissolution Date**), on giving not less than 30 nor more than 60 days' notice to the Certificateholders in accordance with Condition 18 (which notice shall be irrevocable), at the Dissolution Distribution Amount, if it is determined by Mazoon that a Tax Event occurs, where **Tax Event** means:

- (a) the Trustee has or will become obliged to pay additional amounts as provided or referred to in Condition 11 as a result of any change in, or amendment to, the laws or regulations of the Sultanate of Oman or any political subdivision or, in each case, any authority thereof or therein having the power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective after 6 November 2017; and such obligation cannot be avoided by the Trustee taking reasonable measures available to it; or
- (b) Mazoon has or will become obliged to pay additional amounts pursuant to the terms of any Transaction Document as a result of any change in, or amendment to, the laws or regulations of the Sultanate of Oman or any political subdivision or, in each case, any authority thereof or therein having the power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective after 6 November 2017; and such obligation cannot be avoided by Mazoon taking reasonable measures available to it,

provided, however, that no such notice of redemption shall be given:

- (i) unless an Exercise Notice has been received by the Trustee from Mazoon under the Sale and Substitution Undertaking; and
- (ii) earlier than 90 days prior to the earliest date on which (in the case of (a) above) the Trustee would be obliged to pay such additional amounts if a payment in respect of the Certificates were then due or (in the case of (b) above) Mazoon would be obliged to pay such additional amounts if a payment to the Trustee under the relevant Transaction Document was then due.

Prior to the publication of any notice of redemption pursuant to this Condition 10.2, the Trustee or, as the case may be, Mazoon shall deliver to the Delegate:

- (A) a certificate signed by, or by an authorised signatory on behalf of, the Trustee or, as the case may be, Mazoon stating that the obligation referred to in paragraph (a) or (b) above cannot be avoided by the Trustee, or as the case may be, Mazoon taking reasonable measures available to it; and
- (B) an opinion of independent legal advisers of recognised standing to the effect that the Trustee or, as the case may be, Mazoon, has or will become obliged to pay such additional amounts as a result of such change of amendment.

Upon the expiry of any such notice as is referred to in this Condition 10.2, the Trustee shall be bound to redeem the Certificates in accordance with this Condition 10.2.

10.3 **Dissolution at the Option of the Certificateholders (Change of Control Put)**

Mazoon has agreed in the Declaration of Trust to notify the Trustee and the Delegate forthwith upon becoming aware of the occurrence of a Change of Control specifying the nature and details of the Change of Control. The Trustee, upon receipt of such notice from Mazoon or otherwise upon becoming aware of the occurrence of a Change of Control, shall promptly give notice (a **Change of Control Notice**) to the Certificateholders in accordance with Condition 18 of the Change of Control, specifying the nature and details of the Change of Control, the Change of Control Put Period and the Change of Control Put Option Date (each as defined below).

If a Change of Control occurs, upon a Certificateholder giving notice to the Trustee (the **Change of Control Put Option**) at any time during the period of 30 days from the due date on which the Change of Control Notice is given (the **Change of Control Put Period**), the Trustee shall redeem such Certificates, which right may be exercised in any multiple of the Authorised Denominations, on the Change of Control Put Option Date at the Dissolution Distribution Amount.

To elect to redeem all or any of its Certificates in accordance with this Condition 10.3, which right may be exercised in any multiple of the Authorised Denomination, a Certificateholder must deliver a duly completed and signed option exercise notice (a **Change of Control Exercise Notice**) in the form (for the time being current) obtainable from the specified office of the Principal Paying Agent at its specified office at any time during its normal business hours within the Change of Control Put Period and in which the Certificateholder must specify a bank account to which payment is to be made under this Condition 10.3 accompanied by the Certificates or evidence satisfactory to the Principal Paying Agent concerned that the Certificates will, following delivery of the Change of Control Exercise Notice, be held to its order or under its control.

Any Change of Control Exercise Notice given by a Certificateholder pursuant to this Condition 10.3 shall be irrevocable and the Trustee will redeem all Certificates which are the subject of a validly delivered Change of Control Exercise Notice on the Change of Control Put Option Date.

For the purposes of these Conditions, **Change of Control Put Option Date** shall be the tenth Payment Business Day after the expiry of the Change of Control Put Period.

10.4 **Dissolution at the Option of the Certificateholders (Clean Up Call Right)**

If, following the Change of Control Put Option Date, 90 per cent. or more in face amount of the Certificates then outstanding have been redeemed or purchased pursuant to Condition 10.3 and Mazoon exercises its right to oblige the Trustee to redeem the Certificates in whole, but not in part, on the date specified in the Exercise Notice delivered pursuant to the Sale and Substitution Undertaking (a **Clean Up Call Right Dissolution Date**), the Trustee shall, on giving not less than 30 nor more than 60 days' notice to the Certificateholders in accordance with Condition 18 (which notice shall be irrevocable) and such notice to be given within 30 days of the Change of Control Put Option Date, redeem the Certificates at the Dissolution Distribution Amount provided.

10.5 **Dissolution Following a Dissolution Event**

Upon the occurrence of a Dissolution Event which is continuing, the Certificates may be redeemed at the Dissolution Distribution Amount on the Dissolution Event Redemption Date and the Trust dissolved as more particularly specified in Condition 14.

10.6 **Dissolution Following a Total Loss Event**

Mazoon has agreed in the Declaration of Trust to notify the Trustee and the Delegate forthwith upon the occurrence of a Total Loss Event and to provide a description of the Total Loss Event. The Trustee, upon receipt of such notice from Mazoon or otherwise upon becoming aware of the occurrence of a Total Loss Event shall, unless the Lease Assets are replaced by Mazoon in accordance with the Servicing Agency Agreement, redeem all of the Certificates by no later than the close of business in London on the 31st day after the occurrence of the Total Loss Event (a **Total Loss Event Dissolution Date**). Any such redemption of Certificates shall be at their Dissolution Distribution Amount using (i) the proceeds of insurance payable in respect of the Total Loss Event which are required to be paid into the Transaction Account by no later than the 30th day after the occurrence of the Total Loss Event, and (ii) if the insurance proceeds (if any) standing to the credit of the Transaction Account on the 30th day following the occurrence of a Total Loss Event are less than the Full Reinstatement Value, and the Total Loss Shortfall Amount funded by the Servicing Agent in accordance with the terms of the Service Agency Agreement. Upon payment in full of the Dissolution Distribution Amount to all Certificateholders, the Trustee shall be bound to dissolve the Trust. Upon such dissolution as aforesaid, the Certificates shall cease to represent interests in the Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

A **Total Loss Event** means the total loss or destruction of, or damage to all of the Lease Assets or any event or occurrence that renders all the Lease Assets permanently unfit for any economic use and (but only after taking into consideration any insurances or other indemnity granted in each case by any third party in respect of the Lease Assets) the repair or remedial work in respect thereof is wholly uneconomical.

10.7 **No Other Dissolution**

The Trustee shall not be entitled to redeem the Certificates, and the Trustee shall not be entitled to dissolve the Trust otherwise than as provided in this Condition 10, Condition 13 and Condition 14.

10.8 **Cancellations**

All Certificates which are redeemed in accordance with this Condition 10 or Condition 14 will forthwith be cancelled and accordingly may not be held, reissued or resold.

11. **TAXATION**

All payments in respect of the Certificates shall be made without withholding or deduction for, or on account of, any present or future taxes, levies, imposts, duties, fees, assessments or other charges of whatever nature, imposed or levied by or on behalf of Oman or any political subdivision thereof or any authority therein or thereof having power to tax (**Taxes**), unless the withholding or deduction of the Taxes is required by law. In such event, the Trustee will pay additional amounts as shall be necessary in order that the net amounts received by the Certificateholder after such withholding or deduction shall equal the respective amounts due and payable to any Certificateholder which would have otherwise been receivable in the absence of such withholding or deduction; except that no such additional amount shall be payable in relation to any payment to any Certificateholder:

- (a) who is liable for such Taxes in respect of such Certificate by reason of having some connection with Oman other than the mere holding of such Certificate; or
- (b) where the definitive Certificate is required to be presented for payment and is presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that a holder would have been entitled to an additional amount on such 30th day assuming that day to have been a Payment Business Day.

In these Conditions, references to **the Dissolution Distribution Amount** or any **Periodic Distribution Amount** payable in respect of a Certificate shall be deemed to include any additional amounts payable under this Condition 11. In addition, in these Conditions **Relevant Date** means the date on which such payment first becomes due, except that, if the full amount of the monies payable has not been duly received by the Principal Paying Agent or the Delegate, as the case may be, on or prior to such due date, the date on which the full amount of such monies having been so received, notice to that effect is duly given to Certificateholders by the Trustee in accordance with Condition 18.

The Transaction Documents provide that payments thereunder by Mazoon shall be made without withholding or deduction for, or on account of, any present or future Taxes, unless the withholding or deduction of the Taxes is required by law and, in such case, provide for the payment by Mazoon of additional amounts so that the full amount which would otherwise have been due and payable is received by the Trustee.

Further, in accordance with the Declaration of Trust, Mazoon undertakes to pay such additional amounts as may be necessary pursuant to this Condition 11 so that the full amount due and payable by the Trustee in respect of the Certificates to the Certificateholders is received by the Trustee for the purposes of payment to the Certificateholders in accordance with and subject to the provisions of this Condition 11.

12. PRESCRIPTION

The right to receive distributions in respect of the Certificates will be prescribed and become void unless claimed within periods of ten years (in the case of the Dissolution Distribution Amount) and five years (in the case of Periodic Distribution Amounts) from the Relevant Date in respect thereof, subject to the provisions of Condition 9.

13. PURCHASE AND CANCELLATION OF CERTIFICATES

13.1 Purchases

Mazoon and/or any Subsidiary may at any time purchase Certificates at any price in the open market or otherwise. Such Certificates may be held, resold or, at the option of Mazoon, surrendered to the Principal Paying Agent for cancellation.

13.2 Cancellation of Certificates held by Mazoon and/or any of its Subsidiaries

Should Mazoon wish to cancel any Certificate purchased in accordance with Condition 13.1, it will deliver a Cancellation Notice to the Principal Paying Agent (on behalf of the Trustee) accompanied by the Certificates or evidence satisfactory to the Principal Paying Agent concerned that the Certificates will, following delivery of the Cancellation Notice, be held to its order or under its control under the terms of the Declaration of Trust, whereupon Mazoon shall, in accordance with the Sale and Substitution Undertaking, and following the delivery by the Trustee of the Asset Redemption Notice thereunder, be required to accept the transfer and conveyance of all the Trustee's interests, rights, title, benefits and other entitlements in and to those Cancelled Lease Assets (as defined in the Sale and Substitution Undertaking) in consideration for the delivery of such Certificates to the Principal Paying Agent for cancellation. Such Certificates shall be cancelled on the Asset Redemption Date specified in the Asset Redemption Notice. The Trustee and Mazoon have agreed in the Declaration of Trust and the Sale and Substitution Undertaking to execute all such documents and do such further acts and things as may be required under applicable law to give effect to any transfer of the Trust Assets and the cancellation of the Certificates.

14. DISSOLUTION EVENTS

Upon the occurrence and continuation of any of the Following Events (the **Dissolution Events**):

- (a) default is made in the payment of:
 - (i) the Dissolution Distribution Amount and such default continues for a period of five days from the due date for payment; or
 - (ii) any Periodic Distribution Amount and such default continues for a period of seven days from the due date for payment; or
- (b) the Trustee fails to perform or observe any of its other obligations under the Conditions or the Declaration of Trust in respect of the Certificates and (except in any case where, in the opinion of the Delegate, the failure is incapable of remedy when no such continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 30 days following the service by the Delegate on the Trustee of written notice requiring the same to be remedied; or

- (c) any distress, attachment, execution or other legal process is levied, enforced or sued out on or against any part of the property, assets or revenues of the Trustee and is not discharged or stayed within 30 days; or
- (d) the Trustee is (or is deemed by law or a court to be) adjudicated or found bankrupt or insolvent or to be unable to pay its debts as they fall due, stops, suspends or threatens to stop or suspend payment of all or any part of (or a particular type of) its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of any creditors in respect of any of its debts or a moratorium is agreed or declared or comes into effect in respect of or affecting all or any part of (or a particular type of) the debts of the Trustee; or
- (e) an administrator is appointed, an order is made or an effective resolution passed for the winding-up or dissolution or administration of the Trustee, or the Trustee shall apply or petition for a winding-up or administration order in respect of itself or cease or through an official action of its board of directors threaten to cease to carry on all or substantially all of its business or operations; or
- (f) any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order: (i) to enable the Trustee lawfully to enter into, exercise its rights and perform and comply with its duties, obligations and undertakings under the Certificates and the Transaction Documents to which it is a party; (ii) to ensure that those duties, obligations and undertakings are legally binding and enforceable; or (iii) to make the Certificates and the Transaction Documents to which it is a party admissible in evidence in the courts of Oman is not taken, fulfilled or done; or
- (g) it is or will become unlawful for the Trustee to perform or comply with any one or more of its duties, obligations and undertakings under any of the Certificates or the Transaction Documents or any of the duties, obligations or undertakings of the Trustee under the Certificates or the Transaction Documents to which it is a party are not, or cease to be, legal, valid, binding and enforceable; or
- (h) the Trustee repudiates or does or causes to be done any act or thing evidencing an intention to repudiate any Certificate or any Transaction Document to which it is a party; or
- (i) any event occurs which under the laws of Oman or any other jurisdiction has an analogous effect to any of the events referred to in paragraphs (c), (d) or (e) above; or
- (j) a Mazoon Event (as defined below) occurs,

the Delegate, upon receiving express notice in writing thereof, shall (subject to it being indemnified and/or secured and/or pre-funded to its satisfaction) promptly give notice of the occurrence of such Dissolution Event to the Certificateholders in accordance with Condition 18 with a request to such holders to indicate if they wish the Certificates to be redeemed and the Trust to be dissolved. If so requested in writing by the holders of at least 25 per cent. of the then aggregate face amount of the Certificates outstanding or if so directed by an Extraordinary Resolution of the Certificateholders, the Delegate shall (subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction) give notice to the Trustee, Mazoon and the Certificateholders (a **Dissolution Notice**) in accordance with Condition 18 that the Certificates are immediately due and payable at the Dissolution Distribution Amount, whereupon they shall become so due and payable.

Upon receipt of such Dissolution Notice, the Trustee (failing which, subject to being indemnified and/or secured and/or prefunded to its satisfaction, the Delegate) shall deliver an Exercise Notice to Mazoon under the Purchase Undertaking and thereafter, execute the relevant sale agreement for the sale of the Lease Assets. The Trustee (or the Delegate in the name of the Trustee) shall use the proceeds thereof, to redeem the Certificates at the Dissolution Distribution Amount on the date specified in the relevant Exercise Notice (the relevant **Dissolution Event Redemption Date**) and the Trust shall be dissolved on the day after the last outstanding Certificate has been so redeemed in full. Upon payment in full of such amounts and dissolution of the Trust as aforesaid, the Certificates shall cease to represent interests in the Assets (as defined in the Purchase Agreement) and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

For the purposes of these Conditions,

Mazoon Event means:

(a) **Non-payment**

Mazoon (acting in any capacity) fails to pay any amount due to the Trustee under any Transaction Document to which it is a party and, in the case of such amounts which correspond to the Periodic Distribution Amounts payable by the Trustee under the Certificates, the failure continues for 14 days, and in the case of such amounts which correspond to the Dissolution Distribution Amount payable by the Trustee under the Certificates, the failure continues for seven days; or

(b) **Breach of Other Obligations**

Mazoon (acting in any capacity) fails to perform, comply or observe any of its obligations under the Transaction Documents to which it is a party which default is, in the opinion of the Delegate incapable of remedy or, if in the opinion of the Delegate is capable of remedy, is not remedied within 30 days after written notice of such default shall have been given to the Trustee or Mazoon (or the Delegate acting on behalf of the Trustee), requiring the same to be remedied except that the failure by Mazoon (acting in its capacity as Servicing Agent) to comply with its obligations set out in clause 5.1 of the Servicing Agency Agreement will not constitute a Mazoon Event; or

(c) **Cross-Default**

(i) Any Indebtedness of Mazoon, or any of Mazoon's Subsidiaries for or in respect of moneys borrowed or raised becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described); (ii) any such Indebtedness is not paid when due or, as the case may be, within any applicable grace period; or (iii) Mazoon or any of Mazoon's Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised; *provided that* the aggregate amount of the Indebtedness, or guarantees and indemnities in respect of Indebtedness, in respect of which one or more of the events mentioned above in this paragraph (c) have occurred, equals or exceeds U.S.\$40,000,000 or its equivalent (on the basis of the middle spot rate for the relevant currency against the U.S. dollar as quoted by any leading bank on the day on which this paragraph operates); or

(d) **Judgments**

The failure by Mazoon or any of Mazoon's Subsidiaries to pay any final judgment in excess of U.S.\$40,000,000 or its equivalent (on the basis of the middle spot rate for the relevant currency against the U.S. dollar as quoted by any leading bank on the day on which this paragraph operates), which final judgment remains unpaid, and undischarged, and unwaived and unstayed for a period of more than 30 consecutive days after such judgment becomes final and non-appealable, and, in the event such judgment is covered by insurance, an enforcement proceeding has been commenced by any creditor upon such judgment that is not promptly stayed; or

(e) **Winding up or Dissolution**

Any order is made by any competent court or resolution passed for the winding up or dissolution of Mazoon, (except in circumstances where it has no other obligations for which Mazoon is or may become liable) or any of Mazoon's Material Subsidiaries, save for the purposes of reorganisation on terms previously approved by an Extraordinary Resolution of the Certificateholders; or

(f) **Cessation of Business**

Mazoon (except in circumstances where it has no other obligations for which Mazoon is or may become liable) or any of Mazoon's Material Subsidiaries ceases or threatens to cease to carry on the whole or substantially all of its business, save for the purposes of reorganisation on terms previously approved by an Extraordinary Resolution, or Mazoon or any of Mazoon's

Material Subsidiaries stops or threatens to stop payment of, or is unable to, or admits inability to, pay its debts (or any class of its debts) as they fall due, or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent; or

(g) **Liquidation Proceedings etc.**

Any court or other formal proceedings are initiated against Mazoon, (except in circumstances where it has no other obligations for which Mazoon is or may become liable) or any of Mazoon's Material Subsidiaries under any applicable liquidation, insolvency, composition, reorganisation or other similar laws, or an application is made (or documents filed with a court) for the appointment of an administrative or other receiver, manager, administrator or other similar official (and such proceedings are not being actively contested in good faith by Mazoon, (except in circumstances where it has no other obligations for which Mazoon is or may become liable) or any of Mazoon's Material Subsidiaries, as the case may be), or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to Mazoon, (except in circumstances where it has no other obligations for which Mazoon is or may become liable) or any of Mazoon's Material Subsidiaries or, as the case may be, in relation to the whole or substantially all of the undertaking or assets of any of them, or an encumbrancer takes possession of the whole or substantially all of the undertaking or assets of any of them, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or substantially all of the undertaking or assets of any of them and in any case (other than the appointment of an administrator) is not discharged within 60 days; or

(h) **Consent to Proceedings**

Mazoon, (except in circumstances where it has no other obligations for which Mazoon is or may become liable) or any of Mazoon's Material Subsidiaries initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including the obtaining of a moratorium) or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors); or

(i) **Analogous Events**

Any event occurs which under the laws of Oman or any other jurisdiction has an analogous effect to any of the events referred to in paragraphs (e) to (h) above; or

(j) **Authorisations and Consents**

Any action, condition or thing (including the obtaining, effecting or maintaining of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration, and including the compliance in every material respect with any applicable laws or regulations (including any foreign exchange rules or regulations) of any governmental or other regulatory authority) at any time required to be taken, fulfilled, done or maintained in order (i) to enable Mazoon lawfully to enter into, exercise its rights and perform and comply with its obligations under the Certificates or the Transaction Documents (as the case may be), or any agreement, document or instrument relating thereto, (ii) to ensure that those obligations are legally binding and enforceable and (iii) to make the Certificates or the Transaction Documents admissible in evidence in the courts of Oman is not taken, fulfilled, done or maintained in full force and effect; or

(k) **Invalidity or Unenforceability**

(i) The validity of the Certificates or the Transaction Documents is contested by Mazoon or Mazoon shall deny or repudiate any of its obligations under the Certificates or the Transaction Documents (in each case, to the extent applicable) (whether by a general suspension of payments or a moratorium on the payment of debt or otherwise) or (ii) it is or becomes unlawful for Mazoon to perform or comply with all or any of its obligations set out in the Certificates or the Transaction Documents (in each case, to the extent applicable) or (iii) all or

any of Mazoon's obligations set out in the Certificates or the Transaction Documents (in each case, to the extent applicable) shall be or become unenforceable or invalid; or

(1) **Government Intervention**

(i) All or substantially all of the undertaking, assets and revenue of Mazoon or any of Mazoon's Subsidiaries is condemned, seized or otherwise appropriated by any Person acting under the authority of any national, regional or local government or (ii) Mazoon or any of Mazoon's Subsidiaries is prevented by any such Person from exercising normal control over all or substantially all of its undertaking, assets or revenue.

15. ENFORCEMENT AND EXERCISE OF RIGHTS

15.1 If, following the occurrence of a Dissolution Event, any amount payable in respect of the Certificates has not been paid in full (notwithstanding the provisions of Condition 14) the Trustee or the Delegate, subject to it being indemnified and/or secured and/or pre-funded to its satisfaction, may take one or more of the following steps:

- (a) enforce the provisions of the Transaction Documents against Mazoon; and/or
- (b) take such other actions or steps or institute such proceedings as the Trustee or the Delegate may consider necessary to recover amounts due to the Certificateholders.

15.2 No Certificateholder shall be entitled to proceed directly against the Trustee or Mazoon under any Transaction Document to which either of them is a party unless the Delegate, having become bound to so proceed, fails to do so within 30 days of becoming so bound and such failure is continuing. The Delegate and the Certificateholders shall only be entitled to deal with the Trust Assets as expressly permitted by the Transaction Documents and the sole right of the Trustee, the Delegate and Certificateholders against the Trustee or Mazoon shall be to enforce their respective obligations under the Transaction Documents.

16. REALISATION OF TRUST ASSETS

16.1 Neither the Delegate nor the Trustee shall be bound in any circumstances to take any action, step or proceeding to enforce or to realise the Trust Assets or take any action, step or proceeding against the Trustee and/or Mazoon under any Transaction Document to which either of the Trustee or Mazoon is party unless directed or requested to do so: (i) by an Extraordinary Resolution; or (ii) in writing by the holders of at least 20 per cent. of the then outstanding aggregate face amount of the Certificates; or (iii) (in the case of the Trustee only) by the Delegate, and in any such case, only if it shall be indemnified and/or secured and/or prefunded to its satisfaction against all Liabilities to which it may thereby render itself liable or which it may incur by so doing.

16.2 Under no circumstances shall the Delegate or any Certificateholder have any right to cause the sale or other disposition of any of the Trust Assets (other than as expressly contemplated in the Transaction Documents) and the sole right of the Delegate and the Certificateholders against the Trustee and Mazoon shall be to enforce their respective obligations under the Transaction Documents to which they are a party.

16.3 The foregoing provisions of this Condition 16 are subject to this Condition 16.3. After enforcing or realising the Trust Assets and distributing the net proceeds of the Trust Assets in accordance with Condition 6.2, the obligations of the Trustee in respect of the Certificates shall be satisfied and no Certificateholder may take any further steps against the Trustee (or any steps against the Delegate) to recover any further sums in respect of the Certificates, the right to receive any unpaid sums or to take any other steps for the winding-up of the Trustee.

17. REPLACEMENT OF CERTIFICATES

Should any Certificate be lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Registrar upon payment by the claimant of the costs and expenses incurred in connection with the replacement and on such terms as to evidence and indemnity as the Trustee may reasonably require. Mutilated or defaced Certificates must be surrendered to the Registrar before replacements will be issued.

18. NOTICES

All Notices to Certificateholders will be valid if:

- (a) published in a daily newspaper having general circulation in London (which is expected to be the Financial Times) approved by the Delegate; or
- (b) mailed to them by first class pre-paid registered mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective registered addresses.

Any notice shall be deemed to have been given on the fourth day after being so mailed or on the date of publication or, if so published more than once or on different dates, on the date of the first publication.

So long as the Global Certificates representing the Certificates are held in their entirety on behalf of DTC and/or Euroclear and/or Clearstream, the relevant notice may be delivered to DTC and/or Euroclear and/or Clearstream for communication by them to the Certificateholders. Any such notice shall be deemed to have been given to the Certificateholders on the day on which the said notice was given to DTC and/or Euroclear and/or Clearstream.

The Trustee shall also ensure that notices are duly given or published in a manner which complies with the rules and regulations of any listing authority, stock exchange and/or quotation system (if any) by which the Certificates have then been admitted to listing, trading and/or quotation.

Notices to be given by any Certificateholder shall be in writing and given by lodging the same, together with the Certificate or Certificates, with the Principal Paying Agent.

19. MEETINGS OF CERTIFICATEHOLDERS, MODIFICATION, WAIVER, AUTHORISATION AND DETERMINATION

- 19.1 The Declaration of Trust contains provisions for convening meetings of Certificateholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Declaration of Trust or any other Transaction Document. Such a meeting shall be convened by the Trustee on written requisition in the English language by Certificateholders holding not less than 10 per cent. in face amount of the Certificates for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution will be one or more Eligible Persons (as defined in the Declaration of Trust) present holding or representing in aggregate more than 50 per cent. in face amount of the Certificates for the time being outstanding, or at any adjourned such meeting one or more Eligible Persons whatever the face amount of the Certificates held or represented, except that any meeting the business of which includes consideration of proposals, *inter alia*, (i) to modify any date for payment in respect of the Certificates, (ii) to reduce or cancel or vary the method for calculating the amount of any payment due in respect of the Certificates, (iii) to change any of the Trustee's and Mazoon's covenants set out in the Transaction Documents, (iv) to alter the currency of payment or denomination of the Certificates, (v) to modify the provisions concerning the quorum required at any meeting of Certificateholders or the majority required to pass an Extraordinary Resolution, (vi) to sanction any such scheme or proposal or substitution as is described in paragraphs 5.9(i) and 5.9(j) of Schedule 5 to the Declaration of Trust, or (vii) to amend the above list or the proviso to paragraph 4.6 of Schedule 5 to the Declaration of Trust, in which case the quorum shall be one or more Eligible Persons holding or representing in aggregate not less than 75 per cent., or at any adjourned such meeting not less than 25 per cent., in face amount of the Certificates for the time being outstanding. To be passed, an Extraordinary Resolution requires (i) a majority in favour consisting of not less than 75 per cent. of the votes cast, (ii) a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. in aggregate face amount of the Certificates then outstanding (a **Written Resolution**) or (iii) where the Certificates are held by or on behalf of a clearing system or clearing systems, approval given by way of electronic consents communicated through the electronic communications systems of the relevant clearing system(s) in accordance with their operating rules and procedures (in a form satisfactory to the Delegate) by or on behalf of the holders of not less than 75 per cent. in aggregate face amount of the Certificates then outstanding (an **Electronic Consent**). Any Extraordinary Resolution, if duly passed, will be binding on all Certificateholders, whether or not they were present at the meeting at which such resolution was passed and whether or not they voted.
- 19.2 The Declaration of Trust provides that a Written Resolution or an Electronic Consent shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of

Certificateholders duly convened and held. Such a Written Resolution may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Certificateholders. Such a Written Resolution and/or Electronic Consent will be binding on all Certificateholders whether or not they participated in such Written Resolution or Electronic Consent.

- 19.3 The Delegate may (but shall not be obliged to), without the consent or sanction of the Certificateholders: (i) agree to any modification to these Conditions, any provisions of the Transaction Documents or to the Trustee's memorandum and articles of association which, in the sole opinion of the Delegate, is of a formal, minor or technical nature or is made to correct a manifest error; (ii) agree to any modification (other than in respect of a Reserved Matter (as defined in the Declaration of Trust)) of these Conditions, any provisions of the Transaction Documents or the Trustee's memorandum and articles of association, or to the waiver or authorisation of any breach or proposed breach of, any of these Conditions or any of the provisions of the Declaration of Trust or the other Transaction Documents; or (iii) determine that any Dissolution Event or Potential Dissolution Event shall not be treated as such, provided in the case of paragraphs (ii) and (iii) that such modification, waiver, authorisation or determination is not, in the sole opinion of the Delegate, materially prejudicial to the interests of Certificateholders and that such waiver, authorisation or determination is not in contravention of any express direction by Extraordinary Resolution or request in writing by the holders of at least one-fifth of the outstanding aggregate face amount of the Certificates.
- 19.4 In connection with the exercise by it of any of its trusts, powers, authorities and discretions under the Declaration of Trust (including, without limitation, any modification, waiver, authorisation or determination), the Delegate shall have regard to the general interests of Certificateholders as a class and shall not have regard to any interests arising from circumstances particular to individual Certificateholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Certificateholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Delegate shall not be entitled to require, nor shall any Certificateholder be entitled to claim, from the Trustee, Mazoon, the Delegate or any other Person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Certificateholders.
- 19.5 Any modification, waiver, authorisation or determination shall be binding on Certificateholders and, unless the Delegate otherwise decides, shall as soon as practicable thereafter be notified by the Trustee to the Certificateholders in accordance with Condition 18.

20. PROVISION OF INFORMATION

The Trustee shall, during any period in which Mazoon is not subject to or in compliance with the reporting requirements of Section 13 or 15(d) of the United States Securities Exchange Act of 1934, as amended (the **Exchange Act**) nor exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act, duly provide to any holder of a Certificate which is a "restricted security" within the meaning of Rule 144(a)(3) under the Securities Act or to any prospective purchaser of such securities designated by such Certificateholder, upon the written request of such Certificateholder or (as the case may be) prospective Certificateholder addressed to the Trustee and Mazoon and delivered to the Trustee or Mazoon or to the Specified Office of the Registrar, the information specified in Rule 144A(d)(4) under the Securities Act, subject to its receipt of such information from Mazoon.

21. INDEMNIFICATION AND LIABILITY OF THE DELEGATE AND THE TRUSTEE

- 21.1 The Declaration of Trust contains provisions for the indemnification of the Delegate in certain circumstances and for its relief from responsibility, including provisions relieving it from taking action unless indemnified and/or secured and/or prefunded to its satisfaction.
- 21.2 The Delegate makes no representation and assumes no responsibility for the validity, sufficiency or enforceability of the obligations of Mazoon under the Transaction Documents and shall not under any circumstances have any liability or be obliged to account to the Certificateholders in respect of any payments which should have been made by Mazoon but are not so paid and shall not in any circumstances have any liability arising from the Trust Assets other than as expressly provided in the Conditions or in the Declaration of Trust.

21.3 Each of the Trustee and the Delegate is exempted from (a) any liability in respect of any loss or theft of the Trust Assets or any cash, (b) any obligation to insure the Trust Assets or any cash and (iii) any claim arising from the fact that the Trust Assets or any cash are held by or on behalf of the Trustee or on deposit or in an account with any depository or clearing system or are registered in the name of the Trustee or its nominee, unless such loss or theft arises as a result of fraud by the Trustee or the Delegate, as the case may be.

22. FURTHER ISSUES

The Trustee shall be at liberty from time to time without the consent of the Certificateholders to create and issue additional certificates having the same terms and conditions as the outstanding Certificates on terms and conditions which are the same in all respects save for the date and amount of the first payment of the Periodic Distribution Amount and the date from which Periodic Distribution Amounts start to accrue and so that the same shall be consolidated and form a single series with the outstanding Certificates, provided, however, that for purposes of U.S. federal income taxation such additional certificates are issued in a “qualified reopening” as defined for U.S. federal income tax purposes. Any additional certificates which are to form a single series with the outstanding Certificates previously constituted by the Declaration of Trust shall be constituted by a deed supplemental to the Declaration of Trust. References in these Conditions to the Certificates include (unless the context requires otherwise) any other certificates issued pursuant to this Condition and forming a single series with the Certificates.

23. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No rights are conferred on any Person under the Contracts (Rights of Third Parties) Act 1999 (the **Act**) to enforce any term of these Conditions, but this does not affect any right or remedy of any Person which exists or is available apart from that Act.

24. GOVERNING LAW, SUBMISSION TO JURISDICTION AND SERVICE OF PROCESS

24.1 Governing Law

The Declaration of Trust and the Certificates, including any non-contractual obligations arising out of or in connection with, the Declaration of Trust and the Certificates, shall be governed by, and construed in accordance with, English law.

24.2 Arbitration

Subject to the provisions of Clause 24.1, any dispute, claim, difference or controversy arising out of, relating to or having any connection with the Declaration of Trust and the Certificates (including any dispute, claim, difference or controversy regarding its existence, validity, interpretation, performance, breach or termination of the Declaration of Trust and the Certificates or this Clause 24.2 or the consequences of their nullity or any dispute relating to any non-contractual obligations arising out of or in connection with it) (a **Dispute**) shall be referred to and finally resolved by arbitration in accordance with the arbitration rules of the London Court of International Arbitration (the **LCIA**), (the **Rules**), which Rules (as amended from time to time) are incorporated by reference into this Clause 24.

For these purposes:

- (a) the seat of arbitration shall be London;
- (b) there shall be three arbitrators, each of whom shall be an attorney experienced in international securities transactions. The claimant(s), irrespective of number, shall nominate jointly one arbitrator; the respondent(s), irrespective of number, shall nominate jointly the second arbitrator, and a third arbitrator (who shall act as presiding arbitrator) shall be nominated by the arbitrators nominated by or on behalf of the claimant(s) and respondent(s) or, in the absence of agreement on the third arbitrator within 30 days of the date of nomination of the later of the two party nominated arbitrators to be nominated, the third arbitrator shall be chosen by the LCIA (as defined in the Rules); and
- (c) the language of the arbitration shall be English.

24.3 **Service of Process**

Each of the Trustee and Mazoon irrevocably appoints Walkers at 6 Gracechurch Street, London EC3V 0AT to receive for it and on its behalf, service of process in respect of any proceedings in England. Such service shall be deemed completed on delivery to such process agent (whether or not it is forwarded to and received by the Trustee and/or Mazoon). If for any reason such process agent ceases to be able to act as such or no longer has an address in England, each of the Trustee and Mazoon irrevocably agrees to appoint a substitute process agent, and shall immediately notify the other relevant party of such appointment. Nothing herein shall affect the right to serve proceedings in any other manner permitted by law.

24.4 **Waiver of Immunity**

Mazoon irrevocably agrees that, should any proceedings be taken anywhere (whether for an injunction, specific performance, damages or otherwise), no immunity (to the extent that it may at any time exist, whether on the grounds of sovereignty or otherwise) in relation to those proceedings (including without limitation, immunity from the jurisdiction of any court or tribunal, suit, service of process, injunctive or other interim relief, any order for specific performance, any order for recovery of land, any attachment (whether in aid of execution, before judgment or otherwise) of its assets, any process for execution of any award or judgment or other legal process) shall be claimed by it or on its behalf or with respect to its assets, any such immunity being irrevocably waived. Mazoon irrevocably agrees that it and its assets are, and shall be, subject to such proceedings, attachment or execution in respect of its obligations under these Conditions.

24.5 **Waiver of Interest**

- (a) Each of the Trustee and Mazoon has irrevocably agreed in the Declaration of Trust that no interest will be payable or receivable under or in connection therewith and each party agrees that it will not claim any interest in respect of any proceedings brought by or on behalf of a party under the Declaration of Trust or these Conditions.
- (b) If it is determined that any interest is payable or receivable in connection with this Agreement by a party, whether as a result of any judicial or arbitral award or by operation of any applicable law or otherwise, such party has agreed to waive any rights it may have to claim or receive such interest and has agreed that if any such interest is actually received by it, it shall promptly donate the same to a registered or otherwise officially recognised charitable organisation.
- (c) For the avoidance of doubt, nothing in this Clause 24.5 shall be construed as a waiver of rights in respect of any Periodic Distribution Amounts, Rentals, Dissolution Distribution Amounts, Exercise Price, Change of Control Exercise Price or profit or principal or other amount payable of any kind howsoever described payable by Mazoon (in any capacity) or the Trustee (in any capacity) pursuant to the Transaction Documents and/or these Conditions, howsoever such amounts may be described or recharacterised by way of court or arbitral tribunal.

GLOBAL CERTIFICATE

Unless otherwise defined, terms defined in the relevant Conditions have the same meaning in the paragraphs below. As used herein, unless expressly indicated otherwise, all references to Certificates means the Certificates.

1 RELATIONSHIP OF ACCOUNTHOLDERS WITH CLEARING SYSTEMS

Each person (other than another clearing system) who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg or DTC as entitled to a particular face amount of the Certificates (each an **Accountholder**) (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg or DTC as to the face amount of such Certificates standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated as the holder of such face amount of such Certificates for all purposes (including for the purposes of any quorum requirements of, or the right to demand a poll at, meetings of the Certificateholders) other than with respect to the payment of any amount payable under the Conditions in respect of the Certificates on the face amount of any such Certificates together with any other sums payable under the Conditions and the Declaration of Trust on such Certificates, and, in the case of DTC or its nominee, voting, giving consents and directions, and making any request as a Certificateholder, for which purpose the registered holder of the Global Certificate shall be deemed to be the holder of such face amount of the Certificates in accordance with and subject to the terms of the Global Certificate and the terms of the Declaration of Trust.

2 EXCHANGE

The Unrestricted Global Certificate will be exchangeable (free of charge), in whole but not in part, for certificates in definitive registered form issued by the Issuer in accordance with the provisions of the Declaration of Trust (the **Individual Certificates**) only upon the occurrence of (i) a Dissolution Event (as defined in Condition 14) or (ii) the Trustee has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, in any such case, no successor or alternative clearing system satisfactory to the Delegate is available.

The Restricted Global Certificate will be exchangeable (free of charge), in whole but not in part, for Individual Certificates only upon the occurrence of (i) a Dissolution Event (as defined in Condition 14); or (ii) if a Restricted Global Certificate is registered in the name of a nominee for DTC, either DTC has notified the Issuer that it is unwilling or unable to continue to act as depository for the Certificates and no alternative clearing system is available or DTC has ceased to constitute a clearing agency registered under the U.S. Securities Exchange Act of 1934, as amended, and no successor or alternative clearing system satisfactory to the Delegate is available.

3 AMENDMENTS TO CONDITIONS

Each Global Certificate contains certain provisions which apply to the Certificates whilst they are represented by that Global Certificate, some of which modify the effect of the Conditions. The following is a summary of certain of those provisions:

(a) Payments

Payments of any Dissolution Distribution Amount and Periodic Distribution Amount in respect of Unrestricted Certificates represented by the relevant Unrestricted Global Certificate with respect to book-entry interests in such Unrestricted Global Certificate will be credited to the cash accounts of Euroclear or Clearstream participants in accordance with the relevant system's rules and procedures. Each holder of Unrestricted Certificates must look solely to Euroclear or Clearstream (as the case may be) for its share of each payment made to such holder.

Holders of book-entry interests in the Restricted Certificates held through DTC will receive, to the extent received by the Registrar, all distributions of amounts with respect to book-entry interests in such Restricted Certificates from the Registrar through DTC. Distributions in the United States will be subject to U.S. tax laws and regulations.

A record of each payment made will be entered into the Register by or on behalf of the Registrar and shall be prima facie evidence that payment has been made.

(b) Registration of Title

Registration of title to Certificates in a name other than that of the nominee for the relevant clearing system (the **Relevant Nominee**) will not be permitted unless Euroclear or Clearstream or DTC, as appropriate, notifies the Trustee that it is unwilling or unable to continue as a clearing system in connection with a Global Certificate or, in the case of DTC only, DTC ceases to be a clearing agency registered under the U.S. Securities Exchange Act of 1934, and in each case a successor clearing system approved by the Delegate is not appointed by the Trustee within 90 days after receiving such notice from Euroclear, Clearstream or DTC or becoming aware that DTC is no longer so registered. In these circumstances title to a Certificate may be transferred into the names of holders notified by the Relevant Nominee in accordance with the Conditions, except that Certificates in respect of Certificates so transferred may not be available until 21 days after the request for transfer is duly made.

The Registrar will not register title to the Certificates in a name other than that of the Relevant Nominee for a period of 15 calendar days preceding the due date for any payment of principal or distributions in respect of the Certificates.

If only one of the Global Certificates (the **Exchanged Global Certificate**) becomes exchangeable for Certificates in accordance with the above paragraphs, transfers of Certificates may not take place between, on the one hand, persons holding Certificates issued in exchange for beneficial interests in the Exchanged Global Certificate and, on the other hand, persons wishing to purchase beneficial interests in the other Global Certificate.

(c) Notices

For so long as all of the Certificates are represented by a Global Certificate and the Global Certificate is held on behalf of Euroclear and/or Clearstream, Luxembourg and/or DTC, notices to Certificateholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg and/or DTC (as the case may be) for communication by it to the relative Accountholders rather than by publication and delivery as required by Condition 18. Any such notice shall be deemed to have been given to the Certificateholders on the day on which such notice is delivered to Euroclear and/or Clearstream, Luxembourg and/or DTC (as the case may be) as aforesaid. The Trustee shall also ensure that notices are duly published and/or delivered in a manner that complies with the relevant rules of any stock exchange or other relevant authority on which the Certificates are for the time, or which they have for the time being been, admitted to trading.

Whilst any Certificates held by a Certificateholder are represented by a Global Certificate, notices to be given by such Certificateholder may be given by such Certificateholder to the Principal Paying Agent through Euroclear and/or Clearstream, Luxembourg, and/or DTC as the case may be, in such a manner as the Principal Paying Agent and Euroclear and/or Clearstream, Luxembourg and/or DTC, as the case may be, may approve for this purpose.

(d) Transfers

Transfers of book-entry interests in the Certificates will be effected through the records of Euroclear, Clearstream and DTC and their respective participants in accordance with the rules and procedures of Euroclear, Clearstream and DTC and their respective direct and indirect participants, as more fully described under "*Book-Entry Clearance Systems*".

BOOK-ENTRY CLEARANCE SYSTEMS

*The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC, Euroclear or Clearstream, Luxembourg (together, the **Clearing Systems**) currently in effect. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. None of the Trustee, Mazoon, nor any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Certificates held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests. Information in this section has been derived from the Clearing Systems.*

BOOK-ENTRY SYSTEMS

DTC

DTC has advised the Trustee that it is a limited purpose trust company organised under the New York Banking Law, a member of the Federal Reserve System, a "banking organisation" within the meaning of the New York Banking Law, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to Section 17A of the Exchange Act. DTC holds securities that its participants (**Direct Participants**) deposit with DTC. DTC also facilitates the settlement among Direct Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerised book-entry changes in Direct Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. DTC is a wholly-owned subsidiary of The Depository Trust and Clearing Corporation (DTCC). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC System is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (**Indirect Participants** and, together with Direct Participants, **Participants**). More information about DTC can be found at www.dtcc.com and www.dtc.org but such information is not incorporated by reference in and does not form part of this Prospectus.

Under the rules, regulations and procedures creating and affecting DTC and its operations (the **DTC Rules**), DTC makes book-entry transfers of Restricted Certificates among Direct Participants on whose behalf it acts with respect to Certificates accepted into DTC's book-entry settlement system (**DTC Certificates**) as described below and receives and transmits distributions of principal and interest on DTC Certificates. The DTC Rules are on file with the Securities and Exchange Commission. Direct Participants and Indirect Participants with which beneficial owners of DTC Certificates (**Owners**) have accounts with respect to the DTC Certificates similarly are required to make book-entry transfers and receive and transmit such payments on behalf of their respective Owners. Accordingly, although Owners who hold DTC Certificates through Direct Participants or Indirect Participants will not possess Restricted Certificates, the DTC Rules, by virtue of the requirements described above, provide a mechanism by which Direct Participants will receive payments and will be able to transfer their interest in respect of the DTC Certificates.

Purchases of DTC Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the DTC Certificates on DTC's records. The ownership interest of each actual purchaser of each DTC Note (**Beneficial Owner**) is in turn to be recorded on the Direct Participant's and Indirect Participant's records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct Participant or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the DTC Certificates are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in DTC Certificates, except in the event that use of the book-entry system for the DTC Certificates is discontinued.

To facilitate subsequent transfers, all DTC Certificates deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorised representative of DTC. The deposit of DTC Certificates with DTC and their registration in the name of Cede & Co. or such other DTC nominee effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the DTC Certificates; DTC's records reflect only the identity of the Direct Participants to

whose accounts such DTC Certificates are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the DTC Certificates within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to DTC Certificates unless authorised by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Trustee as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the DTC Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the DTC Certificates will be made to Cede & Co., or such other nominee as may be requested by an authorised representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Trustee or the relevant agent (or such other nominee as may be requested by an authorised representative of DTC), on the relevant payment date in accordance with their respective holdings shown in DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers, and will be the responsibility of such Participant and not of DTC or the Trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Trustee, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Direct Participants and Indirect Participants.

Under certain circumstances, including if there is an Event of Default under the Certificates, DTC will exchange the DTC Certificates for definitive Restricted Certificates, which it will distribute to its Participants in accordance with their proportionate entitlements and which will be legended as set forth under "*Subscription and Sale*" and "*Transfer and Selling Restrictions*".

A Beneficial Owner shall give notice to elect to have its DTC Certificates purchased or tendered, through its Participant, to the relevant agent, and shall effect delivery of such DTC Certificates by causing the Direct Participant to transfer the Participant's interest in the DTC Certificates, on DTC's records, to the relevant agent. The requirement for physical delivery of DTC Certificates in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the DTC Certificates are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered DTC Certificates to the relevant agent's DTC account.

DTC may discontinue providing its services as depository with respect to the DTC Certificates at any time by giving reasonable notice to the Trustee or the relevant agent. Under such circumstances, in the event that a successor depository is not obtained, DTC Note certificates are required to be printed and delivered.

The Trustee may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, DTC Note certificates will be printed and delivered to DTC.

Since DTC may only act on behalf of Direct Participants, who in turn act on behalf of Indirect Participants, any Owner desiring to pledge DTC Certificates to persons or entities that do not participate in DTC, or otherwise take actions with respect to such DTC Certificates, will be required to withdraw its Restricted Certificates from DTC as described below.

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each holds securities for its customers and facilitates the clearance and settlement of securities transactions by electronic book-entry transfer between their respective accountholders. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established

depository and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream, Luxembourg customers are world-wide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.

BOOK-ENTRY OWNERSHIP OF AND PAYMENTS IN RESPECT OF DTC CERTIFICATES

The Trustee may apply to DTC in order to have any Tranche of Certificates represented by a Restricted Global Certificate accepted in its book-entry settlement system. Upon the issue of any such Restricted Global Certificate, DTC or its custodian will credit, on its internal book-entry system, the respective nominal amounts of the individual beneficial interests represented by such Restricted Global Certificate to the accounts of persons who have accounts with DTC. Such accounts initially will be designated by or on behalf of the relevant Dealer. Ownership of beneficial interests in such a Restricted Global Certificate will be limited to Direct Participants or Indirect Participants, including, in the case of any Regulation S Global Certificate, the respective depositories of Euroclear and Clearstream, Luxembourg. Ownership of beneficial interests in a Restricted Global Certificate accepted by DTC will be shown on, and the transfer of such ownership will be effected only through, records maintained by DTC or its nominee (with respect to the interests of Direct Participants) and the records of Direct Participants (with respect to interests of Indirect Participants).

Payments in U.S. dollars of principal and interest in respect of a Restricted Global Certificate accepted by DTC will be made to the order of DTC or its nominee as the registered holder of such Certificate. In the case of any payment in a currency other than U.S. dollars, payment will be made to the Exchange Agent on behalf of DTC or its nominee and the Exchange Agent will (in accordance with instructions received by it) remit all or a portion of such payment for credit directly to the beneficial holders of interests in the Restricted Global Certificate in the currency in which such payment was made and/or cause all or a portion of such payment to be converted into U.S. dollars and credited to the applicable Participants' account.

The Trustee expects DTC to credit accounts of Direct Participants on the applicable payment date in accordance with their respective holdings as shown in the records of DTC unless DTC has reason to believe that it will not receive payment on such payment date. The Trustee also expects that payments by Participants to beneficial owners of Certificates will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers, and will be the responsibility of such Participant and not the responsibility of DTC, the Principal Paying Agent, the Registrar or the Trustee. Payment of principal, premium, if any, and interest, if any, on Certificates to DTC is the responsibility of the Trustee.

TRANSFERS OF CERTIFICATES REPRESENTED BY RESTRICTED GLOBAL CERTIFICATES

Transfers of any interests in Certificates represented by a Restricted Global Certificate within DTC, Euroclear and Clearstream, Luxembourg will be effected in accordance with the customary rules and operating procedures of the relevant clearing system. The laws in some states within the United States require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer Certificates represented by a Restricted Global Certificate to such persons may depend upon the ability to exchange such Certificates for Certificates in definitive form. Similarly, because DTC can only act on behalf of Direct Participants in the DTC system who in turn act on behalf of Indirect Participants, the ability of a person having an interest in Certificates represented by a Restricted Global Certificate accepted by DTC to pledge such Certificates to persons or entities that do not participate in the DTC system or otherwise to take action in respect of such Certificates may depend upon the ability to exchange such Certificates for Certificates in definitive form. The ability of any holder of Certificates represented by a Restricted Global Certificate accepted by DTC to resell, pledge or otherwise transfer such Certificates may be impaired if the proposed transferee of such Certificates is not eligible to hold such Certificates through a Direct Participant or Indirect Participant in the DTC system.

Subject to compliance with the transfer restrictions applicable to the Restricted Certificates described under "*Subscription and Sale*" and "*Transfer and Selling Restrictions*", cross-market transfers between DTC, on the one hand, and directly or indirectly through Clearstream, Luxembourg or Euroclear account holders, on the other, will be effected by the relevant Clearing System in accordance with its rules and through action taken by the Registrar, the Principal Paying Agent and any custodian (**Custodian**) with whom the relevant Restricted Global Certificates have been deposited.

On or after the Issue Date for any Series, transfers of Certificates of such Series between accountholders in Clearstream, Luxembourg and Euroclear and transfers of Certificates of such Series between participants in DTC will generally have a settlement date two business days after the trade date (T+2). The customary arrangements for delivery versus payment will apply to such transfers.

Cross-market transfers between accountholders in Clearstream, Luxembourg or Euroclear and DTC participants will need to have an agreed settlement date between the parties to such transfer. Because there is no direct link between DTC, on the one hand, and Clearstream, Luxembourg and Euroclear, on the other, transfers of interests in the relevant Restricted Global Certificates will be effected through the Registrar, the Principal Paying Agent and the Custodian receiving instructions (and, where appropriate, certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. In the case of cross-market transfers, settlement between Euroclear or Clearstream, Luxembourg accountholders and DTC participants cannot be made on a delivery versus payment basis. The securities will be delivered on a free delivery basis and arrangements for payment must be made separately.

DTC, Clearstream, Luxembourg and Euroclear have each published rules and operating procedures designed to facilitate transfers of beneficial interests in Restricted Global Certificates among participants and accountholders of DTC, Clearstream, Luxembourg and Euroclear. However, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or changed at any time. None of the Trustee, Mazoon, the Agents or any Dealer will be responsible for any performance by DTC, Clearstream, Luxembourg or Euroclear or their direct or indirect participants or accountholders of their obligations under the rules and procedures governing their operations nor will the Trustee, Mazoon, any Agent or any Dealer have any liability for any aspect of the records relating to or payments made on account of beneficial interests in the Certificates represented by Restricted Global Certificates or for maintaining, supervising or reviewing any records relating to such beneficial interests.

SUMMARY OF THE PRINCIPAL TRANSACTION DOCUMENTS

The following is a summary of certain provisions of the principal Transaction Documents. Copies of the Transaction Documents will be available for inspection at the offices of the Principal Paying Agent (as defined in the Conditions). Words and expressions defined in "Terms and Conditions of the Certificates" shall have the same meanings in this section.

The Declaration of Trust

The Declaration of Trust will be entered into on the Issue Date between the Trustee, Mazoon and the Delegate and will be governed by English law. Upon issue of the Global Certificate initially representing the Certificates, the Declaration of Trust will constitute the trust over the Trust Assets declared by the Trustee.

The Trust Assets comprise, *inter alia*, all of the rights, title, interests, benefits and other entitlements, present and future, of the Trustee in and to the Lease Assets, any and all of the rights, title, interests, benefits and other entitlements, present and future, of the Trustee in and to the Transaction Documents (excluding any representations given to the Trustee by Mazoon pursuant to the Transaction Documents) and any and all monies standing to the credit of the Transaction Account from time to time, and all proceeds of the foregoing.

Pursuant to the Declaration of Trust, the Trustee will, *inter alia*:

- a) hold the Trust Assets upon trust absolutely for the Certificateholders as beneficial tenants in common *pro rata* according to the face amount of Certificates held by each Certificateholder in accordance with the provisions of the Declaration of Trust and the Conditions; and
- b) act as trustee in respect of the Trust Assets, distribute the income from the Trust Assets to the Certificateholders and perform its duties in accordance with the provisions of the Declaration of Trust.

The Declaration of Trust specifies, *inter alia*, that:

- a) no payment of any amount whatsoever shall be made by the Trustee or the Delegate or any agents of the Trustee on its behalf except to the extent funds are available therefor from the Trust Assets and no recourse shall be had for the payment of any amount owing hereunder, whether for the payment of any fee, indemnity or other amount under, or any other obligation or claim arising out of or based upon the Transaction Documents, against the Trustee to the extent the Trust Assets have been exhausted, following which all obligations of the Trustee shall be extinguished;
- b) the Trustee may from time to time (but always subject to the provisions of the Declaration of Trust), without the consent of the Certificateholders, create and issue additional certificates on terms and conditions which are the same in all respects save for the date and amount of the first payment of the Periodic Distribution Amount and the date from which Periodic Distribution Amounts start to accrue, and so that the same shall be consolidated and form a single series, with the outstanding Certificates, and that any additional certificates which are to be created and issued so as to form a single series with the Certificates shall be constituted by a deed supplemental to the Declaration of Trust; and
- c) on the date upon which additional certificates are created and issued pursuant to the provisions described in paragraph (b) above and the Purchase Agreement (being the relevant Issue Date for that New Tranche), the Trustee will execute a Declaration of Commingling of Assets for and on behalf of the holders of the existing Certificates and the holders of such additional certificates so created and issued, declaring that the relevant Additional Assets and the Lease Assets as in existence immediately prior to the creation and issue of the additional certificates are commingled and shall collectively comprise part of the Trust Assets for the benefit of the holders of the existing Certificates and the holders of such additional certificates as tenants in common *pro rata* according to the face amount of Certificates held by each Certificateholder, in accordance with the Declaration of Trust.

Pursuant to the Declaration of Trust, Mazoon will also undertake that if the Exercise Price (as defined in the Declaration of Trust) is not paid in accordance with the provisions of the Purchase Undertaking, whether as a result of a dispute or challenge in relation to the right, title, interests, benefits and entitlements of the Trustee in and to the Trust Assets or any of them, or for any other reason, Mazoon shall (as an independent, severable and separately enforceable obligation) fully indemnify the Trustee for the purpose of redemption in full of the outstanding Certificates and, accordingly, the amount payable under any such indemnity claim will equal the Exercise Price.

In the Declaration of Trust, the Trustee will irrevocably and unconditionally appoint the Delegate to, *inter alia*, exercise all of the present and future powers (including the power to sub-delegate), rights, trusts, authorities (including but not limited to the authority to request directions from any Certificateholders and the power to make any determinations to be made under the relevant provisions of the Declaration of Trust) and discretions vested in the Trustee by the relevant provisions of the Declaration of Trust. The appointment of such delegate by the Trustee is intended to be in the interests of the Certificateholders and does not affect the Trustee's continuing role and obligations as sole trustee for the Certificateholders.

The Delegate also undertakes that, *inter alia*, if it has received express notice in writing pursuant to the Declaration of Trust of the occurrence of a Dissolution Event in respect of the Certificates and subject to Condition 14, it shall promptly notify the Certificateholders of the occurrence of such Dissolution Event.

A non-interest-bearing Transaction Account will be established in respect of the Certificates. Moneys received in the Transaction Account will include, *inter alia*, (i) payments from the Lessee under the Lease Agreement (see "*Summary of the Principal Transaction Documents – Lease Agreement*" below); and (ii) the Exercise Price and/or the Change of Control Exercise Price, as the case may be, received from Mazoon under the relevant Sale Agreement (see "*Summary of the Principal Transaction Documents – Purchase Undertaking*" and "*Summary of the Principal Transaction Documents – Sale and Substitution Undertaking*" below). The Declaration of Trust provides that all moneys credited to the Transaction Account will be applied in the order of priority set out in Condition 6.2.

Purchase Agreement

The Purchase Agreement will be entered into on the Issue Date between the Trustee (in its capacity as Trustee and Purchaser) and Mazoon (in its capacity as Seller) and is governed by the laws of Oman. Pursuant to the Purchase Agreement, the Seller will irrevocably and unconditionally sell, transfer and convey to the Purchaser, and the Purchaser will irrevocably and unconditionally purchase and accept the transfer and conveyance from the Seller, all of the Seller's rights, benefits, entitlements title and interests in, to and under the Assets (as defined in the Purchase Agreement) for the Purchase Price inclusive of all Taxes, if any, and free from any Encumbrances, with all attached or accrued rights as at the date of the Purchase Agreement. The parties to the Purchase Agreement will not register the sale of the Seller's rights, benefits, entitlements, title and interests in, to and under the Assets (to the extent registrable). The Assets will comprise on the Issue Date those assets described in the schedule to the Purchase Agreement.

Further, in connection with the exercise by the Trustee of its rights under Condition 22 the Trustee will irrevocably and unconditionally purchase and accept the transfer and conveyance from the Seller of all of the Seller's rights, benefits, entitlements, title and interests in, to and under the Additional Assets for the Purchase Price.

The purchase of the relevant Additional Assets will become effective on the relevant issue date of any Additional Tranche by the Trustee and Mazoon entering into a Supplemental Purchase Agreement.

Each Supplemental Purchase Agreement entered into upon such purchase will effect the irrevocable and unconditional sale, transfer and conveyance of rights in the Additional Assets from Mazoon to the Trustee.

Lease Agreement

The Lease Agreement will be entered into on the Issue Date between the Trustee (as Lessor) and Mazoon (in its capacity as Lessee) and will be governed by the laws of Oman. Pursuant to the Lease Agreement, the Lessor will irrevocably and unconditionally lease to the Lessee, and the Lessee will irrevocably and unconditionally lease from the Lessor, the Lease Assets during renewable Rental Periods (as defined in the Lease Agreement) commencing on the Lease Commencement Date (each such expression having the meaning given to it in the Lease Agreement) and extending to the Scheduled Dissolution Date of the Certificates (unless the Lease Agreement is terminated earlier in accordance with its terms or extended in accordance with the Purchase Undertaking). Neither the Lessor nor the Lessee will register the lease of the Lease Assets.

On the relevant issue date of any Additional Tranche (see "*– Purchase Agreement*"), a replacement Lease Agreement shall be executed in the manner provided in the Lease Agreement (pursuant to a notice given by the Lessor to the Lessee). The existing Lease Assets and the Additional Assets will be leased by the Lessee under the replacement Lease Agreement (which will be entered into on the Additional Assets Purchase Date (as defined in the Lease Agreement)).

The Lessee will agree to use the Lease Assets at its own risk. Accordingly, the Lessee shall, from the date of the Lease Agreement, bear the entire risk of loss of or damage to the Lease Assets or any part thereof arising from the usage or operation thereof by the Lessee to the extent that such loss or damage has resulted from the Lessee's gross negligence, wilful default, actual fraud, or breach of its obligations under the Lease Agreement. In addition, the Lessor shall not be liable (and the Lessee will waive any claim or right, howsoever arising, to the contrary) for any indirect, consequential or other losses, howsoever arising, in connection with the Lessee's use or operation of the Lease Assets, save to the extent that such loss or damage has resulted from the Lessor's gross negligence, wilful default, actual fraud or breach of its obligations under this Agreement.

Under the Lease Agreement, the Lessee will agree to be responsible, at its own cost and expense, for the performance of all Ordinary Maintenance and Repair (as defined in the Lease Agreement) required for the Lease Assets. The Lessor is responsible for (i) the performance of all Major Maintenance and Structural Repair (as defined in the Lease Agreement), (ii) the payment of any Proprietorship Taxes (as defined in the Lease Agreement) or other relevant Taxes (as defined in the Lease Agreement) (excluding all Taxes that are by law imposed, charged or levied against a lessee or a tenant) and (iii) insuring the Lease Assets in accordance with the terms of the Servicing Agency Agreement, and the Lessee will acknowledge that the Lessor may procure that the Servicing Agent, in accordance with the terms and conditions set out in the Servicing Agency Agreement, shall perform, or shall procure the performance of, Major Maintenance and Structural Repair, the payment of such Taxes and the insurance of such Lease Assets, on behalf of the Lessor.

All payments by the Lessee to the Lessor under the Lease Agreement shall be made in U.S. dollars without set off (save as provided in the Lease Agreement) or counterclaim of any kind and free and clear of, and without any deduction or withholding for or on account of any Taxes imposed, levied, collected, withheld or assessed by Oman or any authority therein or thereof having power to tax, unless required by law. In that event, the Lessee shall pay such additional amounts as shall result in the receipt by the Lessor of such amounts as would have been received by it if no such deduction or withholding had been required and accordingly the Lessee will undertake to pay to the Lessor or such other persons as the Lessor may direct such additional amounts forthwith upon demand and in the manner and currency prescribed in the Lease Agreement. The payment obligations of the Lessee under the Lease Agreement will be direct, unconditional, unsubordinated and (subject to the negative pledge provisions described in the Purchase Undertaking (see " – *Purchase Undertaking*")) unsecured obligations of the Lessee and shall (save for such exceptions as may be provided by applicable legislation and subject to the negative pledge provisions described in the Purchase Undertaking) at all times rank at least equally with all other unsecured and unsubordinated obligations of the Lessee, present and future.

Purchase Undertaking

The Purchase Undertaking will be executed on the Issue Date by Mazoon as a deed and will be governed by English law.

Mazoon will irrevocably undertake in favour of the Trustee and the Delegate to purchase all of the Trustee's rights, benefits, entitlements, title and interests in, to and to the Lease Assets (or a proportion thereof, as applicable) on the Scheduled Dissolution Date or, if earlier, on any Change of Control Put Right Date (as defined in the Purchase Undertaking) or Dissolution Event Redemption Date. The exercise price payable by Mazoon shall be equal to the aggregate face amount of the Certificates then outstanding (or the Certificates to be redeemed upon the occurrence of a Change of Control, as applicable) plus all accrued but unpaid Periodic Distribution Amounts (if any) relating to such Certificates plus, without duplication or double counting, an amount representing any amounts payable by the Trustee (in any capacity) under the Transaction Documents to which it is a party (including but not limited to, an amount equal to any Service Charge Amounts in respect of which an appropriate payment of Supplementary Rental (as defined in the Purchase Undertaking) has not been made in accordance with the Lease Agreement) provided that, in the case of any amounts payable pursuant to Condition 6.2(a), Mazoon has received a notification from the Delegate of such amounts by not later than the third business day prior to the date on which the Exercise Notice is delivered.

Mazoon will further undertake in the Purchase Undertaking that if the Exercise Price (as defined in the Purchase Undertaking) is not paid in accordance with the provisions of the Purchase Undertaking, whether as a result of a dispute or challenge in relation to the right, title, interests, benefits and entitlements of the Trustee in, to and under the Assets or any of them, or for any reason, Mazoon shall (as an independent, severable and separately enforceable obligation) fully indemnify the Trustee for the purpose of redemption in full of the outstanding Certificates and, accordingly, the amount payable under any such indemnity claim will equal the Exercise Price.

The specific terms applicable to each such sale will be confirmed in a Sale Agreement, to be executed by the Trustee and Mazoon on the relevant Dissolution Date. The form of each such Sale Agreement is scheduled to the Purchase Undertaking.

Mazoon will agree in the Purchase Undertaking (together with the Sale Agreement) that all payments by it under the Purchase Undertaking will be made in U.S. dollars without any set-off (save as provided in the Purchase Undertaking) or counterclaim of any kind and free and clear of, and without withholding or deduction for, or on account of, any Taxes imposed, levied, collected, withheld or assessed by Oman or any authority therein or thereof having power to tax, unless required by law. In that event, Mazoon shall pay such additional amounts as shall result in the receipt by the Trustee of such amounts as would have been received by it if no such withholding or deduction had been required and accordingly Mazoon will undertake to pay to the Trustee or such other persons as the Trustee may direct such additional amounts forthwith upon demand and in the manner and currency prescribed in the Purchase Undertaking.

The payment obligations of Mazoon under the Purchase Undertaking will be direct, unconditional, unsubordinated and (subject to the negative pledge provisions described in the Purchase Undertaking) unsecured obligations of Mazoon and shall (save for such exceptions as may be provided by applicable legislation and subject to the negative pledge provisions described in the Purchase Undertaking) at all times rank at least equally with all other unsecured and unsubordinated obligations of Mazoon, present and future.

Sale and Substitution Undertaking

The Sale and Substitution Undertaking will be executed on the Issue Date by the Trustee as a deed in favour of Mazoon and is governed by English law.

Pursuant to the Sale and Substitution Undertaking, subject to the Trustee being entitled to redeem the Certificates pursuant to Condition 10.2 or 10.4, as the case may be, Mazoon may, by exercising its option under the Sale and Substitution Undertaking and serving notice on the Trustee no later than 45 days prior to the Early Tax Dissolution Date or the Clean Up Call Right Dissolution Date, as the case may be, in connection with the exercise of such option, oblige the Trustee to sell, transfer and convey all the Trustee's rights, benefits, entitlements, title and interests in, to and under the Lease Assets on the Early Tax Dissolution Date or the Clean Up Call Right Dissolution Date, as the case may be. The exercise price payable by Mazoon will be an amount equal to the aggregate face amount of Certificates then outstanding plus all accrued but unpaid Periodic Distribution Amounts (if any) relating to such Certificates plus, without duplication or double counting, an amount representing any amounts payable by the Trustee (in any capacity) under the Transaction Documents to which it is a party (including but not limited to, an amount equal to any Service Charge Amounts in respect of which an appropriate Supplementary Rental payment has not been made in accordance with the Lease Agreement), provided that, in the case of any amounts payable pursuant to Condition 6.2(a) Mazoon has received a notification from the Delegate of such amounts by not later than the third business day prior to the date on which the exercise notice is delivered by Mazoon to the Trustee.

Further, pursuant to the Sale and Substitution Undertaking, the Trustee will grant to Mazoon the right to require the Trustee to sell, transfer and convey all of the Trustee's rights, benefits, entitlements, title and interests in, to and under the Substituted Lease Assets in exchange for the sale, transfer and conveyance by Mazoon to the Trustee of its rights, benefits, entitlements, title and interests in, to and under the New Lease Assets of a value which is equal to or greater than the value of the Substituted Lease Assets.

The substitution of the Substituted Lease Assets with the New Lease Assets will become effective on the Substitution Date (as specified in the Substitution Notice (each as defined in the Sale and Substitution Undertaking) to be delivered by Mazoon in accordance with the Sale and Substitution Undertaking) by the Trustee and Mazoon entering into a Sale Agreement on the Substitution Date and the relevant replacement Lease Agreement being executed on the Substitution Date in the manner provided for in the Substitution Notice.

Each Sale Agreement entered into upon such substitution will (i) effect the transfer of ownership rights in the Substituted Lease Assets from the Trustee to Mazoon and (ii) effect the transfer of rights in the New Lease Assets from Mazoon to the Trustee and the Substitution Notice will provide that the New Lease Assets and any Lease Assets not replaced will be leased to Mazoon under the new replacement Lease Agreement.

The Sale and Substitution Undertaking (together with the Sale Agreement) will provide that the exercise price payable pursuant to the exercise of the Sale and Substitution Undertaking will be made without set-off (except as provided in the Sale and Substitution Undertaking) or counterclaim of any kind and, free and clear of, and without any deduction or withholding for, or on account of any, Taxes imposed, levied, collected, withheld or

assessed by Oman or any authority therein or thereof having power to tax, unless required by law. In that event, the Purchaser shall pay such additional amounts as will result in the receipt by the Seller of such amounts as would have been received by it if no such deduction or withholding been required and accordingly the Purchaser will undertake to pay to the Seller or such other persons as the Seller may direct such additional amounts forthwith upon demand and in the manner and currency prescribed in the Sale and Substitution Undertaking.

In addition, under the terms of the Sale and Substitution Undertaking, if at any time Mazoon wishes to cancel any Certificates purchased pursuant to Condition 13.1, Mazoon may, by exercising its option under the Sale and Substitution Undertaking (by serving notice on the Trustee) oblige the Trustee to transfer all of the Trustee's rights, benefits, entitlements, title and interests in, to and under the Cancelled Lease Assets in return for which the relevant Certificates shall be cancelled. The transfer of the Cancelled Lease Assets will take effect by Mazoon and the Trustee entering into a Sale Agreement (in the form scheduled to the Sale and Substitution Undertaking). Following the entry into such Sale Agreement, the Trustee shall forthwith cancel the relevant Certificates identified for cancellation in the Cancellation Notice served on the Trustee by Mazoon on the Cancellation Date.

Servicing Agency Agreement

The Servicing Agency Agreement will be entered into on the Issue Date by the Trustee (as Lessor) and Mazoon (as Servicing Agent) and is governed by English law.

Pursuant to the Servicing Agency Agreement, the Servicing Agent will be responsible on behalf of the Lessor for:

- a) the carrying out of all Major Maintenance and Structural Repair (as defined in the Lease Agreement);
- b) the payment of all Proprietorship Taxes (as defined in the Servicing Agency Agreement) charged, levied or claimed in respect of the Lease Assets by any relevant taxing authority; and
- c) effecting all appropriate insurances in respect of the Lease Assets.

Following payment: (i) to the Servicing Agent in full of any rental payable by Mazoon (in its capacity as Lessee) pursuant to the Lease Agreement; and (ii) in full by the Servicing Agent into the relevant Transaction Account of an amount equal to the Periodic Distribution Amounts due on the relevant Periodic Distribution Date, there shall be no further claim against Mazoon (acting in any capacity), in respect of such Periodic Distribution Amounts, such rental or such instalment payment of any Periodic Distribution Amount under the Transaction Documents.

Shari'ah Compliance

Each Transaction Document provides that, to the extent permitted by law, each of the Trustee (to the extent it is a party to the relevant Transaction Document) and Mazoon, (to the extent it is a party to the relevant Transaction Document), as the case may be, agrees that it has accepted the *Shari'ah* compliant nature of the Transaction Documents to which it is a party; and:

- a) it shall not claim that any of its obligations under the Transaction Documents to which it is a party (or the provision thereof) is ultra vires or not compliant with the principles of *Shari'ah*;
- b) it shall not take any steps or bring any proceedings in any forum to challenge the *Shari'ah* compliance of the Transaction Documents to which it is a party; and
- c) none of its obligations under the Transaction Documents to which it is a party shall in any way be diminished, abrogated, impaired, invalidated or otherwise adversely affected by any finding, declaration, pronouncement, order or judgment of any court, tribunal or other body that the Transaction Documents to which it is a party are not compliant with the principles of *Shari'ah*.

SUBSCRIPTION AND SALE

Bank muscat SAOG, First Abu Dhabi Bank PJSC, J.P. Morgan Securities plc and KFH Capital Investment Company K.S.C.C. as joint lead managers and Noor Bank PJSC and Warba Bank (K.S.C.) as co-managers (the **Joint Lead Managers**) have entered into a subscription agreement with the Trustee and Mazoon dated 6 November 2017 with respect to the Certificates (the **Subscription Agreement**). Subject to certain conditions, each Joint Lead Manager has severally agreed to subscribe for the Certificates. The Trustee will reimburse the Joint Lead Managers in respect of certain of their expenses incurred in connection with the issue of the Certificates and the Trustee has agreed to indemnify the Joint Lead Managers against certain liabilities incurred in connection with the issue of the Certificates. The Subscription Agreement may be terminated in certain circumstances set out therein prior to payment to the Trustee.

The obligations of the Joint Lead Managers are subject to certain conditions set out in the Subscription Agreement, including the receipt by the Joint Lead Managers of officer's certificates and legal opinions. The Subscription Agreement entitles the Joint Lead Managers to terminate the issue of the Certificates in certain circumstances prior to payment to the Trustee.

Stabilisation

In connection with the offer, issue and sale of the Certificates, the Stabilisation Manager (or any person acting on behalf of the Stabilisation Manager) may over-allot Certificates or effect transactions with a view to supporting the market price of the Certificates at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the Issue Date and, if begun, may be ended at any time, but must end no later than the earlier of 30 days after the issue date of the Certificates and 60 days after the date of allotment of the Certificates. Any stabilisation action or over-allotment must be conducted by the Stabilisation Manager (or any person acting on behalf of the Stabilisation Manager) in accordance with all applicable laws and rules.

Certificates are not being registered

The Trustee and Mazoon have not been, and will not be, registered under the Investment Company Act and the Certificates are being offered in reliance upon the exemption provided by Section 3(c)(7) thereunder. The Certificates have not been and will not be registered under the Securities Act or the Investment Company Act and may not be offered or sold except: (i) within the United States to QIBs, and that agree with the transfer restrictions set forth in this Prospectus or (ii) to certain persons in offshore transactions in reliance on Regulation S and in accordance with any applicable securities laws of any state or territory of the United States or any other jurisdiction.

U.S. Registered Broker Dealer Affiliates

The Subscription Agreement provides that the Joint Lead Managers may directly or through their respective U.S. registered broker dealer affiliates arrange for the offer and resale of the Certificates within the United States only to QIBs in reliance on Rule 144A.

Settlement

The Trustee expects that delivery of the Certificates will be made to investors on or around 8 November 2017, which will be the fifth business day following the date of the pricing of the Certificates (such settlement being referred to as "T+5"). Under Rule 15c6-1 under the Exchange Act, trades in the secondary market are required to settle in two business days, unless the parties to any trade expressly agree otherwise. Accordingly, purchasers who wish to trade Certificates prior to the delivery of the Certificates hereunder will be required, by virtue of the fact that the Certificates initially settle in T+5, to specify an alternative settlement arrangement at the time of any such trade to prevent a failed settlement. Purchasers of the Certificates who wish to trade the Certificates prior to their date of delivery hereunder should consult their advisers.

Other Relationships

Certain of the Joint Lead Managers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for Mazoon and its affiliates in the ordinary course of business for which they may receive fees.

In addition, in the ordinary course of their business activities, the Joint Lead Managers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans or *Shari'ah* compliant financings) for their own

account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of Mazoon and its affiliates.

As at the date of this Prospectus, J.P. Morgan Securities plc and/or its affiliates, and bank muscat SAOG, have entered into credit facility agreements with Mazoon and Mazoon expects to repay its liabilities under the agreements from the net proceeds received from the Trustee. See “*Use of Proceeds*”.

To the extent that the Joint Lead Managers or their affiliates have a lending relationship with Mazoon and its affiliates routinely hedge their credit exposure to Mazoon and its affiliates consistent with their customary risk management policies. Typically, such Joint Lead Managers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Certificates issued under the Programme. Any such short positions could adversely affect future trading prices of Certificates issued under the Programme. The Joint Lead Managers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments. For the purposes of this paragraph, the term "affiliates" shall also include parent companies.

UNITED STATES

The Certificates have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Each Manager has represented, warranted and agreed that it has not offered or sold, and agreed that it will not offer or sell, any Certificates in the United States except: (i) within the United States to QIBs in reliance on Rule 144A under the Securities Act, or (ii) to certain persons in offshore transactions in reliance on Regulation S and, in each case, in accordance with any applicable securities laws of any state or territory of the United States or any other jurisdiction.

In addition, until 40 days after the commencement of the offering of the Certificates, an offer or sale of the Certificates within the United States by any dealer (whether or not participating in the offering of the Certificates) may violate the registration requirements of the Securities Act.

UNITED KINGDOM

Each Joint Lead Manager has represented and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Certificates in circumstances in which Section 21(1) of the FSMA does not apply to the Trustee or Mazoon; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Certificates in, from or otherwise involving the United Kingdom.

SULTANATE OF OMAN

Each Joint Lead Manager has represented and agreed that:

- (a) this Prospectus has not been filed with or registered as a prospectus with the Capital Market Authority of Oman pursuant to Article 3 of the Capital Market Law SD 80/98, as amended (**Article 3**), will not be offered or sold as an offer of securities in Oman as contemplated by the Oman Commercial Companies Law) or Article 3, nor does it constitute a sukuk offering pursuant to the Sukuk Regulation issued by the Capital Market Authority of Oman (CMA Decision 3/2016); and
- (b) the Certificates have not been and will not be offered, sold or delivered, and no invitation to subscribe for or to purchase the Certificates has been or will be made, directly or indirectly, nor may any document or other material in connection therewith be distributed in Oman to any person in Oman other than by an entity duly licensed by the Capital Market Authority of Oman to market non-Omani securities in Oman and then only in accordance with all applicable laws and regulations, including Article 139 of the Executive Regulations of the Capital Markets Law (Decision No. 1/2009, as amended).

UNITED ARAB EMIRATES (EXCLUDING THE DUBAI INTERNATIONAL FINANCIAL CENTRE)

Each Joint Lead Manager has represented and agreed that the Certificates have not been and will not be offered, sold or publicly promoted or advertised by it in the UAE other than in compliance with any laws applicable in the UAE governing the issue, offering and sale of securities.

DUBAI INTERNATIONAL FINANCIAL CENTRE

Each Joint Lead Manager has represented and agreed that it has not offered and will not offer the Certificates to any person in the Dubai International Financial Centre unless such offer is:

- (a) an "Exempt Offer" in accordance with the Markets Rules (MKT) Module of the Dubai Financial Services Authority (the **DFSA rulebook**); and
- (b) made only to persons who meet the "Professional Client" criteria set out in Rule 2.3.3 of the DFSA Conduct of Business Module of the DFSA rulebook.

KINGDOM OF BAHRAIN

Each Joint Lead Manager has represented and agreed that it has not offered or sold, and will not offer or sell, any Certificates except on a private placement basis to persons in Bahrain who are "accredited investors".

For this purpose, an **accredited investor** means:

- (a) an individual holding financial assets (either singly or jointly with a spouse) of U.S.\$1,000,000 or more;
- (b) a company, partnership, trust or other commercial undertaking which has financial assets available for investment of not less than U.S.\$1,000,000; or
- (c) a government, supranational organisation, central bank or other national monetary authority or a state organisation whose main activity is to invest in financial instruments (such as a state pension fund).

KINGDOM OF SAUDI ARABIA

No action has been or will be taken in Saudi Arabia that would permit a public offering of the Certificates. Any investor in Saudi Arabia or who is a Saudi person (a **Saudi Investor**) who acquires any Certificates pursuant to an offering should note that the offer of Certificates is a private placement under Article 11 or Article 12 of the "Offers of Securities Regulations" as issued by the Board of the Capital Market Authority resolution number 2-11-2004 dated 4 October 2004 and amended by the Board of the Capital Market Authority resolution number 3-151-2016 dated 21 December 2016 (the **KSA Regulations**), through a person authorised by the Capital Market Authority to carry on the securities activity of arranging and following a notification to the Capital Market Authority under the KSA Regulations.

The Certificates may thus not be advertised, offered or sold to any person in Saudi Arabia other than to "Sophisticated Investors" under Article 11 of the KSA Regulations or by way of a limited offer under Article 12 of the KSA Regulations. Each Joint Lead Manager has represented and agreed that any offer of Certificates to a Saudi Investor will be made in compliance with Article 11 or Article 12 of the KSA Regulations.

The offer of Certificates shall not therefore constitute a "public offer" pursuant to the KSA Regulations, but is subject to the restrictions on secondary market activity under Article 18 of the KSA Regulations. Any Saudi Investor who has acquired Certificates pursuant to a private placement under Article 11 or Article 12 of the KSA Regulations may not offer or sell those Certificates to any person unless the offer or sale is made through an authorised person appropriately licensed by the Capital Market Authority and: (i) the Certificates are offered or sold to a Sophisticated Investor (as defined in Article 11 of the KSA Regulations); (ii) the price to be paid for the Certificates in any one transaction is equal to or exceeds SAR 1 million or an equivalent amount; or (iii) the offer or sale is otherwise in compliance with Article 18 of the KSA Regulations.

STATE OF QATAR

Each Joint Lead Manager has represented and agreed that it has not offered, sold or delivered, and will not offer, sell or deliver, directly or indirectly, any Certificates in Qatar (including the Qatar Financial Centre), except: (a) in compliance with all applicable laws and regulations of Qatar; and (b) through persons or corporate entities authorised and licensed to provide investment advice and/or engage in brokerage activity and/or trade in respect of foreign securities in Qatar.

STATE OF KUWAIT

Each Joint Lead Manager has represented and agreed that no Certificates will be offered in Kuwait unless all necessary approvals from the CMA pursuant to Law No. 7 of 2010 and its executive bylaws, each as amended, together with the various resolutions, regulations, guidance principles and instructions issued pursuant thereto, or in connection therewith (regardless of nomenclature) or any other applicable law or regulation in Kuwait, have been given in respect of the offering, marketing, and sale of the Certificates. For the avoidance of doubt, no Certificates shall be offered, marketed and/or sold in Kuwait except on a private placement basis to Professional Clients (as defined in Module 1 of the executive by laws of Law No. 7 of 2010 (each as amended)).

JAPAN

The Certificates have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the **FIEA**). Accordingly, each Joint Lead Manager has represented and agreed that it has not, directly or indirectly offered or sold and will not offer or sell any Certificates, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act of 1949 (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

HONG KONG

Each Joint Lead Manager has represented and agreed that:

- (i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Certificates other than (a) to persons whose ordinary business is to buy or sell shares or debentures (whether as principal or agent); or (b) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the **Securities and Futures Ordinance**) and any rules made under that Ordinance; or (c) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and
- (ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Certificates, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Certificates which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

MALAYSIA

Each Joint Lead Manager has represented and agreed that:

- (a) this Prospectus has not been registered as a prospectus with the Securities Commission of Malaysia under the Capital Markets and Services Act 2007 of Malaysia (the **CMSA**); and
- (b) accordingly, the Certificates have not been and will not be offered or sold, and no invitation to subscribe for or purchase the Certificates has been or will be made, directly or indirectly, nor may any document or other material in connection therewith be distributed in Malaysia, other than to persons falling within any one of the categories of persons specified under Schedule 6 or Section 229(1)(b) and Schedule 7 or Section 230(1)(b) and Schedule 8 or Section 257(3), read together with Schedule 9 or Section 257(3) of the CMSA, subject to any law, order, regulation or official directive of the Central Bank of Malaysia, the Securities Commission of Malaysia and/or any other regulatory authority from time to time.

Residents of Malaysia may be required to obtain relevant regulatory approvals including approval from the Controller of Foreign Exchange to purchase the Certificates. The onus is on the Malaysian residents concerned to obtain such regulatory approvals and none of the Joint Lead Managers is responsible for any invitation, offer, sale or purchase of the Certificates as aforesaid without the necessary approvals being in place.

SINGAPORE

This Prospectus has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Each Joint Lead Manager has represented and agreed that it has not offered or sold any Certificates or caused such Certificates to be made the subject of an invitation for subscription or purchase and will not offer or sell such Certificates or cause such Certificates to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Certificates, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor pursuant to Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the **SFA**); (ii) to a relevant person under Section 275(1) of the SFA or to any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275 of the SFA; or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where Certificates are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Certificates pursuant to an offer made under Section 275 of the SFA except:

- (a) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (b) where no consideration is or will be given for the transfer;
- (c) where the transfer is by operation of law;
- (d) as specified in Section 276(7) of the SFA; or
- (e) as specified in Regulation 32 of the Securities and Futures (Offer of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

GENERAL

Each Joint Lead Manager has represented and agreed that it will comply to the best of its knowledge and belief in all material respects with all applicable securities laws and regulations in each jurisdiction in which it purchases, offers, sells or delivers Certificates.

TRANSFER RESTRICTIONS

Restricted Certificates

Each purchaser of Restricted Certificates, by accepting delivery of this Prospectus and the Restricted Certificates, will be deemed to have represented, agreed and acknowledged that:

1. It is (a) a QIB, (b) acquiring such Certificates for its own account or for the account of one of more QIBs, (c) not formed for the purpose of investing in the Certificates or the Trustee, and (d) aware, and each beneficial owner of such Certificates has been advised, that the seller of such Certificates may be relying on Rule 144A. If it is acquiring any Certificates for the account of one or more QIBs, it represents that it has sole investment discretion with respect to each such account and that it has the full power to make the foregoing representations, agreements and acknowledgements on behalf of such account.
2. It will (a) along with each account for which it is purchasing, hold and transfer interests in the Certificates in a face amount that is not less than U.S.\$200,000 and (b) provide notice of the transfer restrictions set forth herein to any subsequent transferees. In addition, it understands that the Trustee may receive a list of participants holding positions in the Trustee's securities from one or more book entry depositories.
3. (i) The Restricted Certificates have not been and will not be registered under the Securities Act and accordingly the Restricted Certificates may not be offered, sold, pledged or otherwise transferred except (a) in accordance with Rule 144A to a person whom the transferor, and any person acting on its behalf, reasonably believes is a QIB that is purchasing for its own account or for the account of one or more QIBs, (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S under the Securities Act, (c) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available) or (d) pursuant to an effective registration statement under the Securities Act, in each case in accordance with any applicable securities laws of any state of the United States and (ii) it will, and each subsequent holder of the Restricted Certificates is required to, notify any purchaser of the Restricted Certificates from it of the resale restrictions on the Restricted Certificates. It understands that the Restricted Certificates will constitute "restricted securities" within the meaning of Rule 144 under the Securities Act, and, for so long as they remain "restricted securities" such Restricted Certificates may not be transferred except as described in paragraph 5.
4. It understands that the Trustee has the power to compel any beneficial owner of the Restricted Certificates that is a U.S. person and is not a QIB to sell its interest in the Restricted Certificates, or may sell such interest on behalf of such owner. The Trustee has the right to refuse to honour the transfer of an interest in the Restricted Certificates to a U.S. person who is not a QIB. Any purported transfer of the Restricted Certificates to a purchaser that does not comply with the requirements of the transfer restrictions herein will be of no force and effect and will be void ab initio. With respect to the Restricted Certificates (or any interest therein), the purchaser represents and agrees that either (a) it is not and for so long as it holds a Restricted Certificate (or any interest therein) will not be (i) an "employee benefit plan" as defined in Section 3(3) of the U.S. Employee Retirement Income Security Act of 1974, as amended (**ERISA**) that is subject to Title I of ERISA, (ii) a "plan" as defined in and subject to Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the **Code**), (iii) an entity whose underlying assets include the assets of any such employee benefit plan subject to ERISA or other plan subject to Section 4975 of the Code (**Similar Law**), or (iv) a governmental, church or non-U.S. plan which is subject to any state, local, other federal law of the United States or non-U.S. law that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code, or (b) its acquisition, holding and disposition of the Restricted Certificates (or interests therein) will not result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code, or, in the case of such a governmental, church or non-U.S. plan, a violation of Similar Law.
5. The Rule 144A Global Certificate, unless the Trustee determines otherwise in accordance with applicable law, will bear a legend in or substantially in the following form:

THIS CERTIFICATE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE **SECURITIES ACT**), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND ACCORDINGLY MAY NOT BE OFFERED, SOLD, PLEDGED OR

OTHERWISE TRANSFERRED EXCEPT PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT AS SET FORTH IN THE FOLLOWING SENTENCE.

BY ITS ACQUISITION HEREOF, THE HOLDER (1) REPRESENTS THAT (A) (I) IT IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT (A **QIB**) (II) IT IS HOLDING THE CERTIFICATES REPRESENTED HEREBY FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QIBS WHOM THE HOLDER HAS INFORMED THAT SUCH OFFER, SALE, PLEDGE OR OTHER TRANSFER IS BEING MADE ON RELIANCE ON RULE 144A UNDER THE SECURITIES ACT (III) IT WAS NOT FORMED FOR THE PURPOSE OF INVESTING IN THE ISSUER OR THE CERTIFICATES REPRESENTED HEREBY; (IV) IT UNDERSTANDS THAT THE ISSUER MAY RECEIVE A LIST OF PARTICIPANTS HOLDING POSITIONS IN ITS SECURITIES FROM ONE OR MORE BOOK ENTRY DEPOSITARIES AND (V) IT WILL PROVIDE NOTICE OF THE FOREGOING TRANSFER RESTRICTIONS TO ITS SUBSEQUENT TRANSFEREES; OR (B) IT IS ACQUIRING THE CERTIFICATES REPRESENTED HEREBY IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH REGULATION S UNDER THE SECURITIES ACT, (2) AGREES THAT IT WILL NOT RESELL OR OTHERWISE TRANSFER THE CERTIFICATES EXCEPT (A) WITHIN THE UNITED STATES TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QIB PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QIBS, (B) OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, (C) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE) OR (D) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT AND (3) AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS CERTIFICATE IS BEING TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

AS USED HEREIN, THE TERMS "OFFSHORE TRANSACTION" AND "UNITED STATES" HAVE THE MEANINGS GIVEN TO THEM BY REGULATION S UNDER THE SECURITIES ACT. IN CONNECTION WITH ANY TRANSFER, THE HOLDER WILL DELIVER TO THE REGISTRAR SUCH OPINIONS OF COUNSEL, CERTIFICATES AND/OR OTHER INFORMATION AS IT MAY REASONABLY REQUIRE IN FORM REASONABLY SATISFACTORY TO IT AS PROVIDED FOR IN THE DECLARATION OF TRUST TO CONFIRM THAT THE TRANSFER COMPLIED WITH THE FOREGOING RESTRICTIONS AS PROVIDED FOR IN THE DECLARATION OF TRUST. ANY RESALE OR OTHER TRANSFER OF THIS CERTIFICATE (OR BENEFICIAL INTEREST HEREIN) WHICH IS NOT MADE IN COMPLIANCE WITH THE RESTRICTIONS SET FORTH HEREIN WILL BE OF NO FORCE AND EFFECT, WILL BE NULL AND VOID AB INITIO AND WILL NOT OPERATE TO TRANSFER ANY RIGHTS TO THE TRANSFEREE.

BY ITS ACQUISITION HEREOF, THE HOLDER REPRESENTS THAT EITHER (A) IT IS NOT AND FOR SO LONG AS IT HOLDS THE CERTIFICATES REPRESENTED HEREBY (OR ANY INTEREST HEREIN) WILL NOT BE (I) AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA") THAT IS SUBJECT TO TITLE I OF ERISA, (II) A "PLAN" AS DEFINED IN AND SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), (III) AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE THE ASSETS OF ANY SUCH EMPLOYEE BENEFIT PLAN SUBJECT TO ERISA OR OTHER PLAN SUBJECT TO SECTION 4975 OF THE CODE, OR (IV) A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN WHICH IS SUBJECT TO ANY STATE, LOCAL, OTHER FEDERAL LAW OF THE UNITED STATES OR NON-U.S. LAW THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE ("SIMILAR LAW"), OR (B) ITS ACQUISITION, HOLDING AND DISPOSITION OF THE CERTIFICATES (OR INTERESTS THEREIN) REPRESENTED HEREBY WILL NOT RESULT IN A PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE, OR, IN THE CASE OF SUCH A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN, A VIOLATION OF SIMILAR LAW."

6. It understands that the Trustee, the Delegate and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that, if any of the acknowledgements, representations or agreements deemed to have been made by it by its purchase of Restricted Certificates is no longer accurate, it shall promptly notify the Trustee and the Registrar. If it is acquiring any Restricted Certificates for the account of one or more QIBs that are QPs, it represents that it has sole investment discretion with respect to each of those accounts and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

Prospective purchasers are hereby notified that sellers of the Restricted Certificates may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

Unrestricted Certificates

Each purchaser of any Certificate represented by the Unrestricted Global Certificate (or beneficial interest therein) by accepting delivery of this Prospectus and the Unrestricted Certificates will be deemed to have represented, warranted, agreed and acknowledged that:

1. It is, or at the time the Unrestricted Certificates are purchased will be, the beneficial holder of such Unrestricted Certificates and (a) it is located outside the United States (within the meaning of Regulation S) and (b) it is not an affiliate of the Trustee or any person acting on behalf of such affiliate.
2. It understands that the Unrestricted Certificates have not been and will not be registered under the Securities Act, and that it will not offer, sell, pledge or otherwise transfer such Unrestricted Certificates except (a) in accordance with Rule 144A under the Securities Act to a person whom the transferor, and any person acting on its behalf, reasonably believes is a QIB purchasing for its own account, or for the account of one or more QIBs, in a transaction that meets the requirements of Rule 144A and takes delivery in the form of a Restricted Certificate or (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, in each case in accordance with any applicable securities laws of any state of the United States.
3. It understands that the Unrestricted Global Certificate, unless otherwise determined by the Trustee in accordance with applicable law, will bear a legend in or substantially in the following form:

"THIS CERTIFICATE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE SECURITIES ACT), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT.

It understands that the Trustee, the Delegate and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

TAXATION

The following discussion summarises certain Omani tax considerations that may be relevant to holders of Certificates. It also includes a limited discussion of certain European Union considerations and certain material United States federal income tax considerations. This summary is based on the Trustee's and Mazoon's understanding of laws, regulations, rulings and decisions now in effect and is subject to changes in, and differing interpretations of, tax law and practice, including changes, interpretations and applications that could have a retroactive effect. Certain statements made below as to the possible tax treatment of holders of Certificates should be read in this context.

This summary does not describe all of the tax considerations that may be relevant to holders of Certificates, particularly holders of Certificates subject to special tax rules. Holders of Certificates are advised to consult their own professional advisers as to the consequences of purchasing Certificates under the tax laws of the country of which they are resident.

Omani Tax

The statements herein regarding taxation are based on the laws in effect in Oman as at the date of this Prospectus and are subject to any changes of law occurring after such date. The following is a summary only of the material Omani tax consequences of ownership of the Certificates by beneficial owners which are not incorporated in or who are not residents of Oman for Omani tax purposes and do not conduct business activities in Oman (**Non-Omani Holders**). The following summary does not purport to be a comprehensive description of all the tax considerations and is not intended to reflect the individual tax position of any beneficial owner, which may be relevant to a decision to purchase, own or dispose of the Certificates and does not purport to deal with the tax consequences applicable to all categories of investors, some of which may be subject to special rules. This summary is based upon laws, regulations, rulings and decisions now in effect, all of which are subject to change. Prospective purchasers of the Certificates are advised to consult their own tax advisors concerning the overall tax consequences of their acquiring, holding, and disposing of Certificates, including in particular the effect of any local laws.

Non-Omani Resident Holders

Interest and other proceeds paid in respect of Certificates by a non-Omani resident issuer to a beneficial owner who is not a tax payer in Oman is not subject to any Omani taxation.

Payments Made by an Omani Obligor

There is a withholding tax levy on certain payments as provided by the Omani Tax Law. Under Article 52 of the Omani Tax Law, as amended by Sultani Decree 9/2017 which came into force on 27 February 2017 (the **Tax Amendments**), withholding tax is payable on the following categories of income accrued in Oman:

- (a) Royalties;
- (b) consideration for research and development;
- (c) consideration for the use or the right to use computer software;
- (d) fees for management or performance of services; and
- (e) dividends or interest.

The term "interest", as used in Article 52 of the Omani Tax Law, is not defined and there is no guidance from the Secretariat General for Taxation with respect to the same. Additionally, there is no precise definition of "management fee" and it is not clear whether management fees would include any arrangement fee, commitment fee or agency fee. According to informal guidance issued on the FAQ section of the website of the Secretariat General for Taxation, whilst no withholding will be applicable for services rendered outside of Oman, payments made to foreign persons relating to services or any part thereof rendered in Oman will be subject to withholding tax deductions.

Withholding tax is levied on the gross amount of the above categories of income paid or credited to the account of any non-resident person as specified in Article 40 of the Omani Tax Law, (being foreign companies that do not have a permanent establishment in Oman and those that carry on business through a permanent establishment but do not include the accrued income in the gross income of that permanent establishment). Companies in Oman making payment to foreign based companies of the nature specified above are obliged to deduct withholding tax at source at the rate of 10 per cent. on the gross amount paid or credited and to remit it to

the Secretariat General for Taxation. The Tax Amendments also extend the requirement to deduct withholding tax payable pursuant to Article 52 to any Ministry, authority, public institution or other public juristic person or unit of the administrative apparatus of Oman.

Should withholding tax be applied to arrangement, agency or commitment fees, any contractual provision which provides for a gross up will protect against the withholding.

Whilst the term “interest” is not defined in the Tax Amendments, Payments of Periodic Distribution Amounts by the Trustee to Non-Omani Holders may be characterised as such and, therefore, such payments may be subject to withholding tax of 10 per cent. in accordance with the Tax Amendments.

With regards to any such withholding and/or deductions made on account of withholding tax payable in respect of payments under the Certificates, Condition 11 provides that the Trustee is required to pay such additional amounts in respect of which withholdings or deductions in certain circumstances such that the Certificateholders will receive the full amount which would have otherwise been receivable by them in the absence of such withholdings or deduction. Mazoon has, pursuant to the Declaration of Trust, undertaken to pay to the Trustee an amount equal to the liabilities of the Trustee in respect of any and all such additional amounts.

Change to rate of corporate income tax

The Omani Tax Law was amended by Sultani Decree 09/2017 which came into force on 27 February 2017 (the **Tax Amendments**). One of the changes introduced by the Tax Amendments was to eliminate the threshold below which income is not taxed and to increase the rate of tax from 12 per cent. to 15 per cent. Income tax is charged on profits and income from all sources which have been realised or have arisen in Oman. Business establishments owned by individuals, companies incorporated in Oman and permanent establishments (branches) of foreign entities are subject to income tax under the Omani Tax Law.

VAT

The GCC member states are in the process of developing a broad framework for the introduction of VAT. The framework agreement will set out the underlying principles of VAT laws for the six GCC countries, with the likelihood that there will be areas where member states will have some flexibility to determine their own requirements. Whilst there is no VAT applicable in Oman at the date of this Prospectus, the Secretariat General of Taxation has stated that VAT is expected to be implemented in Oman in 2018.

Capital Gains in Oman

Under the Omani Tax Law, gain on the sale or redemption of the Certificates made by Certificateholders who are tax payers in Oman will be subject to a tax of 15 per cent. of the annual taxable profits of the tax payers, if such income forms part of the business profits and the Certificateholders are not exempted otherwise under the Omani Tax Law.

Other Taxes in Oman

No stamp, issue, registration fees or similar direct or indirect taxes or duties will be payable in Oman in connection with the issuance, delivery, or execution of the Certificates by the Trustee. Enforcement will entail filing of legal proceedings before the courts of Oman, which requires the payment of court fees.

UNITED STATES

U.S. FEDERAL INCOME TAXATION

The following summary describes certain U.S. federal income tax consequences of the acquisition, ownership and disposition of Certificates by a U.S. Holder (as defined below) that acquires the Certificates in this Offering at the “issue price” (generally, the initial offering price to the public (i.e., excluding bond houses and brokers) at which price a substantial amount of the Certificates are sold) and holds them as capital assets within the meaning of the U.S. Internal Revenue Code of 1986 (the **Code**).

This summary does not discuss all aspects of U.S. federal income taxation that may be relevant to investors in light of their particular circumstances, such as investors subject to special tax rules (including, without limitation: tax-exempt or tax-deferred entities or accounts; financial institutions; insurance companies; dealers and traders in securities or currencies; regulated investment companies; real estate investment trusts; U.S. Holders that will hold Certificates as part of a “straddle” hedging transaction, “conversion transaction” or integrated transaction for U.S. federal income tax purposes; U.S. Holders that enter into “constructive sale” transactions with respect to the Certificates; investors that have a functional currency other than the U.S. Dollar;

and certain former U.S. citizens or long-term residents of the U.S. subject to Section 877 or 877A of the Code), all of whom may be subject to tax rules that differ significantly from those summarised below. This summary does not address consequences to U.S. Holders of the acquisition, ownership and disposition of Certificates under any other U.S. federal tax laws (e.g., estate or gift tax laws or alternative minimum tax considerations) or under the tax laws of any state, locality or other political subdivision of the United States or other countries or jurisdictions. This summary also does not address the tax consequences to beneficial owners of Certificates that are not U.S. Holders.

For the purposes of this summary, a U.S. Holder is a beneficial owner of Certificates that is for U.S. federal income tax purposes (i) an individual who is a citizen or resident of the United States, (ii) a corporation created in, or organised under, the laws of the United States, any state thereof, or the District of Columbia, (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source, or (iv) a trust that is subject to U.S. tax on its worldwide income regardless of its source.

If an entity or arrangement treated as a partnership for U.S. federal income tax purposes holds Certificates, the U.S. federal income tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. Therefore, a partnership holding Certificates and its partners should consult their own tax advisors regarding the U.S. federal income tax consequences of the acquisition, ownership and disposition of Certificates.

The discussion below is based upon the Code, U.S. Treasury regulations thereunder, and judicial and administrative interpretations thereof, all as in effect as of the date of this Prospectus and any of which may at any time be repealed, revoked or modified or subject to differing interpretations, potentially retroactively, so as to result in U.S. federal income tax consequences different from those discussed below.

The summary of the U.S. federal income tax consequences set out below is for general information only. All prospective purchasers should consult their tax advisers as to the particular tax consequences to them of owning the Certificates, including the applicability and effect of state, local, foreign and other tax laws and possible changes to those laws.

Classification of the Lease Arrangements and the Certificates

The Trustee intends to treat the Certificates under the rules applicable to debt instruments for U.S. tax purposes. Under this characterization, U.S. Holders will not be required to take account of income and expenses incurred at the level of the Trust.

Periodic Distribution Amounts

It is expected, and this discussion assumes, that either the issue price of the Certificates will equal the stated face amount of the Certificates, or the Certificates will be issued with no more than a de minimis amount of original issue discount. Therefore, a Periodic Distribution Amount on a Certificate, including the payment of any additional amounts, will be taxable to a U.S. Holder as interest income at the time it is received or accrued, in accordance with the U.S. Holder's method of accounting for tax purposes. A Periodic Distribution Amount on a Certificate and payments of any additional amounts will generally constitute income from sources outside the United States.

Subject to certain conditions and limitations, foreign taxes, if any, withheld on Periodic Distribution Amounts may be treated as foreign taxes eligible for credit against a U.S. Holder's U.S. federal income tax liability. The limitation on foreign taxes eligible for the U.S. foreign tax credit is calculated separately with respect to specific "baskets" of income. Periodic Distribution Amounts on the Certificates generally will constitute "passive category income," or, in the case of certain U.S. Holders, "general category income." As an alternative to the tax credit, a U.S. Holder may elect to deduct such taxes (the election would then apply to all foreign income taxes such U.S. Holder paid in that taxable year). The rules governing the foreign tax credit are complex. U.S. Holders should consult their tax advisors regarding the availability of the foreign tax credit under their particular circumstances.

Sale or Other Disposition of Certificates

A U.S. Holder will generally recognise taxable gain or loss on the sale or other disposition of a Certificate equal to the difference between the amount realised on the sale or other disposition, other than accrued but unpaid Periodic Distribution Amounts, which will be taxable as interest, and the U.S. Holder's adjusted tax basis in the Certificate. A U.S. Holder's adjusted tax basis in a Certificate generally will equal the cost of the Certificate to such U.S. Holder. Any gain or loss recognised on the sale or other disposition of such Certificate will be capital

gain or loss. In the case of a U.S. Holder that is an individual, estate, or trust, the maximum marginal federal income tax rate applicable to capital gains generally will be lower than the maximum marginal rate applicable to ordinary income if the Certificates have been held for more than one year at the time of disposition. The deductibility of capital losses is subject to significant limitations.

Any gain or loss realised by a U.S. Holder on the sale, exchange, retirement or other disposition of a Certificate generally will be treated as U.S. source gain or loss, as the case may be. Consequently, a U.S. Holder may not be able to claim a credit for any foreign tax imposed upon the sale, exchange, retirement or other disposition of Certificates unless such credit can be applied (subject to applicable limitations) against tax due on other income in the same category treated as derived from foreign sources.

Potential Alternative Characterisation

The Trustee believes that it is appropriate to treat the Certificates as representing debt obligations of Mazoon and intends to do so. However, the United States Internal Revenue Service (**I.R.S.**) may seek to characterise the Certificates as interests in a grantor trust for U.S. federal income tax purposes. Under this characterization, while the taxation of the income, gain or loss attributable to the Certificates would be essentially the same as the consequences described above, the Trustee and U.S. Holders would be subject to certain information reporting applicable to foreign trusts. U.S. Holders that fail to comply with these information reporting requirements in a timely manner could be subject to significant penalties. Moreover, a U.S. Holder may be liable for a penalty if it fails to file the appropriate information return after the I.R.S. mails notice of such failure to the holder, or if the Trustee fails to file a U.S. annual information return and provide each U.S. Holder with a foreign grantor trust owner statement. Similar penalties would be applicable to the Trustee for failure to comply. The Trustee does not expect that it will provide information that would allow either itself or U.S. Holders to comply with foreign trust reporting obligations if they were determined to be applicable. U.S. Holders should consult their own tax advisors as to the potential application of the foreign trust reporting rules and the tax consequences generally with respect to an investment in the Certificates.

Tax on Net Investment Income

A U.S. Holder that is an individual or estate, or a trust that does not fall into a special class of trusts that is exempt from such tax, will be subject to a 3.8 per cent. tax on the lesser of (i) the U.S. Holder's "net investment income" (or, in the case of an estate or trust, the "undistributed net investment income") for the relevant taxable year and (ii) the excess of the U.S. Holder's modified adjusted gross income for the taxable year (or, in the case of an estate or trust, the U.S. Holder's adjusted gross income for the taxable year) over a certain threshold (which in the case of individuals will be between US\$125,000 and US\$250,000, depending on the individual's circumstances). A U.S. Holder's net investment income generally will include its interest income and its net gains from the disposition of a Certificate, unless such interest income or net gains are derived in the ordinary course of the conduct of a trade or business (other than a trade or business that consists of certain passive or trading activities).

Backup Withholding and Information Reporting

Information returns may be required to be filed with the I.R.S. with respect to payments made to certain U.S. Holders. In addition, a U.S. Holder may be subject to backup withholding tax in respect of such payments if such holder fails to provide its taxpayer identification number, to certify that such U.S. Holder is not subject to backup withholding, or otherwise to comply with the applicable requirements of the backup withholding rules. Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules from a payment to a holder of Certificates generally may be claimed as a credit against such holder's U.S. federal income tax liability provided that the required information is furnished to the I.R.S. Holders of Certificates should consult their own tax advisors as to their qualification for exemption from backup withholding and the procedure for obtaining an exemption.

U.S. taxpayers that own "specified foreign financial assets," including debt of foreign entities, with an aggregate value in excess of U.S.\$50,000 on the last day of the taxable year, or U.S.\$75,000 at any time during the taxable year, generally will be required to file information reports with respect to such assets with their U.S. federal income tax returns. Depending on the U.S. Holder's circumstances, higher threshold amounts may apply. The Certificates may be treated as specified foreign financial assets and U.S. Holders may be subject to this information reporting regime. Failure to file information reports may subject a U.S. Holder to penalties. U.S. Holders should consult their own tax advisors regarding their obligation to file information reports with respect to the Certificates.

The Proposed Financial Transactions Tax (FTT)

On 14 February 2013, the European Commission published a proposal (the **Commission's Proposal**) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the **participating Member States**). However, Estonia has since stated that it will not participate.

The proposed FTT has very broad scope and could, if introduced, apply to certain dealings in Certificates (including secondary market transactions) in certain circumstances.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Certificates where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "**established**" in a participating Member State in a broad range of circumstances, including: (a) by transacting with a person established in a participating Member State; or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between the participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of Certificates are advised to seek their own professional advice in relation to the FTT.

CERTAIN ERISA CONSIDERATIONS

Unless otherwise provided in any supplement to this Prospectus, the Certificates should be eligible for purchase by employee benefit plans and other plans subject to Title I of the U.S. Employee Retirement Income Security Act of 1974, as amended (**ERISA**), and/or the provisions of Section 4975 of the Code and by governmental, church and non-U.S. plans that are subject to state, local, other federal law of the United States or non-U.S. law that is substantially similar to ERISA or the Code (**Similar Law**) subject to consideration of the issues described in this section. ERISA imposes certain requirements on "employee benefit plans" (as defined in Section 3(3) of ERISA) subject to ERISA, including entities such as collective investment funds and separate accounts whose underlying assets include the assets of such plans (collectively, **ERISA Plans**), and on those persons who are fiduciaries with respect to ERISA Plans. Investments by ERISA Plans are subject to ERISA's general fiduciary requirements, including the requirements of investment prudence and diversification and the requirement that an ERISA Plan's investments be made in accordance with the documents governing the ERISA Plan. The prudence of a particular investment must be determined by the responsible fiduciary of an ERISA Plan by taking into account the ERISA Plan's particular circumstances and all of the facts and circumstances of the investment including, but not limited to, the matters discussed under "*Risk Factors*".

Section 406 of ERISA and Section 4975 of the Code prohibit certain transactions involving the assets of an ERISA Plan (as well as those plans that are not subject to ERISA but which are subject to Section 4975 of the Code, such as individual retirement accounts (together with ERISA Plans, the **Plans**)) and certain persons (referred to as **parties in interest** or **disqualified persons**) having certain relationships to such Plans, unless a statutory or administrative exemption is applicable to the transaction. A party in interest or disqualified person, including a Plan fiduciary, who engages in a prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and the Code.

The Trustee, Mazoon, the Joint Lead Managers, the Delegate or any other party to the transactions referred to in this Prospectus may be parties in interest or disqualified persons with respect to many Plans. Prohibited transactions within the meaning of Section 406 of ERISA or Section 4975 of the Code may arise if any of the Certificates is acquired or held by a Plan, including but not limited to where the Trustee, Mazoon, the Joint Lead Managers, the Delegate or any other party to such transactions is a party in interest or a disqualified person. Certain exemptions from the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code may be applicable, however, depending in part on the type of Plan fiduciary making the decision to acquire any Certificates and the circumstances under which such decision is made. Included among these exemptions are Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code (relating to transactions between a person that is a party in interest or disqualified person (other than a fiduciary or an affiliate that has or exercises discretionary authority or control or renders investment advice with respect to assets involved in the transaction) solely by reason of providing services to the plan, provided that there is adequate consideration for the transaction), Prohibited Transaction Class Exemption (**PTCE**) 91-38 (relating to investments by bank collective investment funds), PTCE 84-14 (relating to transactions effected by a qualified professional asset manager), PTCE 95-60 (relating to transactions involving insurance company general accounts), PTCE 90-1 (relating to investments by insurance company pooled separate accounts) and PTCE 96-23 (relating to transactions determined by in-house asset managers). Prospective investors should consult with their advisers regarding the prohibited transaction rules and these exceptions. There can be no assurance that any of these exemptions or any other exemption will be available with respect to any particular transaction involving any Certificates.

Governmental plans (as defined in Section 3(32) of ERISA), certain church plans (as defined in Section 3(33) of ERISA) and non-U.S. plans (as described in Section 4(b)(4) of ERISA), while not subject to the fiduciary responsibility provisions of ERISA or the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code, may nevertheless be subject to Similar Law. Fiduciaries of any such plans should consult with their counsel before purchasing the Certificates to determine the need for, if necessary, and the availability of, any exemptive relief under any Similar Law.

In addition, the U.S. Department of Labor has promulgated a regulation, 29 C.F.R. Section 2510.3-101, as modified by Section 3(42) of ERISA (the **Plan Asset Regulation**), describing what constitutes the assets of a Plan with respect to the Plan's investment in an entity for purposes of certain provisions of ERISA, including the fiduciary responsibility provisions of Title I of ERISA, and Section 4975 of the Code. Under the Plan Asset Regulation, if a Plan invests in an "equity interest" of an entity that is neither a "publicly-offered security" nor a security issued by an investment company registered under the U.S. Investment Company Act of 1940, the Plan's assets include both the equity interest and an undivided interest in each of the entity's underlying assets,

unless it is established that the entity is an “operating company” or that equity participation in the entity by **Benefit Plan Investors** (i.e., Plans and any other entity whose underlying assets are deemed to be Plan assets) is not “significant.” Under the Plan Asset Regulation, the term “equity interest” is defined as any interest in an entity other than an instrument that is treated as indebtedness under “applicable local law” and which has no “substantial equity features.” Under the applicable rules, equity participation in an entity by Benefit Plan Investors will be deemed to be “significant” and the underlying assets of such entity will be considered “plan assets” if immediately after the most recent acquisition of any equity interest in the entity 25 per cent. or more of the value of any class of equity interest is held by Benefit Plan Investors. Neither the initial sales of the Certificates nor any subsequent transfers thereof will be monitored to insure that the investment by Benefit Plan Investors remains below the 25 per cent. limit described above. Accordingly, no assurance can be given as to whether, under the rules set forth in the Plan Asset Regulation, an acquisition of Certificates by a Plan would result in such Plan’s assets being deemed to include an interest in the assets of the Trust or being deemed merely to include its interest in the Certificates, because of the fact-specific nature of certain of these rules.

The underlying assets of the Trust consist of (i) all of the Trustee’s rights, title, interests, benefits and other entitlements, present and future, in and to the Lease Assets; (ii) all of the Trustee’s rights, title, interests, benefits and other entitlements, present and future, in and to the Transaction Documents excluding any representations given to the Trustee by Mazoon pursuant to any of these Transaction Documents; (iii) all monies standing to the credit of the Transaction Account; and (iv) all proceeds of the foregoing. While there is little pertinent authority as to what interests constitute an “equity interest” for the purposes of the Plan Asset Regulation and no assurance can be given, the Trustee believes that the Certificates should not be treated as equity interests for the purposes of the Plan Asset Regulation and, therefore, the Plan Asset Regulation should not apply. Based on the Trustee’s rights and obligations (if any) under the Purchase Agreement, Lease Agreement, the Purchase Undertakings and the Sale and Assumption Undertakings, including the Trustee’s right under the Purchase Undertaking to require Mazoon to purchase all of its rights, benefits, entitlements, title and interests in and to the Lease Assets upon a scheduled dissolution date for an amount intended to fund the dissolution distribution amount payable by the Trustee under the Certificates, the Trustee believes that the Certificates should not be treated as an equity interest for the purposes of ERISA.

Accordingly, except as otherwise provided in any supplement to this Prospectus, each purchaser and subsequent transferee of any Certificates will represent and warrant, on each day from the date on which the purchaser or transferee acquires such Certificates (or any interest therein) through and including the date on which the purchaser or transferee disposes of such Certificates (or any interest therein), either that (a) it is not a Benefit Plan Investor or a governmental, church or non-U.S. plan which is subject to any Similar Law or (b) it is a Benefit Plan Investor and its acquisition, holding and disposition of such Certificates (or any interest therein) will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of a governmental, church or non-U.S. plan subject to Similar Law, a violation of any Similar Law).

Each Plan fiduciary who is responsible for making the investment decisions whether to purchase or commit to purchase and to hold any of the Certificates should determine whether, under the documents and instruments governing the Plan, an investment in such Certificates is appropriate for the Plan, taking into account the overall investment policy of the Plan and the composition of the Plan’s investment portfolio. Any Plan proposing to invest in such Certificates (including any governmental, church or non-U.S. plan) should consult with its counsel to confirm that such investment will not constitute or result in a non-exempt prohibited transaction and will satisfy the other requirements of ERISA and the Code (or, in the case of a governmental, church or non-U.S. plan, any Similar Law).

The sale of any Certificates to a Plan is in no respect a representation by the Trustee, Mazoon, the Joint Lead Managers, the Delegate or any other party to the transactions that such an investment meets all relevant legal requirements with respect to investments by Plans generally or any particular Plan, or that such an investment is appropriate for Plans generally or any particular Plan.

Any further ERISA considerations with respect to the Certificates may be found in the relevant supplement.

GENERAL INFORMATION

AUTHORISATION

The issue of the Certificates and the entry by the Trustee into the Transaction Documents to which it is a party has been duly authorised by a resolution of the Board of Directors of the Trustee dated 9 October 2017 and a resolution of the shareholders of the Trustee dated 18 October 2017. The entry by Mazoon into the Transaction Documents to which it is a party has been duly authorised by a resolution of the Board of Directors of Mazoon dated 9 August 2017 and a resolution of the shareholders of Mazoon dated 20 August 2017.

The Trustee and Mazoon have each obtained all necessary consents, approvals and authorisations in connection with the issue of the Certificates and the execution and performance of the Transaction Documents to which they are a party.

LISTING

Application has been made to the Irish Stock Exchange for the Certificates to be admitted to the Official List and trading on the Main Securities Market. The listing of the Certificates is expected to be granted on or before 8 November 2017. Expenses related to this admission to trading on the Main Securities Market are estimated to be EUR 6,540.

DOCUMENTS AVAILABLE

For so long as any Certificates remain outstanding, copies (and English translations where the documents in question are not in English) of the following documents will be available, during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted), for inspection and/or collection by Certificateholders at the offices of the Trustee and the Principal Paying Agent in London in electronic form:

- (a) the Transaction Documents;
- (b) the Memorandum and Articles of Association of the Trustee and the constitutional documents of Mazoon;
- (c) the audited financial statements of Mazoon in respect of the two financial years ended 31 December 2015 and 31 December 2016;
- (d) the audited financial statements of Mazoon in respect of the six-month period ended 30 June 2017; and
- (e) this Prospectus.

CLEARING SYSTEMS

The Unrestricted Certificates have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records). The ISIN for the Unrestricted Certificates is XS1577945824. The Common Code for the Unrestricted Certificates is 15779458.

The Restricted Certificates have been accepted for clearance through DTC (which is the entity in charge of keeping the records). The ISIN for the Restricted Certificates is US57886LAA08. The CUSIP for the Restricted Certificates is 57886LAA0.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg. The address of DTC is 55 Water Street, New York, New York U.S.A. 10041.

SIGNIFICANT OR MATERIAL CHANGE

There has been no significant change in the financial or trading position of the Trustee and no material adverse change in the prospects of the Trustee, in each case, since the date of its incorporation.

There has been no significant change in the financial or trading position of Mazoon and its subsidiaries, taken as a whole since 30 June 2017 and there has been no material adverse change in the prospects of Mazoon and its subsidiaries, taken as a whole, since 30 June 2017.

LITIGATION

The Trustee is not and has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Trustee is aware) in the 12 months preceding the date of this document which may have or have in such period had a significant effect on the financial position or profitability of the Trustee.

Mazoon has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Mazoon is aware) in the 12 months preceding the date of this document, which may have, or have had, a significant effect on its financial position or profitability.

AUDITORS

The first financial period of the Trustee will end on 31 December 2017. The Trustee has no subsidiaries.

The financial statements of Mazoon for the years ended 31 December 2015 (which include comparative information as at and for the year ended 31 December 2014), the financial statements of Mazoon as at and for the year ended 31 December 2016 (which include comparative information as at and for the year ended 31 December 2015), and the interim financial statements of Mazoon as at and for the six months ended 30 June 2017 (which include unaudited comparative information for the six months ended 30 June 2016), included in this Prospectus have each been audited in accordance with International Standards on Auditing, as issued by the International Auditing and Assurance Standards Board, by Deloitte & Touche (M.E.) & Co. LLC.

Deloitte & Touche (M.E.) & Co. LLC is regulated in the Sultanate of Oman by the Ministry of Commerce and Industry which has issued Deloitte & Touche (M.E.) & Co. LLC with a licence to practice as auditors. There is no professional institute of auditors in the Sultanate of Oman and, accordingly, Deloitte & Touche (M.E.) & Co. LLC is not a member of a professional body in the Sultanate of Oman. All of Deloitte & Touche (M.E.) & Co. LLC's audit partners are members of the institutes from where they received their professional qualification.

The current auditors of the Trustee are KPMG Lower Gulf Limited, operating in Oman as KPMG, member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (**KPMG**). KPMG is regulated in the Sultanate of Oman by the Ministry of Commerce and Industry which has issued KPMG with a licence to practice as auditors. There is no professional institute of auditors in the Sultanate of Oman and, accordingly, KPMG is not a member of a professional body in the Sultanate of Oman. All of KPMG's audit partners are members of the institutes from where they received their professional qualification.

For the year ending 31 December 2017, Mazoon's auditors are KPMG. KPMG is regulated in the Sultanate of Oman by the Ministry of Commerce and Industry which has issued KPMG with a licence to practice as auditors. There is no professional institute of auditors in the Sultanate of Oman and, accordingly, KPMG is not a member of a professional body in the Sultanate of Oman. All of KPMG's audit partners are members of the institutes from where they received their professional qualification.

LISTING AGENT

Walkers Listing Services Limited is acting solely in its capacity as listing agent for the Trustee in connection with the Certificates and is not itself seeking admission of the Certificates to the Official List or to trading on the Main Securities Market for the purposes of the Prospectus Directive.

INDEX TO FINANCIAL STATEMENTS

	Page
Mazoon Electricity Company SAOC – Report and interim financial statements for the six months period ended 30 June 2017	F-2
Independent auditor’s report	F-4
Interim statement of financial position	F-7
Interim statement of profit or loss and other comprehensive income	F-8
Interim statements of changes in equity	F-9
Interim statement of cash flows	F-10
Notes to the interim financial statements	F-11
Mazoon Electricity Company SAOC – Report and financial statements for the year ended 31 December 2016	F-48
Independent auditor’s report	F-50
Statement of financial position	F-53
Statement of profit or loss and other comprehensive income	F-54
Statement of changes in equity	F-55
Statement of cash flows	F-56
Notes to the financial statements	F-57
Mazoon Electricity Company SAOC – Report and financial statements for the year ended 31 December 2015	F-93
Independent auditor’s report	F-95
Statement of financial position	F-97
Statement of profit or loss and other comprehensive income	F-98
Statement of changes in equity	F-99
Statement of cash flows	F-100
Notes to the financial statements	F-101

**MAZOOON ELECTRICITY
COMPANY SAOC**

**Report and interim financial statements
for the six months period ended 30 June 2017**

MAZOOON ELECTRICITY COMPANY SAOC

Report and interim financial statements for the six months period ended 30 June 2017

	Pages
Independent auditor's report	1 - 3
Interim statement of financial position	4
Interim statement of profit or loss and other comprehensive income	5
Interim statement of changes in equity	6
Interim statement of cash flows	7
Notes to the interim financial statements	8 - 44

Independent auditor's report to the shareholders of Mazoon Electricity Company SAOC

1

Report on the interim financial statements

Opinion

We have audited the interim financial statements of **Mazoon Electricity Company SAOC** (the "Company"), which comprise the interim statement of financial position as at 30 June 2017, and the interim statement of profit or loss and other comprehensive income, interim statement of changes in equity and interim statement of cash flows for the period then ended, and notes to the interim financial statements, including a summary of significant accounting policies set out on pages 8 to 44.

In our opinion, the accompanying interim financial statements present fairly, in all material respects, the financial position of the Company as at 30 June 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the International Ethics Standards 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 matter

The comparative information included in the interim statements of profit or loss and comprehensive income, changes in equity and cash flows and notes to the interim financial statements for the six months period ended 30 June 2016 are unaudited as we have been appointed to audit only the financial information as of and for the six months period ended 30 June 2017.

Responsibilities of board of directors for the financial statements

The Board of Directors (the "Board") is responsible for the preparation and fair presentation of the interim financial statements in accordance with IFRSs and the relevant disclosure requirements of the Commercial Companies Law of 1974, as amended, and for such internal control as the Board determines is necessary to enable the preparation of interim financial statements that are free from material misstatement, whether due to fraud or error.

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

Independent auditor's report to the shareholders of Mazoon Electricity Company SAOC (continued)

2

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with ISA's, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

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

**Independent auditor's report
to the shareholders of
Mazoon Electricity Company SAOC (continued)**

3

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

We communicate with the Board 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

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

Deloitte & Touche



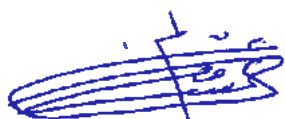
**Deloitte & Touche (M.E.) & Co. LLC
Muscat, Sultanate of Oman
8 October 2017**

MAZOOON ELECTRICITY COMPANY SAOC

4

Interim statement of financial position at 30 June 2017

	Notes	30 June 2017 RO '000	31 December 2016 RO '000
ASSETS			
Non-current assets			
Property, plant and equipment	5	674,794	621,831
Current assets			
Inventories	6	3,935	3,774
Trade and other receivables	7	60,759	45,133
Other current assets	17	17,007	6,194
Cash and cash equivalents	8	806	10,255
Total current assets		82,507	65,356
Total assets		757,301	687,187
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	9	150,000	150,000
Legal reserve	10	50,000	50,000
General reserve	11	9,869	9,249
Cash flow hedge reserve	12	(1,473)	-
Retained earnings		36,684	41,705
Total equity		245,080	250,954
Non-current liabilities			
Term loan	20	197,810	207,134
Deferred tax liability	14	30,616	23,013
Deferred revenue	15	17,973	18,264
Derivatives	12	1,733	-
Provisions	13	1,497	1,500
Finance lease	21	436	496
Total non-current liabilities		250,065	250,407
Current liabilities			
Trade and other payables	16	162,891	117,031
Short-term borrowings	19	73,200	47,020
Term loan – current portion	20	18,637	18,868
Bank overdraft	18	5,683	1,345
Deferred revenue – current portion	15	425	425
Provisions – current portion	13	587	415
Finance lease - current portion	21	133	122
Provision for current tax	28	600	600
Total current liabilities		262,156	185,826
Total liabilities		512,221	436,233
Total equity and liabilities		757,301	687,187



Omar Ahmed Salim Qatan
Chairman



Sunil Anant Raykar
Director



Zahir Abdulla Al Abri
Chief Executive Officer

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

MAZOOON ELECTRICITY COMPANY SAOC

5

Interim statement of profit or loss and other comprehensive income for the six months period ended 30 June 2017

	Notes	30 June 2017 RO'000	Unaudited 30 June 2016 RO'000
Revenue	22	144,167	133,663
Operating costs	23	(118,320)	(107,616)
Gross profit		25,847	26,047
General and administrative expenses	24	(11,053)	(10,469)
Other income	26	1,877	752
Profit from operations		16,671	16,330
Finance income	27	26	20
Finance costs	27	(5,736)	(3,762)
Profit before tax		10,961	12,588
Taxation	28	(7,862)	(1,483)
Profit for the period		3,099	11,105
Other comprehensive income			
<i>Item that may be reclassified subsequently to profit or loss</i>			
Fair value loss arising during the period on cash flow hedge – net of tax	12	(1,473)	-
Total comprehensive income for the period		1,626	11,105

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

MAZOON ELECTRICITY COMPANY SAOC

Interim statement of changes in equity for the six months period ended 30 June 2017

	Share capital RO'000	Legal reserve RO'000	General Reserve RO'000	Cash flow hedge reserve RO'000	Retained earnings RO'000	Total RO'000
At 1 January 2016	150,000	50,000	5,517	-	34,276	239,793
Profit and total comprehensive income for the period	-	-	-	-	11,105	11,105
Transfer to general reserves (note 11)	-	-	2,221	-	(2,221)	-
<i>Transactions with owners directly recognized in equity</i>						
Dividend paid (note 30)	-	-	-	-	(7,500)	(7,500)
At 30 June 2016 (unaudited)	150,000	50,000	7,738	-	35,660	243,398
At 1 January 2017	150,000	50,000	9,249	-	41,705	250,954
Profit for the period	-	-	-	-	3,099	3,099
Fair value loss arising during the period on cash flow hedge	-	-	-	(1,473)	-	(1,473)
- net of tax (note 12)	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	(1,473)	3,099	1,626
Transfer to general reserve (Note 11)	-	-	620	-	(620)	-
<i>Transactions with owners directly recognized in equity</i>						
Dividend paid (note 30)	-	-	-	-	(7,500)	(7,500)
At 30 June 2017	150,000	50,000	9,869	(1,473)	36,684	245,080

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

MAZOOON ELECTRICITY COMPANY SAOC

7

Interim statement of cash flows for the six months period ended 30 June 2017

	30 June 2017 RO'000	Unaudited 30 June 2016 RO'000
Cash flows from operating activities		
Profit before tax	10,961	12,588
Adjustments for:		
Depreciation on property, plant and equipment	12,088	10,620
Gain on disposal of property plant and equipment	-	(3)
Provision for inventory obsolescence	2	22
Provision / (reversal) of allowance for doubtful debts	365	(171)
Provision for employee benefits	202	42
Finance costs	5,736	3,762
Deferred revenue amortized	(291)	(203)
Operating cash flows before changes in working capital	29,063	26,657
Working capital changes due to:		
Inventories	(163)	181
Other current assets	(10,813)	(6,876)
Government subsidy receivable	-	(35,974)
Trade and other receivables	(15,991)	(3,684)
Trade and other payables	45,939	25,380
Deferred revenue received	-	2,438
Payment of employee benefits	(33)	(136)
Other current liabilities	-	(225)
Net cash from operating activities	48,002	7,761
Cash flows from investing activities		
Purchase of property, plant and equipment	(65,051)	(49,962)
Proceeds from disposal of property, plant and equipment	-	3
Net cash used in investing activities	(65,051)	(49,959)
Cash flows from financing activities		
Proceeds from short-term borrowings	26,180	-
(Repayment) of / proceeds from term loan	(9,849)	25,017
Proceeds from loan from Holding Company	-	20,000
Proceeds from finance lease	-	167
Repayment of finance lease obligation	(49)	(1)
Bank overdraft	4,338	2,334
Finance costs paid	(5,520)	(2,853)
Dividends paid	(7,500)	-
Net cash from financing activities	7,600	44,664
Net (decrease) / increase in cash and cash equivalents	(9,449)	2,466
Cash and cash equivalents at the beginning of the period	10,255	1,062
Cash and cash equivalents at the end of the period	806	3,528

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

Notes to the interim financial statements for the six months period ended 30 June 2017

1. General

Mazoon Electricity Company SAOC (the “Company”) is a closely held Omani joint stock company registered under the Commercial Companies Law of Oman. The establishment and operations of the Company are governed by the provisions of the Law for the Regulation and Privatisation of the Electricity and Related Water Sector (the Sector Law) promulgated by Royal Decree 78/2004.

The Company is primarily undertaking regulated distribution and supply of electricity in the South Batinah, Dakhliyah, North Sharqiyah and South Sharqiyah governorates of Oman 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.

Mazoon Electricity Company SAOC is a 99.99% subsidiary of the Electricity Holding Company SAOC (EHC or the “Holding Company”); a Company registered in the Sultanate of Oman, 0.005% is held by Nama Institute for Competency Development LLC and Nama Shared Services LLC which are wholly owned by EHC.

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

2.1 New and revised IFRSs applied with no material effect on the financial statements

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2017, have been adopted in these interim financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior periods but may affect the accounting for future transactions or arrangements.

- Disclosure Initiative (Amendments to IAS 7)
- Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)
- Annual Improvements to IFRS Standards 2014–2016 Cycle – (Amendments to IFRS 12)

**Notes to the interim financial statements
for the six months period ended 30 June 2017 (continued)**

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

2.2 New and revised IFRS in issue but not yet effective

The Company has not yet applied the following new and revised IFRSs that have been issued but are not yet effective:

New and revised IFRSs	Effective for annual periods beginning on or after
IFRS 9 Financial Instruments (revised versions in 2009, 2010, 2013 and 2014)	1 January 2018
<p>IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.</p> <p>A finalised version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 Financial Instruments: Recognition and Measurement. The standard contains requirements in the following areas:</p> <ul style="list-style-type: none"> • Classification and measurement: Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk. • Impairment: The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised • Hedge accounting: Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures. • Derecognition: The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39. 	
Amendments to IFRS 7 Financial Instruments: Disclosures relating to disclosures about the initial application of IFRS 9	When IFRS 9 is first applied
IFRS 7 Financial Instruments: Disclosures relating to the additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9	When IFRS 9 is first applied

**Notes to the interim financial statements
for the six months period ended 30 June 2017 (continued)**

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

2.2 New and revised IFRS in issue but not yet effective (continued)

New and revised IFRSs

Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' (Amendments to IFRS 4)

IFRS 15 *Revenue from Contracts with Customers*

Effective for annual periods beginning on or after

When IFRS 9 is first applied

1 January 2018

In May 2014, IFRS 15 was issued which established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

Clarifications to IFRS 15 'Revenue from Contracts with Customers'

IFRS 16 *Leases*

When IFRS 15 is first applied

1 January 2019

IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. 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 has 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 17 *Insurance Contracts*

1 January 2021

IFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts.

**Notes to the interim financial statements
for the six months period ended 30 June 2017 (continued)**

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

2.2 New and revised IFRS in issue but not yet effective (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IFRS 10 <i>Consolidated Financial Statements</i> and IAS 28 <i>Investments in Associates and Joint Ventures</i> (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture	Effective date deferred indefinitely
IFRIC 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
IFRIC 23 Uncertainty over Income Tax Treatments	1 January 2019
Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)	1 January 2018
Transfers of Investment Property (Amendments to IAS 40)	1 January 2018
Annual Improvements to IFRS Standards 2014–2016 Cycle 1 January 2018 (Amendments to IFRS 1 and IAS 28)	1 January 2018

Directors anticipates that these new and revised standards, interpretations and amendments will be adopted in the Company's financial statements for the period beginning 1 January 2018 or as and when they are applicable and adoption of these new standards, interpretations and amendments, except for IFRS 9, IFRS 15 and IFRS 16, may have no material impact on these financial statements of the Company in the period of initial application.

Directors anticipates that IFRS 9 and IFRS 15 will be adopted in the Company's financial statements for the annual year beginning 1 January 2018 and IFRS 16 will be adopted annual year beginning 1 January 2019. The application of IFRS 9, IFRS 15 and IFRS 16 may have significant impact on amounts reported and disclosures made in the Company's separate financial statements in respect of the Company's financial assets and financial liabilities, revenue from contracts with customers and leases. However, it is not practicable to provide a reasonable estimate of effects of the application of these standards until the Company performs a detailed review.

3. Summary of significant accounting policies

Statement of compliance

The interim financial statements have been prepared in accordance with International Financial Reporting Standards and the Commercial Companies Law of 1974, as amended.

Basis of preparation

These interim financial statements are prepared on the historical cost basis except the finance lease payable which are valued at amortised cost and certain financial instruments initially measured at fair value.

**Notes to the interim financial statements
for the six months period ended 30 June 2017 (continued)****3. Summary of significant accounting policies (continued)****Basis of preparation (continued)**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and / or disclosure purposes in these interim financial statements is determined on such a basis, except for leasing transactions that are within the scope of IAS 17 and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2.

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.

In the statement of cash flows, the comparatives information for the half year ended 30 June 2016 related to deferred revenue received of RO 2,438 has been restated to correct its classification from investing activity to cash flows from operating activities.

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 judgement or complexity or areas where assumptions and estimates are significant to the interim financial statements are disclosed in note 4.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any identified impairment loss. Borrowing costs which are directly attributable to the acquisition of items of property, plant and equipment, are capitalised.

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 profit or loss as an expense as and when incurred.

**Notes to the interim financial statements
for the six months period ended 30 June 2017 (continued)**

3. Summary of significant accounting policies (continued)

Property, plant and equipment (continued)

Depreciation

Depreciation is recognised in the profit or loss 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	30
Electricity distribution networks	25 - 50
Substations, lines and cables	25 - 50
Other plant and machinery	20 - 50
Furniture, fixtures and vehicles	5 - 7
Plant spares	20

Capital 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 policies of the Company.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gains or losses arising on the disposal or retirement of property, plant and equipment are determined as the difference between the sales proceeds and their carrying amounts and are recognized in the profit or loss.

Financial instruments

Financial assets and financial liabilities are recognised on the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Non-derivative financial instruments

Non-derivative financial instruments comprise, trade and other receivables, receivables from related parties, cash and cash equivalents, loans and borrowings, amount due to related parties, payables to related parties, overdrafts and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs.

Subsequent to initial recognition, non-derivative financial instruments are measured at amortised cost using the effective interest rate method, less any impairment losses.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and paid or received that form an integral part of the effective interest rate, transactions costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

**Notes to the interim financial statements
for the six months period ended 30 June 2017 (continued)****3. Summary of significant accounting policies (continued)****Financial instruments (continued)***Effective interest method (continued)*

Income is recognized on an effective interest basis for debt instruments other than those financial assets classified at fair value at profit or loss.

Trade and other receivables

Trade and other receivables are initially recognised at fair value and subsequently are stated at amortised cost using the effective interest rate method less impairment losses. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able collect all amounts due according to the original terms of receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amount of cash, which are subject to an insignificant risk of changes in value and have maturity of three months or less at the date of acquisition.

Financial liabilities

Financial liabilities are subsequently measured at amortised cost using the effective interest method.

Trade and other payables

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

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

Finance lease

Assets held under finance leases are initially recognised as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss.

**Notes to the interim financial statements
for the six months period ended 30 June 2017 (continued)**

3. Summary of significant accounting policies (continued)

Financial instruments (continued)

Impairment

Financial assets

Financial assets are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For financial assets, objective evidence of impairment could include:

- significant financial difficulty of the counterparty;
- default or delinquency in payments; or
- it becomes probable that the borrower will enter bankruptcy or financial reorganisation.

Certain categories of financial assets, such as trade receivables that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis.

Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period as well as observable changes in national or local economic conditions that correlate with default on receivables.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of a provision account. The amount of the provision is recognised in the statement of profit or loss and other comprehensive income within "General and administrative expenses". Subsequent recoveries of amounts previously written off are credited against general and administrative expenses in the statement of profit or loss and other comprehensive income.

When a trade receivable is considered uncollectible, it is directly written off after obtaining appropriate approvals. Subsequent recoveries of amounts previously written off are credited to the statement of profit or loss and other comprehensive income.

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.

**Notes to the interim financial statements
for the six months period ended 30 June 2017 (continued)****3. Summary of significant accounting policies (continued)****Financial instruments (continued)****Impairment (continued)***Non-financial assets(continued)*

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 periods 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. For the purposes of assessing impairment, assets are grouped at the lowest levels for which are separately identifiable cash flows (cash generating units).

Derivative financial instruments

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 12.

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

At the inception of the hedge relationship, the Company documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Company documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

Note 12 sets out details of the fair values of the derivative instruments used for hedging purposes.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line item.

**Notes to the interim financial statements
for the six months period ended 30 June 2017 (continued)****3. Summary of significant accounting policies (continued)****Financial instruments (continued)****Cash flow hedges (continued)**

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Company revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

Inventories

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

Borrowing costs

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

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

Employee benefits

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

Liabilities recognised in respect of employee benefits are measured at their nominal value using the current remuneration.

**Notes to the interim financial statements
for the six months period ended 30 June 2017 (continued)****3. Summary of significant accounting policies (continued)****Employee benefits**

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

End of service 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.

Provisions

Provisions are recognised in the statement of financial position when the Company has a legal or constructive obligation as a result of a past event and it is probable that it will result in an outflow of economic benefit that can be reliably estimated.

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

The amount are recognised in the statement of financial position when the Company has a legal or constructive obligation as a result of a past event and it is probable that it will result in an outflow of economic benefit that can be reliably estimated.

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 years.

**Notes to the interim financial statements
for the six months period ended 30 June 2017 (continued)****3. Summary of significant accounting policies (continued)****Taxation (continued)**

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

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

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

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

Government subsidy

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

Government grants

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

Government grants relating to costs are deferred and recognised in the 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 as “funding from government sponsored projects” within non-current liabilities and are credited to profit and on a straight line basis over the expected useful lives of related assets.

Revenue

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, revenue recognised in respect to customer contributed assets in accordance with IFRIC 18 and other electricity related revenue. 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).

**Notes to the interim financial statements
for the six months period ended 30 June 2017 (continued)****3. Summary of significant accounting policies (continued)****Revenue (continued)**

Other income includes meter connection fees, tender fees, fines and application of deferred revenue on customer contributions and is accounted on an accrual basis.

Customer contributions

Effective from 1 July 2009, the Company has adopted IFRIC 18, whereby customer contributions towards the cost of property, plant and equipment have been recognised in the profit or loss in accordance with the provisions of IFRIC 18.

Operating costs*Electricity purchases*

The bulk supply tariff represents the purchase cost of electricity from Oman Power and Water Procurement Company SAOC, a related party.

Transmission use of system charges

The transmission use of system charges represent the charges payable to Oman Electricity Transmission Company SAOC, a related party, for the transmission of electricity generated by the generation companies into the Company's distribution network.

Transmission connection charges

The transmission connection charges represent the charges payable to Oman Electricity Transmission Company SAOC, a related party, for connections to the transmission system to cover the capital cost of the connection assets and ancillary assets and the ongoing cost of maintaining the connection assets. Such assets are single user assets, solely required to connect an individual user to the transmission system, which are not and would not normally be used by any other connected party.

Finance income and costs

Finance income and costs are accounted for on accrual basis.

All interest and other costs incurred in connection with borrowings are expensed as incurred, as part of financing costs and are accounted for on accrual basis, except that the interest costs incurred on borrowings specifically undertaken to finance the construction of qualifying assets, are capitalised along with the cost of the asset during the construction period.

Dividends

Dividend payment is recognized in the financial statements when it is approved by the shareholders.

**Notes to the interim financial statements
for the six months period ended 30 June 2017 (continued)**

3. Summary of significant accounting policies (continued)

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 year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss as they arise.

4. Critical accounting judgments and key sources of estimation uncertainty

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 continually 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:

Useful lives of property, plant and equipment

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.

Allowance for doubtful debts

Allowance for doubtful debts is based on management's best estimates of recoverability of the amounts due along with the number of days for which such debts are outstanding.

Allowance for inventory obsolescence

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

Taxation

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

Revenue recognition

Due to the various reasons, 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 impact to the extent of such differences.

MAZOON ELECTRICITY COMPANY SAOC

Notes to the interim financial statements for the six months period ended 30 June 2017 (continued)

5. Property, plant and equipment

Cost	Buildings on leasehold land RO '000	Electricity distribution networks RO '000	Lines and cables RO '000	Substation assets RO '000	Other plant and machinery RO '000	Furniture, fixtures and vehicles RO '000	Plant spares RO '000	Finance lease assets RO '000	Capital work-in- progress RO '000	Total RO '000
1 January 2016	19,916	297,123	144,490	60,576	26,784	10,926	2,403	573	81,973	644,764
Additions	-	-	-	-	-	1,221	610	167	122,055	124,053
Transfers	1,963	54,424	20,866	22,375	2,689	-	(842)	-	(101,475)	-
Disposals	-	-	-	(182)	-	(792)	-	-	-	(974)
1 January 2017	21,879	351,547	165,356	82,769	29,473	11,355	2,171	740	102,553	767,843
Additions	-	-	-	-	-	200	108	-	64,743	65,051
Transfers	985	31,098	9,595	6,921	913	-	-	-	(49,513)	-
30 June 2017	22,864	382,645	174,952	89,690	30,386	11,555	2,279	740	117,783	832,894

The Company's Building and Substations are constructed on lands leased from the Ministry of Housing, Government of Sultanate of Oman.

MAZOON ELECTRICITY COMPANY SAOC

**Notes to the interim financial statements
for the six months period ended 30 June 2017 (continued)**

5. Property, plant and equipment (continued)

	Buildings on leasehold land RO '000	Electricity distribution networks RO '000	Lines and cables RO '000	Substation assets RO '000	Other plant and machinery RO '000	Furniture, fixtures and vehicles RO '000	Plant spares RO '000	Finance lease assets RO '000	Capital work-in- progress RO '000	Total RO '000
Depreciation										
1 January 2016	3,238	76,344	17,477	14,814	4,989	6,835	379	-	-	124,076
Charge for the year	741	12,587	3804	2464	1360	1620	139	-	-	22,777
Transfers	-	-	-	-	129	-	(129)	-	-	-
Disposals	-	-	-	(65)	-	(776)	-	-	-	(841)
1 January 2017	3,979	88,931	21,281	17,213	6,478	7,679	389	62	-	146,012
Charge for the period	392	6,872	2,015	1,232	745	725	55	52	-	12,088
30 June 2017	4,371	95,803	23,296	18,445	7,223	8,404	444	114	-	158,100
Net book value										
30 June 2017	18,493	286,842	151,656	71,245	23,163	3,151	1,835	626	117,783	674,794
31 December 2016	17,900	262,616	144,075	65,556	22,995	3,676	1,782	678	102,553	621,831

Capital 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 distribution works networks, (c) extension of power supply to customers, (d) furniture and fixtures, computers and software, and (e) other common assets.

**Notes to the interim financial statements
for the six months period ended 30 June 2017 (continued)**

6. Inventories

	30 June 2017 RO'000	31 December 2016 RO'000
Spares and consumables	4,058	3,895
Allowance for inventory obsolescence	(123)	(121)
	<u>3,935</u>	<u>3,774</u>
Movement in provision for inventory obsolescence		
At beginning of the period / year	121	61
Provision during the period / year	2	60
	<u>123</u>	<u>121</u>

7. Trade and other receivables

Amounts due from private customers	45,388	33,348
Amounts due from Government customers	15,136	11,168
Allowance for doubtful debts	(3,113)	(2,748)
	<u>57,411</u>	<u>41,768</u>
Net trade receivables	57,411	41,768
Amounts due from related parties (Note 29)	30	30
Prepayments	473	596
Receivable from Government	1,781	1,549
Other receivables	1,064	1,190
	<u>60,759</u>	<u>45,133</u>
Movement in allowance for doubtful debts		
At beginning of the period / year	2,748	2,944
Provision / (reversal) for the period / year	365	(196)
	<u>3,113</u>	<u>2,748</u>

The allowance for doubtful debts relates to government and private customers.

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

**Notes to the interim financial statements
for the six months period ended 30 June 2017 (continued)**

8. Cash and cash equivalents

	30 June 2017 RO'000	31 December 2016 RO'000
Cash at bank	786	10,235
Cash on hand	20	20
	<u>806</u>	<u>10,255</u>

9. Share capital

The Company's authorised, issued and paid-up capital consists of 150,000,000 shares of RO 1 each. The details of the shareholders are as follows:

	<u>Percentage of shareholding</u>		<u>Number of shares issued</u>	
	30 June 2017 %	31 December 2016 %	30 June 2017	31 December 2016
Electricity Holding Company SAOC	99.99	99.99	149,985,000	149,985,000
Ministry of Finance	-	0.01	-	15,000
Nama Institute for Competency Development LLC	0.005	-	7,500	-
Nama Shared Services LLC	0.005	-	7,500	-
	<u>100.00</u>	<u>100.00</u>	<u>150,000,000</u>	<u>150,000,000</u>

During the period shares held by Ministry of Finance have been transferred to Nama Institute for Competency Development LLC and Nama Shared Services LLC, which are wholly owned by Electricity Holding Company SAOC.

10. Legal reserve

Article 106 of the Commercial Companies Law of 1974, as amended requires that 10% of a Company's net profit be transferred to a non-distributable legal reserve until the amount of the legal reserve becomes equal to at least one-third of the Company's paid-up share capital. At 30 June 2017, legal reserve was equivalent to one-third of the Company's share capital and hence no further transfer from the current year profit was made during the period.

11. 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.

**Notes to the interim financial statements
for the six months period ended 30 June 2017 (continued)**

12. Cash flow hedging reserve / Derivatives

The cash flow hedging reserve represents the cumulative effective portion of gains or losses arising on changes in fair value of hedging instruments entered into for cash flow hedges. The cumulative gain or loss arising on changes in fair value of the hedging instruments that are recognised and accumulated under the heading of changes in fair value of hedge will be reclassified to profit or loss only when the hedged transaction affects the profit or loss, or included as a basis adjustment to the non-financial hedged item, consistent with the Company's accounting policy.

	30 June 2017	31 December 2016
	RO'000	RO'000
At beginning of the period / year	-	-
Change in fair value during the period / year	(1,733)	-
At end of the period / year	(1,733)	-
Less: related deferred tax	260	-
Change in fair value of hedge - net of tax	(1,473)	-

During the period ended 30 June 2017, the Company entered into interest swap agreement to pay fixed interest rate and to receive the variable LIBOR portion of the interest rate from the swap dealer. These swaps are effective from 30 March 2017.

The fair value of the interest rate swaps is based on market value of equivalent instruments of the reporting date and the fair value thereof has been dealt with in equity.

	Fair value	Notional	Notional by term to maturity		
			amount total	1-12	1 upto 5
	RO'000	RO'000	months	year	5 years
			RO'000	RO'000	RO'000
30 June 2017					
Interest swaps	(1,733)	113,344	9,856	49,280	54,208
31 December 2016					
Interest swaps	-	-	-	-	-

Notes to the interim financial statements
for the six months period ended 30 June 2017 (continued)

13. Provisions

	30 June 2017 RO'000	31 December 2016 RO'000
Non-current		
Provision for employee benefits – gratuity	1,497	1,500
Current		
Provision for employee benefits - leave encashment	587	415
<i>Movement in provision for employee benefits – gratuity</i>		
At beginning of the period / year	1,500	1,615
Charge for the period / year	27	62
Payment during the period / year	(30)	(177)
At end of the period / year	1,497	1,500
<i>Movement in provision employee benefits - Leave encashment</i>		
At beginning of the period / year	415	386
Charge for the period / year	175	55
Payment during the period / year	(3)	(26)
At end of the period / year	587	415

14. Deferred tax liability

Deferred income taxes are calculated on all temporary differences under the balance sheet liability method using a principal tax rate of 15%. The net deferred tax liability 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:

2017	1 January RO'000	Charge / (credit) for the period RO'000	30 June RO'000
Assets			
Provision for inventory obsolescence	(14)	(4)	(18)
Allowance for doubtful debts	(330)	(137)	(467)
Fair value hedging reserve	-	(260)	(260)
Usufruct accruals	(321)	(97)	(418)
	(665)	(498)	(1,163)
Liability			
Accelerated tax depreciation	23,678	8,101	31,779
	23,013	7,603	30,616

**Notes to the interim financial statements
for the six months period ended 30 June 2017 (continued)**

14. Deferred tax liability (continued)

2016	1 January RO'000	Charge / (credit) for the year RO'000	31 December RO'000
Assets			
Provision for inventory obsolescence	(7)	(7)	(14)
Allowance for doubtful debts	(354)	24	(330)
Usufruct accruals	(298)	(23)	(321)
	<u>(659)</u>	<u>(6)</u>	<u>(665)</u>
Liability			
Accelerated tax depreciation	19,916	3,762	23,678
	<u>19,257</u>	<u>3,756</u>	<u>23,013</u>

15. Deferred revenue

Deferred revenue represents Government project funding towards the cost of property, plant and equipment and customer contributed assets before 1 July 2009. These funding/contributions are deferred over the life of the relevant property, plant and equipment.

Funding from government sponsored projects represents unconditional grant received/receivable from government / government authorities to the construction of the assets. From 1 July 2009 customer contributions other than assets funded by government for the use of the public at large are recognised in accordance with IFRIC 18 'Transfers of assets from customers' and are not deferred.

	30 June 2017	31 December 2016
Non-current		
Deferred revenue	<u>17,973</u>	<u>18,264</u>
Current		
Deferred revenue	<u>425</u>	<u>425</u>

**Notes to the interim financial statements
for the six months period ended 30 June 2017 (continued)**

16. Trade and other payables

	30 June 2017 RO'000	31 December 2016 RO'000
Accruals for capital projects	64,145	65,151
Amount due to related parties (Note 29)	73,037	21,966
Accruals and other payables	15,666	17,058
Trade payable	10,043	12,856
	<u>162,891</u>	<u>117,031</u>

17. Other current assets and liabilities

Other current assets represent revenue receivable on account of shortage of actual regulated revenue over maximum allowed as per price control formula.

18. Bank overdrafts

The Company has availed a working capital facility (overdraft and revolving short term loan) and bank guarantee from Ahli Bank SAOG for an amount of RO 10 million and RO 5 million, respectively. The overdraft limit of RO 10 million is interchangeable between overdraft and revolving short term loan upon a condition that the combined utilisation of both the facilities not to exceed RO 15 million at any point of time. The facilities are unsecured, payable on demand and carry interest rate at the rate of 3.5% to 4% (31 December 2016: 2% to 4%) per annum.

19. Short-term borrowings

	30 June 2017	31 December 2016
Short-term borrowings	<u>73,200</u>	<u>47,020</u>

The Company has entered into a loan facility agreement with Bank Muscat dated 11 December 2016, to fund the capital expenditure requirement. The facilities are secured against the letter of comfort given by the Electricity Holding Company SAOC. The loan was due for repayment on 15 June 2017 which was later rolled over for a period of 3 months to end on 15 September 2017. The loan shall be refinanced from the proceeds of long term funding which is expected to be availed subsequent to 30 June 2017. The loan carries interest rate at the rate of 2.5% - 3.5% per annum (31 December 2016: 2.5%) and the balance as at 30 June 2017 amounted to RO 27 million (31 December 2016: RO 27 million).

**Notes to the interim financial statements
for the six months period ended 30 June 2017 (continued)**

19. Short-term borrowings (continued)

The Company has entered into a revolving loan facility agreement dated 8 December 2016 with a consortium comprising of Arab Banking Corporation (B.S.C.), BBK (B.S.C.) Gulf International Bank B.S.C., National Bank of Abu Dhabi PJSC and Standard Chartered Bank with Arab Banking Corporation acting as the Agent Bank, for an amount of USD 120 million (equivalent to RO 46.2 million). The finances carry mark-up at the rate equivalent to 3 months LIBOR plus a margin of 1.5% per annum. The loan facility is availed for a period of 12 months with an option to extend for further 12 months period. At 30 June 2017, the availed and outstanding facility is nil (31 December 2016: RO 20 million).

The Company entered into a short term loan facility agreement with JP Morgan dated 8 May 2017 for an amount of USD 150 million to fund the capital expenditure requirement. The loan is due for repayment on 7 November 2017. The loan shall be refinanced from the proceeds of long term funding which is expected to be availed during this year. The finances carry mark-up at the rate equivalent to 1 month LIBOR plus a margin of 1.25% to 1.5% per annum and the balance as at 30 June 2017 amounted to RO 46 million (equivalent to USD 120 million).

20. Term loan

In year 2015, the Company entered into a Dual Currency Term Loan Facility Agreement with a consortium of Lenders, with Ahli Bank acting as Facility Agent and Account bank, for an amount of RO 240 million. The loans are unsecured and are for a period of 11 years as follows:

- RO 117 million, at 3.5 percent fixed interest per annum for a period of 5 years from the date of first utilization of the RO tranche of the Term Loan, thereafter interest to be reviewed annually. The quarterly instalment repayment commenced from 30 September 2016. At the reporting date, the facility availed amounted to RO 107.640 million (31 December 2016: RO 112.096 million).
- USD 320 million (equivalent to RO 123 million), at fixed interest equivalent to 3 month LIBOR plus a margin of 2 percent per annum for a period of 11 years from the date of first utilization. The quarterly instalment repayment commenced from 30 September 2016. At the reporting date, the facility availed amounted to RO 113.343 million (31 December 2016: RO 118.051 million).
- Upfront fee of 1%, flat on the amount of the term loan, paid from the proceeds of first utilization of the term loan.

	30 June 2017 RO '000	31 December 2016 RO '000
Loan obtained	230,832	205,130
Less: repayment / received	(9,849)	25,702
	<hr/>	<hr/>
Long-term loan	220,983	230,832
Less: unamortized transaction cost	(4,536)	(4,830)
	<hr/>	<hr/>
Carrying value of long term loan	<u>216,447</u>	<u>226,002</u>

Notes to the interim financial statements
for the six months period ended 30 June 2017 (continued)

20. Term loan (continued)

	30 June 2017 RO '000	31 December 2016 RO '000
Total transaction cost	4,830	5,459
Less: amortized transaction cost during the period / year	(294)	(629)
Unamortized transaction cost	<u>4,536</u>	<u>4,830</u>
Term loan - current portion	19,216	19,456
Less: unamortized transaction cost	(579)	(588)
	<u>18,637</u>	<u>18,868</u>
Term loan – non-current portion	201,767	211,376
Less: unamortized transaction cost	(3,957)	(4,242)
	<u>197,810</u>	<u>207,134</u>

21. Finance lease

In 2015, the Company entered into finance lease arrangement. The Company's obligations under these finance leases are secured by a contractual agreement from the lessor to transfer the vehicle, in the name of the Company at the end of the Lease period of 6 years. The facilities carry interest that range from 3.5% (31 December 2016: 3.5%) per annum on reducing balance method and is repayable in monthly installments over 6 years. Amounts due within a year from the end of reporting period are disclosed as a current liability.

	Minimum lease payments		Present value of minimum lease payments	
	30 June 2017 RO '000	31 December 2016 RO '000	30 June 2017 RO '000	31 December 2016 RO '000
Not later than one year	171	161	133	122
Later than one year and not later than five years	488	565	436	496
	<u>659</u>	<u>726</u>	<u>569</u>	<u>618</u>
Less: future finance charges	(90)	(108)	-	-
Present value of minimum lease payments	<u>569</u>	<u>618</u>	<u>569</u>	<u>618</u>

**Notes to the interim financial statements
for the six months period ended 30 June 2017 (continued)**

22. Revenue

	30 June 2017	Unaudited
	RO'000	30 June 2016
		RO'000
Electricity sales to private customers	44,113	37,284
Electricity sales to Government customers	11,689	9,634
Government subsidy received	73,826	77,604
Other revenue	3,725	2,040
	<u>133,353</u>	<u>126,562</u>
Previous year revenue (excess) / less than of maximum allowed as per price control formula, brought forward	(7,225)	(1,129)
Previous year system loss incentive / (penalty) brought forward	305	629
Previous year network system security penalty brought forward	727	725
Revenue less than maximum allowed as per price control formula to be recovered next period	17,007	6,876
	<u>144,167</u>	<u>133,663</u>

23. Operating costs

Purchase of electricity (Note 29)	89,256	80,676
Transmission use of system charges (Note 29)	12,301	11,920
Depreciation	11,256	9,756
Maintenance and repairs expenses	2,113	2,099
Transmission connection charges (Note 29)	2,844	2,520
Spares and consumable expenses	383	473
Other direct costs	167	172
	<u>118,320</u>	<u>107,616</u>

24. General and administrative expenses

Staff costs (note 25)	6,185	5,671
Commission	1,715	2,193
Service expenses	1,521	1,509
Depreciation	832	864
Directors remuneration and sitting fees (note 29)	31	33
Other expenses	769	199
	<u>11,053</u>	<u>10,469</u>

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

**Notes to the interim financial statements
for the six months period ended 30 June 2017 (continued)**

25. Staff cost

	30 June 2017 RO'000	Unaudited 30 June 2016 RO'000
Wages and salaries	4,815	4,556
Other allowances and benefits	1,343	1,087
End of service benefits	27	28
	<u>6,185</u>	<u>5,671</u>

26. Other income

Penalties and fines	1,158	335
Sale of scrap	108	-
Sale of forms and tenders	164	118
Amortization of deferred revenue	291	203
Profit on sales of asset	-	3
Other income	156	93
	<u>1,877</u>	<u>752</u>

27. Finance income / costs

Finance income		
Interest on bank accounts	26	20
	<u>26</u>	<u>20</u>
Finance costs		
Interest on bank overdrafts	119	39
Interest on term loan	4,242	3,239
Transaction cost	294	340
Interest on finance lease	20	23
Interest on short term loan	1,027	72
Bank charges	34	49
	<u>5,736</u>	<u>3,762</u>

Interest is earned from current account balances held with banks during the period with interest rates from 0.75% to 1% (30 June 2016: 0.75% to 0.85%) per annum.

**Notes to the interim financial statements
for the six months period ended 30 June 2017 (continued)**

28. Taxation

Income tax is provided as per the provisions of the "Income Tax Law" in the Sultanate of Oman after adjusting for items which are non-assessable or disallowed. The tax rate applicable to the Company is 15%. The deferred tax on all temporary differences have 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:

	30 June 2017	Unaudited
	RO'000	30 June 2016
		RO'000
Statement of profit or loss and other comprehensive income:		
Deferred tax		
Current period	2,109	1,483
Prior period	5,753	-
	<hr/>	<hr/>
Tax expense	7,862	1,483
	<hr/>	<hr/>

In the current year, the Government of Oman has issued a Royal Decree (the Decree) for the amendment in the Income Tax Law of Oman and therefore, the tax rate has been increased from 12% to 15%. These changes are applicable for the financial year beginning on or after 1 January 2017 and has resulted in the increase in deferred tax by RO 5.753 million on account of revision in tax rate.

	30 June 2017	31 December 2016
	RO'000	RO'000
Provision for current tax		
Current tax payable	600	600
	<hr/>	<hr/>

In the current year after the adjustment of expenses as per tax law, the Company is in a tax loss position accordingly no current tax has been recorded in the current year. Deferred tax assets of RO 2.1 million (31 December 2016: RO 1.06 million) on carry forward tax losses for the current year has not been recognized as management understands that there are remote chances of having taxable income until the expiry of tax loss due to higher tax depreciation charge which would result in a lapse of carry forward losses.

The Company is liable to income tax in accordance with the income tax law of the Sultanate of Oman at the enacted tax rate of 15% on taxable income. Till 2016, the Company was liable to income tax in accordance with the income tax law of the Sultanate of Oman at the tax rate of 12% on taxable income in excess of RO 30,000.

Tax assessments for the years 2013 to 2016 are pending for assessment by Oman taxation authorities. Management estimates that the liabilities related to the open tax years will not be significantly different from the liabilities recognized in the statement of financial position.

The following is a reconciliation of income taxes calculated on accounting profits at the applicable tax rate with the income tax expense for the period. The reconciliation of the accounting profit with the taxation charge in the financial statements is as follows:

**Notes to the interim financial statements
for the six months period ended 30 June 2017 (continued)**

28. Taxation (continued)

	30 June 2017	Unaudited
	RO'000	30 June 2016
		RO'000
Profit before tax	10,961	12,588
Taxation @ 15% [(2016: 12%) after deducting RO 30,000]	1,644	1,510
Add tax effect of:		
Tax effect of non-deductible expenses	1	1
Tax related to prior years	-	(28)
Unrealised deferred tax assets on tax losses	464	-
Deferred tax recognized on increase in tax rate	5,753	-
Income tax expense	7,862	1,483

29. Related party transactions

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

The Government is not considered as a related party in view of the exemption from disclosure requirements set out in IFRS in relation to related party transactions and outstanding balances with a government that has control or joint control of, or significant influence over the Company and an entity that is a related party of the same government. The Company has applied the exemptions in IAS 24:25 related to government entities and only disclosed certain information to meet the disclosure requirements of IAS 24."

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

(i) Transactions with related parties under common ownership

	30 June 2017	Unaudited
	RO'000	30 June 2016
		RO'000
Bulk supply tariff to Oman Power and Water Procurement Company SAOC (Note 23)	89,256	80,676
Transmission use of system charges to Oman Electricity Transmission Company SAOC (Note 23)	12,301	11,920
Transmission connection charges to Oman Electricity Transmission Company SAOC (Note 23)	2,844	2,520
Accounting service charges to Electricity Holding Company SAOC	99	103
Training expenses to Nama Institute for Competency Development LLC	123	161
	104,623	95,380

During the period shares held by Ministry of Finance have been transferred to Nama Institute for Competency Development LLC and Nama Shared Services LLC, which are wholly owned by Electricity Holding Company SAOC (note 9).

**Notes to the interim financial statements
for the six months period ended 30 June 2017 (continued)**

29. Related party transactions (continued)

(ii) Key management personnel compensation

Key management personnel are those persons having 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:

	30 June 2017	Unaudited 30 June 2016
	RO'000	RO'000
Short-term employee benefits	404	592
Post-employment benefits	33	38
Directors remuneration and sitting fees (note 24)	31	33
	<hr/> 468 <hr/>	<hr/> 663 <hr/>

(iii) The period / year end related party balances under common ownership are as under:

	30 June 2017	31 December 2016
	RO'000	RO'000
<i>Amount due to related parties (Note 16):</i>		
Oman Electricity Transmission Company SAOC	8,159	5,537
Oman Power and Water Procurement Company SAOC	61,021	12,513
Electricity Holding Company SAOC	3,746	3,673
Muscat Electricity Distribution Company SAOC	5	5
Nama Institute for Competency Development	60	109
Majan Electricity Company SAOC	6	6
Rural Areas Electricity Company SAOC	40	123
	<hr/> 73,037 <hr/>	<hr/> 21,966 <hr/>
<i>Amount due from related parties (Note 7):</i>		
Oman Electricity Transmission Company SAOC	6	5
Electricity Holding Company SAOC	-	1
Muscat Electricity Distribution Company SAOC	22	22
Rural Areas Electricity Company SAOC	2	2
	<hr/> 30 <hr/>	<hr/> 30 <hr/>

These balances represent cost incurred by the Company on behalf of other entities of the group. Transactions and balances with related parties include Holding Company and entities under common ownership.

**Notes to the interim financial statements
for the six months period ended 30 June 2017 (continued)**

30. Proposed dividend

A cash dividend of RO 0.050 (30 June 2016: 0.050) per share aggregating to RO 7.5 million (30 June 2016: RO 7.50 million) was proposed and payable as dividend for the financial year 2016 (30 June 2016: financial year 2015). The dividend of RO 7.5 million for year 2016 was subsequently paid in the financial year 2017 (RO 7.5 million for year 2015 was subsequently paid in the year 2016).

31. Commitments and contingencies

	30 June 2017 RO'000	31 December 2016 RO'000
Capital Commitments	37,792	54,753
Letter of guarantee	4,878	4,878

32. Financial risk management

Overview

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

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

Financial risk factors

Market risk

Price risk

The permitted tariff (prices) for the supply and connection of electricity are determined by 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 currency risk

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. The Company is exposed to foreign exchange risk arising from currency exposures primarily with respect to the US Dollar. The Rial Omani is pegged to the US Dollar. Since most of the Company's foreign currency transactions are in US Dollars or other currencies linked to the US Dollar management believes that exchange rate fluctuations would have an insignificant impact on the Company's pre-tax profit.

**Notes to the interim financial statements
for the six months period ended 30 June 2017 (continued)**

32. Financial risk management (continued)

Financial risk factors (continued)

Market risk (continued)

Interest rate risk management

The Company is exposed to interest rate risk because it borrows funds at both fixed and floating interest rates. The risk is managed by maintaining an appropriate mix between fixed and floating rate borrowings, and by the use of interest rate swap contracts.

At the reporting date the interest rate risk profile of the Company's interest bearing financial instruments were:

	30 June 2017	31 December 2016
	RO'000	RO'000
Term loan	216,447	226,002
Bank overdrafts	5,683	1,345
Short term Borrowings	73,200	47,020
Finance lease	569	618
	<u>295,899</u>	<u>274,985</u>

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Company's profit for the period ended 30 June 2017 would decrease/increase by RO 2.959 million (30 June 2016: decrease/increase by RO 2.313 million). This is mainly attributable to the Company's exposure to interest rates on its variable rate borrowings.

	30 June 2017	Unaudited 30 June 2016
	RO'000	RO'000
Interest expense on term loan	2,164	2,250
Interest expense on bank overdraft	57	56
Interest expense on short term borrowings	732	-
Interest expense on finance lease	6	7
	<u>2,959</u>	<u>2,313</u>

The Company does not account for any fixed rate financial instrument at fair value, therefore a change in interest rate at the reporting date will not affect the profit or loss and other comprehensive income.

**Notes to the interim financial statements
for the six months period ended 30 June 2017 (continued)**

32. Financial risk management (continued)

Financial risk factors (continued)

Market risk (continued)

Interest rate swap contracts

Under interest rate swap contracts, the Company agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Company to mitigate the risk of changing interest rates on the cash flow exposures on the variable rate loan. The fair value of interest rate swaps at the end of the reporting period is determined based on the market value of the same types of instruments.

All interest rate swap contracts exchanging floating rate interest amounts for fixed rate interest amounts are designated as cash flow hedges in order to reduce the Company's cash flow exposure resulting from variable interest rates on borrowings. The interest rate swaps and the interest payments on the loan occur simultaneously and the amount accumulated in equity is reclassified to profit or loss over the period that the floating rate interest payments on debt affect profit or loss.

The Company's liquidity analysis for its derivative financial instruments has been disclosed in note 12. The table has been drawn up based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis, and the undiscounted gross inflows and outflows on those derivatives that require gross settlement.

The bank borrowings are at fixed interest rate. These borrowings are carried at amortised cost.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding from an adequate amount of committed credit facilities. The management maintains flexibility in funding by maintaining availability under committed credit lines.

The table below analyses the Company's financial liabilities that will be settled on a 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.

30 June 2017	Carrying amount RO '000	Less than 1 month RO '000	1 - 3 months RO '000	3 -12 months RO '000	1 - 10 years RO '000
Non-interest bearing:					
Trade and other payables	89,636	-	89,815	-	-
Amounts due to related parties	73,037	-	73,037	-	-
Interest bearing:					
Term loan	220,983	-	4,804	14,412	201,767
Short-term borrowings	73,200	-	73,200	-	-
Finance lease	659	27	27	117	488
Bank overdrafts	5,683	5,683	-	-	-
	463,198	5,710	240,703	14,529	202,255

**Notes to the interim financial statements
for the six months period ended 30 June 2017 (continued)**

32. Financial risk management (continued)

Financial risk factors (continued)

Liquidity risk (continued)

31 December 2016	Carrying amount RO '000	Less than 1 month RO '000	1 - 3 months RO '000	3 -12 months RO '000	1 - 10 years RO '000
Non-interest bearing:					
Trade and other payables	95,065	-	95,065	-	-
Amount due to related parties	21,966	-	21,966	-	-
Interest bearing:					
Term loan	230,832	240	4,804	14,412	211,376
Short-term borrowings	47,020	10,010	-	37,010	-
Finance lease	726	13	27	121	565
Bank overdrafts	1,345	1,345	-	-	-
	<u>396,954</u>	<u>11,608</u>	<u>121,862</u>	<u>51,543</u>	<u>211,941</u>

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, bank 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. 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:

	30 June 2017 RO'000	31 December 2016 RO'000
Government customers	15,136	11,168
Private customers	45,388	33,348
	<u>60,524</u>	<u>44,516</u>

Notes to the interim financial statements
for the six months period ended 30 June 2017 (continued)

32. Financial risk management (continued)

Financial risk factors (continued)

Credit risk (continued)

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

	Gross RO '000	Impairment RO '000	Past due but not impaired RO '000
30 June 2017			
Not past due	16,034	-	-
Less than 1 month	11,381	-	11,381
1 month to 3 months	9,372	-	9,372
3 months to 1 year	17,302	-	17,302
More than 1 year to 2 years	5,213	1,891	3,322
More than 2 years	1,222	1,222	-
	<u>60,524</u>	<u>3,113</u>	<u>41,377</u>
31 December 2016			
Not past due	11,445	-	-
Less than 1 month	4,952	-	4,952
1 month to 3 months	11,223	-	11,223
3 months to 1 year	11,369	-	11,369
1 year to 2 years	3,338	1,662	1,676
More than 2 years	2,189	1,086	1,103
	<u>44,516</u>	<u>2,748</u>	<u>30,323</u>

Bank balances

The Company's bank accounts are placed with reputed financial institutions with a minimum credit rating of P-2 as per Moody's Investors Service ratings.

	30 June 2017 RO'000	31 December 2016 RO'000
Bank balances		
Bank Muscat SAOG	280	9,852
National Bank of Oman SAOG	502	380
Ahli Bank SAOG	-	1
HSBC Bank Oman SAOG	4	2
	<u>786</u>	<u>10,235</u>

**Notes to the interim financial statements
for the six months period ended 30 June 2017 (continued)**

32. Financial risk management (continued)

Financial risk factors (continued)

Credit risk

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

	30 June 2017	31 December 2016
	RO'000	RO'000
Trade receivables	60,524	44,516
Other receivables	604	425
Due from related parties	30	30
Cash at bank	786	10,235
	<u>61,944</u>	<u>55,206</u>

Categories of financial instruments

Financial assets

Cash at bank and in hand	806	10,255
Loans and receivable		
Trade receivables	60,524	41,768
Due from related parties	30	30
Other receivables	604	425
	<u>61,964</u>	<u>52,478</u>

Financial liabilities

Financial liabilities held at amortised cost

Term loan	216,447	226,002
Short Term loan	73,200	47,020
Amount due to related parties	73,037	21,966
Bank overdraft	5,683	1,345
Derivatives	1,733	-
Trade and other payables	89,636	95,065
	<u>459,736</u>	<u>391,398</u>

**Notes to the interim financial statements
for the six months period ended 30 June 2017 (continued)**

33. Fair value of assets and liabilities

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 reliably as it does not carry interest and has no fixed repayment terms.

As at 30 June 2017, the Company held interest rate swap derivatives instruments measured at fair value. The fair values of the interest rate swaps arrangements is classified under level 2 and the Company uses the derivative counterparties valuation statement to obtain fair values of the derivatives. Further, details are included in note 12.

34. Capital 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 and retained earnings. The Company is not subject to external imposed capital requirements.

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.

Other than the requirements of the Commercial Companies Law of 1974, as amended, the Company is subject to externally imposed capital requirements under the "Dual currency term facility agreement" with lender which require the company to have a target debt-equity gearing ratio not exceeding 233.33% for debt. The gearing ratio at 30 June 2017 is 120.41% (31 December 2016: 105.48%) is below the target.

Gearing ratio

Gearing ratio at the end of the reporting period was as follows:

	30 June 2017	31 December 2016
	RO '000	RO '000
Debt	290,216	273,640
Bank overdrafts	5,683	1,345
Cash and bank balances	(806)	(10,255)
Net debt	295,092	264,730
Equity	245,080	250,954
Net debt to equity ratio	120.41%	105.48%

**Notes to the interim financial statements
for the six months period ended 30 June 2017 (continued)**

35. Subsequent events

The Company is in process of obtaining long term loan of USD 500 million. Which will help in improving liquidity position of the Company in this respect the company has appointed a consortium of banks who has been actively progressing towards the execution of arrangement. Management expects that the process will be completed in the month of October 2017.

36. Approval of financial statements

The interim financial statements were approved by the Board and authorized for issue on 28 September 2017.

**MAZON ELECTRICITY
COMPANY SAOC**

**Report and financial statements
for the year ended 31 December 2016**

MAZOOON ELECTRICITY COMPANY SAOC

Report and financial statements for the year ended 31 December 2016

	Pages
Independent auditor's report	1 – 3
Statement of financial position	4
Statement of profit or loss and other comprehensive income	5
Statement of changes in equity	6
Statement of cash flows	7
Notes to the financial statements	8 - 43

Independent auditor's report to the shareholders of Mazoon Electricity Company SAOC

1

Report on the financial statements

Opinion

We have audited the financial statements of **Mazoon Electricity Company SAOC** (the "Company"), which comprise the statement of financial position as at 31 December 2016, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies set out on pages 8 to 43.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards 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.

Responsibilities of board of directors for the financial statements

The Board of Directors (the "Board") is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the relevant disclosure requirements of the Commercial Companies Law of 1974, as amended, and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Independent auditor's report to the shareholders of Mazoon Electricity Company SAOC (continued)

2

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with ISA's, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

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

**Independent auditor's report
to the shareholders of
Mazoon Electricity Company SAOC (continued)**

3

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

We communicate with the Board 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

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

Deloitte + Touche



Deloitte & Touche (M.E.) & Co. LLC
Muscat, Sultanate of Oman
8 March 2017

MAZOOON ELECTRICITY COMPANY SAOC


4

Statement of financial position at 31 December 2016

	Notes	2016 RO '000	2015 RO '000
ASSETS			
Non-current assets			
Property, plant and equipment	5	621,831	520,688
Current assets			
Inventories	6	3,774	4,473
Government subsidy receivable		-	24,694
Trade and other receivables	7	45,133	40,613
Other current assets	16	6,194	-
Cash and cash equivalents	8	10,255	1,062
Total current assets		65,356	70,842
Total assets		687,187	591,530
EQUITY			
Capital and reserves			
Share capital	9	150,000	150,000
Legal reserve	10	50,000	50,000
General reserve	11	9,249	5,517
Retained earnings		41,705	34,276
Total equity		250,954	239,793
LIABILITIES			
Non-current liabilities			
Term loan	19	207,134	192,237
Deferred tax liability	13	23,013	19,257
Deferred revenue	14	18,264	15,269
Provisions	12	1,500	1,615
Finance lease	20	496	463
Total non-current liabilities		250,407	228,841
Current liabilities			
Trade and other payables	15	117,031	107,693
Term loan – current portion	19	18,868	7,434
Short-term borrowings	18	47,020	-
Bank overdrafts	17	1,345	3,237
Finance lease - current portion	20	122	110
Amounts due to Holding Company		-	2,808
Deferred revenue – current portion	14	425	403
Other current liabilities	16	-	225
Provisions	12	415	386
Provision for current tax	27	600	600
Total current liabilities		185,826	122,896
Total liabilities		436,233	351,737
Total equity and liabilities		687,187	591,530



Omar Ahmed Salim Qatan
Chairman



Sunil Anant Raykar
Director



Zahir Abdullah Al Abri
Chief Executive Officer

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

MAZOOON ELECTRICITY COMPANY SAOC

5

Statement of profit or loss and other comprehensive income for the year ended 31 December 2016

	Notes	2016 RO'000	2015 RO'000
Revenue	21	272,633	257,203
Operating costs	22	(222,039)	(204,576)
Gross profit		50,594	52,627
General and administrative expenses	23	(22,394)	(21,722)
Other income	25	2,567	2,405
Profit from operations		30,767	33,310
Finance income	26	68	45
Finance costs	26	(8,418)	(4,017)
Profit before tax		22,417	29,338
Taxation	27	(3,756)	(3,003)
Profit for the year and total comprehensive income		18,661	26,335

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

MAZOON ELECTRICITY COMPANY SAOC

6

Statement of changes in equity for the year ended 31 December 2016

	Share capital RO'000	Statutory reserve RO'000	General reserve RO'000	Retained earnings RO'000	Shareholder's funds RO'000	Total RO'000
At 1 January 2015	500	167	250	64,541	105,896	171,354
Increase in share capital	149,500	-	-	-	(105,896)	43,604
Profit for the year and total comprehensive income	-	-	-	26,335	-	26,335
Transfer to general reserves (note 11)	-	-	5,267	(5,267)	-	-
Transfer to legal reserve (note 10)	-	49,833	-	(49,833)	-	-
Dividend paid	-	-	-	(1,500)	-	(1,500)
At 1 January 2016	150,000	50,000	5,517	34,276	-	239,793
Profit for the year and total comprehensive income	-	-	-	18,661	-	18,661
Transfer to general reserves (note 11)	-	-	3,732	(3,732)	-	-
Dividend paid (note 29)	-	-	-	(7,500)	-	(7,500)
At 31 December 2016	150,000	50,000	9,249	41,705	-	250,954

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

MAZOOON ELECTRICITY COMPANY SAOC

7

Statement of cash flows for the year ended 31 December 2016

	2016 RO'000	2015 RO'000
Cash flows from operating activities		
Profit before tax	22,417	29,338
Adjustments for:		
Depreciation on property, plant and equipment	22,777	19,747
Gain on disposal of property plant and equipment	(65)	(24)
Provision for inventory obsolescence - net	60	2
Reversal of allowance for doubtful debts	(196)	564
Provision for employee benefits - net	117	(252)
Interest expense	8,418	3,952
Deferred revenue amortised	(422)	(377)
Operating cash flows before changes in working capital	53,106	52,950
Working capital changes due to:		
Inventories	639	(89)
Government subsidy receivable	24,694	(24,694)
Other current assets	(6,194)	-
Trade and other receivables	(4,324)	(10,044)
Trade and other payables	9,338	43,827
Deferred revenue	3,439	3,100
Payment of employment benefits	(203)	-
Other current liabilities	(225)	(5,022)
Net cash from operating activities	80,270	60,028
Cash flows from investing activities		
Purchase of property, plant and equipment	(124,053)	(95,739)
Proceeds from disposal of property, plant and equipment	198	63
Net cash used in investing activities	(123,855)	(95,676)
Cash flows from financing activities		
Net movement in short- term borrowings	47,020	(162,000)
Net movement in term loan	25,702	199,671
Finance lease	45	573
Amount due to Holding Company	(2,808)	-
Bank overdraft	(1,892)	1,383
Interest paid	(7,789)	(3,849)
Dividends paid	(7,500)	(1,500)
Net cash from financing activities	52,778	34,278
Net change in cash and cash equivalents	9,193	(1,370)
Cash and cash equivalents at the beginning of the year	1,062	2,432
Cash and cash equivalents at the end of the year (Note 8)	10,255	1,062

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

Notes to the financial statements for the year ended 31 December 2016

1. General

Mazoon Electricity Company SAOC (the "Company") is a closely held Omani joint stock company registered under the Commercial Companies Law of Oman. The establishment and operations of the Company are governed by the provisions of the Law for the Regulation and Privatisation of the Electricity and Related Water Sector (the Sector Law) promulgated by Royal Decree 78/2004.

The Company is primarily undertaking regulated distribution and supply of electricity in the South Batinah, Dakhliyah, North Sharqiyah and South Sharqiyah governorates of Oman 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.

Mazoon Electricity Company SAOC is a 99.99% subsidiary of the Electricity Holding Company SAOC (EHC or the Holding Company); a Company registered in the Sultanate of Oman and 0.01% is held by the Ministry of Finance (MOF), of the Government of Sultanate of Oman.

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

2.1 New and revised IFRSs applied with no material effect on the financial statements

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2016, have been adopted in these financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- IFRS 14 *Regulatory Deferral Accounts*
- Amendments to IAS 1 *Presentation of Financial Statements* relating to Disclosure initiative
- Amendments to IFRS 11 *Joint arrangements* relating to accounting for acquisitions of interests in joint operations
- Amendments to IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* relating to clarification of acceptable methods of depreciation and amortisation
- Amendments to IAS 16 *Property, Plant and Equipment* and IAS 41 *Agriculture: Bearer Plants*
- Amendments to IAS 27 *Separate Financial Statements* relating to accounting investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements
- Amendments to IFRS 10 *Consolidated Financial Statements*, IFRS 12 *Disclosure of Interests in Other Entities* and IAS 28 *Investment in Associates and Joint Ventures* relating to applying the consolidation exception for investment entities
- Annual Improvements to IFRSs 2012 – 2014 Cycle covering amendments to IFRS 5, IFRS 7, IAS 19 and IAS 34

**Notes to the financial statements
for the year ended 31 December 2016 (continued)**

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

2.2 New and revised IFRS in issue but not yet effective

The Company has not yet applied the following new and revised IFRSs that have been issued but are not yet effective:

New and revised IFRSs	Effective for annual periods beginning on or after
Annual Improvements to IFRS Standards 2014 – 2016 Cycle amending IFRS 1, IFRS 12 and IAS 28	The amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after 1 January 2018, the amendment to IFRS 12 for annual periods beginning on or after 1 January 2017
Amendments to IAS 12 <i>Income Taxes</i> relating to the recognition of deferred tax assets for unrealised losses	1 January 2017
Amendments to IAS 7 <i>Statement of Cash Flows</i> to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.	1 January 2017
IFRIC 22 <i>Foreign Currency Transactions and Advance Consideration</i> The interpretation addresses foreign currency transactions or parts of transactions where: <ul style="list-style-type: none"> • there is consideration that is denominated or priced in a foreign currency; • the entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and • the prepayment asset or deferred income liability is non-monetary. 	1 January 2018
Amendments to IFRS 2 <i>Share Based Payment</i> regarding classification and measurement of share based payment transactions	1 January 2018
Amendments to IFRS 4 <i>Insurance Contracts</i> : Relating to the different effective dates of IFRS 9 and the forthcoming new insurance contracts standard.	1 January 2018
Amendments to IAS 40 <i>Investment Property</i> : Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management’s intentions for the use of a property by itself does not constitute evidence of a change in use. The paragraph has been amended to state that the list of examples therein is non-exhaustive.	1 January 2018
Amendments to IFRS 7 <i>Financial Instruments</i> : Disclosures relating to disclosures about the initial application of IFRS 9	When IFRS 9 is first applied

**Notes to the financial statements
for the year ended 31 December 2016 (continued)**

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

2.2 New and revised IFRSs in issue but not yet effective (continued)

New and revised IFRSs

**Effective for annual periods
beginning on or after**

IFRS 7 *Financial Instruments: Disclosures* relating to the additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9

When IFRS 9 is first applied

IFRS 9 *Financial Instruments* (revised versions in 2009, 2010, 2013 and 2014)

1 January 2018

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

A finalised version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 *Financial Instruments: Recognition and Measurement*. The standard contains requirements in the following areas:

- **Classification and measurement:** Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.
- **Impairment:** The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised
- **Hedge accounting:** Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.
- **Derecognition:** The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

**Notes to the financial statements
for the year ended 31 December 2016 (continued)**

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

2.2 New and revised IFRSs in issue but not yet effective (continued)

New and revised IFRSs

**Effective for annual periods
beginning on or after**

IFRS 15 *Revenue from Contracts with Customers*

1 January 2018

In May 2014, IFRS 15 was issued which established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

Amendments to IFRS 15 *Revenue from Contracts with Customers* to clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts.

1 January 2018

IFRS 16 *Leases*

1 January 2019

IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. 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 has 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.

Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.

Effective date deferred indefinitely

**Notes to the financial statements
for the year ended 31 December 2016 (continued)****2 Application of new and revised International Financial Reporting Standards (IFRS) (continued)**

Directors anticipates that these new standards, interpretations and amendments will be adopted in the Company's financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments, except for IFRS 9, IFRS 15 and IFRS 16, may have no material impact on the financial statements of the Company in the period of initial application.

Directors anticipates that IFRS 15 and IFRS 9 will be adopted in the Company's financial statements for the annual period beginning 1 January 2018 and that IFRS 16 will be adopted in the Company's financial statements for the annual period beginning 1 January 2019. The application of IFRS 15 and IFRS 9 may have significant impact on amounts reported and disclosures made in the Company's financial statements in respect of revenue from contracts with customers and the Company's financial assets and financial liabilities and the application of IFRS 16 may have significant impact on amounts reported and disclosures made in the Company's financial statements in respect of its leases.

However, it is not practicable to provide a reasonable estimate of effects of the application of these standards until the Company performs a detailed review.

3. Summary of significant accounting policies**Statement of compliance**

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

Basis of preparation

These financial statements are prepared on the historical cost basis except the finance lease payable which are valued at amortised cost and certain financial instruments initially measured at fair value.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for leasing transactions that are within the scope of IAS 17 and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2.

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 4.

**Notes to the financial statements
for the year ended 31 December 2016 (continued)**

3. Summary of significant accounting policies (continued)

Basis of preparation (continued)

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 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 interim financial statements are disclosed in note 4.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any identified impairment loss. Borrowing costs which are directly attributable to the acquisition of items of property, plant and equipment, are capitalised.

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	30
Electricity distribution works	25 - 50
Substations, lines and cables	25 - 50
Other plant and machinery	20 - 50
Furniture, fixtures and vehicles	5 - 7
Plant spares	20

**Notes to the financial statements
for the year ended 31 December 2016 (continued)****3. Summary of significant accounting policies (continued)****Property, plant and equipment (continued)***Capital 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 policies of the Company.

Gains and losses on disposals of property, plant and equipment are determined as a difference between the sale proceed and their carrying amounts and are recognised in the profit and loss.

Financial instruments

Financial assets and financial liabilities are recognised on the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Non-derivative financial instruments

Non-derivative financial instruments comprise, trade and other receivables, receivables from related parties, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs.

Subsequent to initial recognition, non-derivative financial instruments are measured at amortised cost using the effective interest rate method, less any impairment losses.

The Company classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Company's loans and receivables comprise trade and other receivables and bank and cash in the statement of financial position.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and paid or received that form an integral part of the effective interest rate, transactions costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognized on an effective interest basis for debt instruments other than those financial assets classified at fair value at profit or loss.

**Notes to the financial statements
for the year ended 31 December 2016 (continued)****3. Summary of significant accounting policies (continued)****Financial instruments (continued)***Derecognition of financial assets*

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

Financial liabilities and equity instruments*Classification as debt or equity*

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Borrowings

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

Trade and other receivables

Trade and other receivables are initially recognised at fair value and subsequently are stated at amortised cost using the effective interest rate method less impairment losses. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the statement of profit or loss "General and administrative expenses". Subsequent recoveries of amounts previously written off are credited against general and administrative expenses in the statement of profit or loss and other comprehensive income.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amount of cash, which are subject to an insignificant risk of changes in value and have maturity of three months or less at the date of acquisition.

**Notes to the financial statements
for the year ended 31 December 2016 (continued)****3. Summary of significant accounting policies (continued)****Financial liabilities**

Financial liabilities are subsequently measured at amortised cost using the effective interest method.

Trade and other payables

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

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

Finance lease

Assets held under finance leases are initially recognised as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss.

Impairment***Financial assets***

Financial assets are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For financial assets, objective evidence of impairment could include:

- significant financial difficulty of the counterparty;
- default or delinquency in payments; or
- it becomes probable that the borrower will enter bankruptcy or financial reorganisation.

Certain categories of financial assets, such as trade receivables that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis.

**Notes to the financial statements
for the year ended 31 December 2016 (continued)****3. Summary of significant accounting policies (continued)****Impairment (continued)***Financial assets (continued)*

Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period as well as observable changes in national or local economic conditions that correlate with default on receivables.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of a provision account.

When a trade receivable is considered uncollectible, it is directly written off after obtaining appropriate approvals. Subsequent recoveries of amounts previously written off are credited to the statement of profit or loss and other comprehensive income.

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 periods 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. For the purposes of assessing impairment, assets are grouped at the lowest levels for which are separately identifiable cash flows (cash generating units).

Inventories

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

**Notes to the financial statements
for the year ended 31 December 2016 (continued)****3. Summary of significant accounting policies (continued)****Borrowing costs**

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

All other borrowing costs are recognised in the statement of profit or loss in the year in which they are incurred.

Employee benefits

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

Liabilities recognised in respect of employee benefits are measured at their nominal value using the current remuneration.

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

End of service 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.

Provisions

Provisions are recognised in the statement of financial position when the Company has a legal or constructive obligation as a result of a past event and it is probable that it will result in an outflow of economic benefit that can be reliably estimated.

**Notes to the financial statements
for the year ended 31 December 2016 (continued)****3. Summary of significant accounting policies (continued)****Provisions (continued)**

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

The amount are recognised in the statement of financial position when the Company has a legal or constructive obligation as a result of a past event and it is probable that it will result in an outflow of economic benefit that can be reliably estimated.

Taxation

Income tax is calculated as per the Income Tax Law 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 enacted at the reporting date, and any adjustment to income tax payable in respect of previous years.

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

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

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

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

**Notes to the financial statements
for the year ended 31 December 2016 (continued)****3. Summary of significant accounting policies (continued)****Government subsidy**

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

Government grants

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

Government grants relating to costs are deferred and recognised in the 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.

Revenue

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, revenue recognised in respect to customer contributed assets in accordance with IFRIC 18 and other electricity related revenue. 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).

Other income includes meter connection fees, tender fees, fines and application of deferred revenue on customer contributions and is accounted on an accrual basis.

Customer contributions

Effective from 1 July 2009, the Company has adopted IFRIC 18, whereby customer contributions towards the cost of property, plant and equipment have been recognised in the profit or loss in accordance with the provisions of IFRIC 18.

Operating costs*Electricity purchases*

The bulk supply tariff represents the purchase cost of electricity from Oman Power and Water Procurement Company SAOC, a related party.

**Notes to the financial statements
for the year ended 31 December 2016 (continued)****3. Summary of significant accounting policies (continued)****Operating costs (continued)***Transmission use of system charges*

The transmission use of system charges represent the charges payable to Oman Electricity Transmission Company SAOC, a related party, for the transmission of electricity generated by the generation companies into the Company's distribution network.

Transmission connection charges

The transmission connection charges represent the charges payable to Oman Electricity Transmission Company SAOC, a related party, for connections to the transmission system to cover the capital cost of the connection assets and ancillary assets and the ongoing cost of maintaining the connection assets. Such assets are single user assets, solely required to connect an individual user to the transmission system, which are not and would not normally be used by any other connected party.

Finance income and costs

Finance income and costs are accounted for on accrual basis.

All interest and other costs incurred in connection with borrowings are expensed as incurred, as part of financing costs and are accounted for on accrual basis, except that the interest costs incurred on borrowings specifically undertaken to finance the construction of qualifying assets, are capitalised along with the cost of the asset during the construction period.

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 year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss and other comprehensive income as they arise.

**Notes to the financial statements
for the year ended 31 December 2016 (continued)****4. Critical accounting judgments and key sources of estimation uncertainty**

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

Depreciation

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

Allowance for doubtful debts

Allowance for doubtful debts is based on management's best estimates of recoverability of the amounts due along with the number of days for which such debts are outstanding.

Provision for inventory obsolescence

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

Taxation

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

Revenue recognition

Due to the various reasons, 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 impact to the extent of such differences.

MAZOOON ELECTRICITY COMPANY SAOC

Notes to the financial statements for the year ended 31 December 2016 (continued)

5. Property, plant and equipment

Cost	Buildings on leasehold land RO '000	Electricity distribution works RO '000	Lines and cables RO '000	Substation assets RO '000	Other plant and machinery RO '000	Furniture, fixtures and vehicles RO '000	Plant spares RO '000	Finance lease assets RO '000	Capital work-in- progress RO '000	Total RO '000
1 January 2015	19,715	261,786	135,510	51,415	24,551	9,613	2,480	-	44,199	549,269
Additions	-	-	-	-	-	1,557	1,904	573	91,705	95,739
Transfers	201	35,337	8,980	9,161	2,233	-	(1,981)	-	(53,931)	-
Disposals	-	-	-	-	-	(244)	-	-	-	(244)
1 January 2016	19,916	297,123	144,490	60,576	26,784	10,926	2,403	573	81,973	644,764
Additions	-	-	-	-	-	1,221	610	167	122,055	124,053
Transfers	1,963	54,424	20,866	22,375	2,689	-	(842)	-	(101,475)	-
Disposals	-	-	-	(182)	-	(792)	-	-	-	(974)
31 December 2016	21,879	351,547	165,356	82,769	29,473	11,355	2,171	740	102,553	767,843

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

MAZOON ELECTRICITY COMPANY SAOC

**Notes to the financial statements
for the year ended 31 December 2016 (continued)**

5. Property, plant and equipment (continued)

	Buildings on leasehold Land RO '000	Electricity distribution works RO '000	Lines and cables RO '000	Substation assets RO '000	Other plant and machinery RO '000	Furniture, fixtures and vehicles RO '000	Plant spares RO '000	Finance lease assets RO '000	Capital work-in- progress RO '000	Total RO '000
Depreciation										
1 January 2015	2,576	65,651	14,210	12,801	3,677	5,282	337	-	-	104,534
Charge for the year	662	10,693	3,267	2,013	1,210	1,758	144	-	-	19,747
Transfers	-	-	-	-	102	-	(102)	-	-	-
Disposals	-	-	-	-	-	(205)	-	-	-	(205)
1 January 2016	3,238	76,344	17,477	14,814	4,989	6,835	379	-	-	124,076
Charge for the year	741	12,587	3,804	2,464	1,360	1,620	139	62	-	22,777
Transfers	-	-	-	-	129	-	(129)	-	-	-
Disposals	-	-	-	(65)	-	(776)	-	-	-	(841)
31 December 2016	3,979	88,931	21,281	17,213	6,478	7,679	389	62	-	146,012
Net book value										
31 December 2016	17,900	262,616	144,075	65,556	22,995	3,676	1,782	678	102,553	621,831
31 December 2015	16,678	220,779	127,013	45,762	21,795	4,091	2,024	573	81,973	520,688

Capital 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 distribution works networks, (c) extension of power supply to customers, (d) furniture and fixtures, computers and software, and (e) other common assets.

MAZOOON ELECTRICITY COMPANY SAOC

25

Notes to the financial statements for the year ended 31 December 2016 (continued)

6. Inventories

	2016 RO'000	2015 RO'000
Spares and consumables	3,895	4,534
Provision for inventory obsolescence	(121)	(61)
	<u>3,774</u>	<u>4,473</u>

Movement in provision for inventory obsolescence

At beginning of the year	61	59
Provision during the year	60	2
	<u>121</u>	<u>61</u>

7. Trade and other receivables

Amounts due from private customers	33,348	31,472
Amounts due from Government customers	11,168	10,073
Allowance for doubtful debts	(2,748)	(2,944)
	<u>41,768</u>	<u>38,601</u>
Net trade receivables	41,768	38,601
Amounts due from related parties (Note 28)	30	35
Prepayments	596	626
Receivable from Government	1,549	538
Other receivables	1,190	813
	<u>45,133</u>	<u>40,613</u>

Movement in allowance for doubtful debts

At beginning of the year	2,944	2,380
(Reversal) / provision for the year	(196)	564
	<u>2,748</u>	<u>2,944</u>

The allowance for doubtful debts relates to government and private customers.

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

MAZOOON ELECTRICITY COMPANY SAOC

26

Notes to the financial statements for the year ended 31 December 2016 (continued)

8. Cash and cash equivalents

	2016 RO'000	2015 RO'000
Cash at bank	10,235	1,042
Cash on hand	20	20
	<u>10,255</u>	<u>1,062</u>

9. Share capital

The Company's authorised, issued and paid-up capital consists of 150,000,000 shares of RO 1 each. The details of the shareholders are as follows:

	Percentage of shareholding		Number of shares issued	
	2016	2015	2016	2015
Electricity Holding Company SAOC	99.99	99.99	149,985,000	149,985,000
Ministry of Finance	0.01	0.01	15,000	15,000
	<u>100.00</u>	<u>100.00</u>	<u>150,000,000</u>	<u>150,000,000</u>

10. Legal reserve

Article 106 of the Commercial Companies Law of 1974, as amended requires that 10% of a Company's net profit be transferred to a non-distributable legal reserve until the amount of the legal reserve becomes equal to at least one-third of the Company's paid-up share capital. At 31 December 2016, legal reserve was equivalent to one-third of the Company's share capital and hence no further transfer from the current year profit was made during the year.

11. 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.

MAZOOON ELECTRICITY COMPANY SAOC

27

Notes to the financial statements for the year ended 31 December 2016 (continued)

12. Provisions

	2016 RO'000	2015 RO'000
Non-current		
Provision for employee benefits – gratuity	1,500	1,615
Current		
Provision for employee benefits - leave encashment	415	386
<i>Movement in provision for employee benefits - gratuity</i>		
At beginning of the year	1,615	1,645
Charge for the year	62	52
Payment during the year	(177)	(82)
At end of the year	1,500	1,615
<i>Movement in provision employee benefits - Leave encashment</i>		
At beginning of the year	386	608
Charge during the year	55	117
Payment during the year	(26)	(339)
At end of the year	415	386

13. Deferred tax liability

Deferred income taxes are calculated on all temporary differences using a principal tax rate of 12%. The net deferred tax liability in the statement of financial position and the net deferred tax charge to the profit or loss are attributable to the following items:

2016	1 January RO'000	Recognized in income RO'000	31 December RO'000
Assets			
Provision for inventory obsolescence	(7)	(7)	(14)
Allowance for doubtful debts	(354)	24	(330)
Usufruct accruals	(298)	(23)	(321)
	(659)	(6)	(665)
Liability			
Accelerated tax depreciation	19,916	3,762	23,678
	19,257	3,756	23,013

**Notes to the financial statements
for the year ended 31 December 2016 (continued)**

13. Deferred tax liability (continued)

The Company has not recognized deferred tax assets in respect of unused tax losses as there is uncertainty of future taxable profit.

2015	1 January RO'000	Recognized in income RO'000	31 December RO'000
Assets			
Provision for inventory obsolescence	(7)	-	(7)
Allowance for doubtful debts	(286)	(68)	(354)
Usufruct accruals	(269)	(29)	(298)
	<u>(562)</u>	<u>(97)</u>	<u>(659)</u>
Liability			
Accelerated tax depreciation	16,816	3,100	19,916
	<u>16,254</u>	<u>3,003</u>	<u>19,257</u>

14. Deferred revenue

Deferred revenue represents Government project funding towards the cost of property, plant and equipment and customer contributed assets before 1 July 2009. These funding/contributions are deferred over the life of the relevant property, plant and equipment.

Funding from government sponsored projects represents unconditional grant received / receivable from government / government authorities to the construction of the assets. From 1 July 2009 customer contributions other than assets funded by government for the use of the public at large are recognised in accordance with IFRIC 18 'Transfers of assets from customers' and are not deferred

	2016 RO '000	2015 RO '000
Non-current		
Deferred revenue	<u>18,264</u>	<u>15,269</u>
Current		
Deferred revenue	<u>425</u>	<u>403</u>

15. Trade and other payables

Accruals for capital projects	65,151	47,806
Amount due to related parties (Note 28)	21,966	45,502
Accruals and other payables	17,058	10,971
Trade payables	12,856	3,414
	<u>117,031</u>	<u>107,693</u>

**Notes to the financial statements
for the year ended 31 December 2016 (continued)**

16. Other current assets / liabilities

Other current assets / liabilities represent revenue in short / excess of maximum allowed as per price control formula deferred to the subsequent year.

17. Bank overdrafts

The Company has availed a working capital facility (overdraft and revolving short term loan) and bank guarantee from Ahli Bank SAOG for an amount of RO 10 million and RO 5 million, respectively. The overdraft limit of RO 10 million is interchangeable between overdraft and revolving short term loan upon a condition that the combined utilisation of both the facilities not to exceed RO 15 million at any point of time. The facilities are unsecured, payable on demand and carry interest rate at the rate of 2% to 4% (2015: 0.75% to 2.75%) per annum.

18. Short-term borrowings

	2016 RO'000	2015 RO'000
Short-term borrowings	47,020	-

The Company has entered into a loan facility agreement with Bank Muscat dated 11 December 2016, to fund the capital expenditure requirement. The facilities are secured against the letter of comfort given by the Electricity Holding Company SAOC. The loan is due for repayment on 15 June 2017 (with an option to rollover for a maximum period of 3 months). The loan shall be refinanced from the proceeds of long term loan which is expected to be availed by this time. The loan carries interest rate at the rate of 2.5% per annum and the balance as at 31 December 2016 amounted to RO 27 million.

The Company has entered into a revolving loan facility agreement with a minimum limit of USD 10 million dated 8 December 2016 with a consortium comprising of Arab Banking Corporation (B.S.C.), BBK (B.S.C.) Gulf International Bank B.S.C., National Bank of Abu Dhabi PJSC and Standard Chartered Bank with Arab Banking Corporation acting as the Agent Bank, for an amount of USD 120 million (equivalent to RO 46.2 million). The finances carry mark-up at the fixed rate equivalent to 3 months LIBOR plus a margin of 1.5% per annum. The loan facility is availed for a period of 12 months with an option to extend for further 12 months period. At 31 December 2016, the availed and outstanding facility amounted to RO 20.02 million.

The Company entered into multiple intercompany loan agreements during the year 2016 with the Electricity Holding Company SAOC to fund its working capital requirements. At 31 December 2016, the carrying amount of these loans were nil.

**Notes to the financial statements
for the year ended 31 December 2016 (continued)**

19. Term loan

In year 2015, the Company entered into a Dual Currency Term Loan Facility Agreement with a consortium of Lenders, with Ahli Bank acting as Facility Agent and Account bank, for an amount of RO 240 million. The loans are unsecured and are for a period of 11 years as follows:

- RO 117 million, at 3.5 percent fixed interest per annum for a period of 5 years from the date of first utilization of the RO tranche of the Term Loan, thereafter interest to be reviewed annually. The first quarterly installment repayment will on 30 September 2016. At the reporting date, the facility availed amounted to RO 112.56 million (31 December 2015: RO 99.911 million).
- USD 320 million (equivalent to RO 123 million), at fixed interest equivalent to 3 month LIBOR plus a margin of 2 percent per annum for a period of 11 years from the date of first utilization. The first quarterly installment repayment will be due on 30 September 2016. At the reporting date, the facility availed amounted to RO 118.272 million (31 December 2015: RO 105.219 million).
- Upfront fee of 1%, flat on the amount of the term loan, paid from the proceeds of first utilization of the term loan.

	2016 RO '000	2015 RO '000
Long-term loan	230,832	205,130
Less: unamortized transaction cost	(4,830)	(5,459)
	<hr/>	<hr/>
Carrying value of long term loan	226,002	199,671
	<hr/>	<hr/>
Total transaction cost	5,459	5,660
Less: amortized transaction cost during the year	(629)	(201)
	<hr/>	<hr/>
Unamortized transaction cost	4,830	5,459
	<hr/>	<hr/>
Term loan - current portion	19,456	8,205
Less: unamortized transaction cost	(588)	(771)
	<hr/>	<hr/>
	18,868	7,434
	<hr/>	<hr/>
Term loan – non-current portion	211,376	196,925
Less: unamortized transaction cost	(4,242)	(4,688)
	<hr/>	<hr/>
	207,134	192,237
	<hr/>	<hr/>

**Notes to the financial statements
for the year ended 31 December 2016 (continued)**

20. Finance lease

During the year 2015, the Company entered into finance lease arrangement. The Company's obligations under these finance leases are secured by a contractual agreement from the lessor to transfer the vehicle, in the name of the Company at the end of the lease period of 6 years. The facilities carry interest that range from 3.5% per annum on reducing balance method and is repayable in monthly installments over 6 years. Amounts due within a year from the end of reporting period are disclosed as a current liability.

	Minimum lease payments		Present value of minimum lease payments	
	2016 RO '000	2015 RO '000	2016 RO '000	2015 RO '000
Not later than one year	161	114	122	110
Later than one year and not later than five years	565	520	496	463
	<u>726</u>	<u>634</u>	<u>618</u>	<u>573</u>
Less: future finance charges	(108)	(61)	-	-
Present value of minimum lease payments	<u>618</u>	<u>573</u>	<u>618</u>	<u>573</u>
			2016 RO '000	2015 RO '000
Included in the financial statements as:				
Finance lease – current portion			122	110
Finance lease – non-current portion			496	463
At 31 December			<u>618</u>	<u>573</u>

21. Revenue

	2016 RO '000	2015 RO '000
Electricity sales to private customers	89,161	85,809
Electricity sales to Government customers	23,573	25,419
Government subsidy	149,546	137,624
Other revenue	3,935	3,329
	<u>266,215</u>	<u>252,181</u>
Previous year revenue (excess) / less than of maximum allowed as per price control formula, brought forward	(1,129)	3,824
Previous year system loss incentive / (penalty) brought forward	629	(245)
Previous year network system security incentive brought forward	725	1,668
System loss penalty for the year	(305)	(629)
Network system penalty for the year	(727)	(725)
Revenue in less than maximum allowed as per price control formula	<u>7,225</u>	<u>1,129</u>
	<u>272,633</u>	<u>257,203</u>

MAZOOON ELECTRICITY COMPANY SAOC

32

Notes to the financial statements for the year ended 31 December 2016 (continued)

22. Operating costs

	2016 RO '000	2015 RO '000
Purchase of electricity (note 28)	166,469	152,902
Transmission use of system charges (note 28)	24,333	23,802
Depreciation	20,955	17,844
Maintenance and repairs expenses	4,220	4,439
Transmission connection charges (note 28)	4,837	4,070
Spares and consumable expenses	892	1,162
Other direct costs	333	357
	<u>222,039</u>	<u>204,576</u>

23. General and administrative expenses

Staff costs (note 24)	12,461	10,878
Commission	4,374	4,099
Service expenses	2,930	3,328
Depreciation	1,822	1,903
Directors remuneration and sitting fees	55	52
Other expenses	752	1,462
	<u>22,394</u>	<u>21,722</u>

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

24. Staff cost

	2016 RO'000	2015 RO'000
Wages and salaries	9,583	8,519
Other allowances and benefits	2,816	2,307
End of service benefits (Note 12)	62	52
	<u>12,461</u>	<u>10,878</u>

MAZOOON ELECTRICITY COMPANY SAOC

33

Notes to the financial statements for the year ended 31 December 2016 (continued)

25. Other income

	2016 RO'000	2015 RO'000
Penalties and fines	1,168	916
Sale of scrap	594	892
Sale of forms and tenders	158	89
Amortization of deferred revenue	422	377
Gain on disposal of property and equipment	65	24
Other income	160	107
	<u>2,567</u>	<u>2,405</u>

26. Finance income / costs

Finance income:		
Interest on bank accounts	68	45
	<u>68</u>	<u>45</u>
Finance costs:		
Interest on bank overdrafts	(90)	(59)
Interest on short-term borrowings	(541)	(2,090)
Interest on term loan	(6,838)	(1,458)
Transaction cost	(629)	(201)
Interest on intercompany (Note 28)	(178)	(144)
Finance charge on leased assets	(47)	-
Bank charges	(95)	(65)
	<u>(8,418)</u>	<u>(4,017)</u>

Interest is earned from current account balances held with banks during the year with interest rates from 0.75% to 0.85% (2015 - 0.75% to 0.85%) per annum.

**Notes to the financial statements
for the year ended 31 December 2016 (continued)**

27. Taxation

Income tax is provided as per the provisions of the “Income Tax Law” in the Sultanate of Oman after adjusting for items which are non-assessable or disallowed. The tax rate applicable to the Company is 12%.

	2016	2015
	RO’000	RO’000
The taxation charge for the year comprises:		
Recognized in profit or loss		
Deferred tax for the current year	3,758	3,008
Deferred tax for the prior year	(2)	(5)
	<u>3,756</u>	<u>3,003</u>
Recognized in statement of financial position		
Provision for current tax	<u>600</u>	<u>600</u>

In the current year after the adjustment of expenses as per tax law, the Company is in tax loss position accordingly no current tax has been recorded in the current year. Deferred tax assets of RO 1.06 million on carry forward tax losses for the current year has not been recognized as management understands that there are remote chances of having taxable income until year 2020 due to higher tax depreciation charge which would result in a lapse of current year carry forward losses

The Company is liable to income tax in accordance with the income tax law of the Sultanate of Oman at the enacted tax rate of 12% on taxable income in excess of RO 30,000.

The following is a reconciliation of income taxes calculated on accounting profits at the applicable tax rate with the income tax expense for the year. The reconciliation of the accounting profit at the applicable rate of 12% (2015 – 12%) after the basic exemption of RO 30,000 with the taxation charge in the financial statements is as follows:

	2016	2015
	RO’000	RO’000
Accounting profit before tax	22,417	29,338
Tax on accounting profit before tax at 12%	2,690	3,521
Add tax effect of:		
Expenses that are not deductible	1	1
Unrecognised deferred tax on tax loss	1,067	(514)
Over provision of deferred tax liability in prior years	(2)	(5)
Tax charge for the year	<u>3,756</u>	<u>3,003</u>

Tax assessments for the years 2013 to 2015 are pending for assessment by 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 2016.

**Notes to the financial statements
for the year ended 31 December 2016 (continued)**

28. Related party transactions

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

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

	2016 RO'000	2015 RO'000
Transactions with related parties under common ownership		
Expenses		
Bulk supply tariff to		
Oman Power and Water Procurement Company SAOC	166,469	152,902
Transmission use of system charges to		
Oman Electricity Transmission Company SAOC	24,333	23,802
Transmission connection charges to		
Oman Electricity Transmission Company SAOC	4,837	4,070
Training expenses to Nama Institute of Competency Development LLC	249	192
Accounting services charges to Electricity Holding Company SAOC	207	177
	<u>196,095</u>	<u>181,143</u>

Key management personnel compensation

Key management personnel are those persons having 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:

	2016 RO'000	2015 RO'000
Short-term employee benefits	933	859
Post-employment benefits	81	76
Directors remuneration and sitting fees	55	52
	<u>1,069</u>	<u>987</u>
Amount due to Holding Company	<u>-</u>	<u>2,808</u>

MAZOOON ELECTRICITY COMPANY SAOC

36

Notes to the financial statements for the year ended 31 December 2016 (continued)

28. Related party transactions (continued)

The year end related party balances are as under:

	2016 RO'000	2015 RO'000
Payable to related parties under common ownership:		
Oman Electricity Transmission Company SAOC	5,537	6,156
Oman Power and Water Procurement Company SAOC	12,513	37,672
Electricity Holding Company SAOC	3,673	1,300
Muscat Electricity Distribution Company SAOC	5	5
Nama Institute of Competency Development LLC	109	280
Majan Electricity Company	6	-
Rural Areas Electricity Company SAOC	123	89
	<u>21,966</u>	<u>45,502</u>
Receivable from related parties under common ownership: (Note 7)		
Oman Electricity Transmission Company SAOC	5	5
Electricity Holding Company SAOC	1	-
Muscat Electricity Distribution Company SAOC	22	28
Rural Areas Electricity Company SAOC	2	2
	<u>30</u>	<u>35</u>

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

29. Proposed dividend

The Board of Directors of the Company at their meeting held on 21 February 2017 have proposed a cash dividend of RO 0.05 per share aggregating RO 7,500,000 on the Company's existing share capital (for the year ended 31 December 2015, dividend of RO 0.05 per share aggregating RO 7,500,000 was proposed and paid as cash dividend during the year). This dividend is subject to the approval of the Company's shareholders in the Annual General Meeting.

30. Commitments and contingencies

	2016 RO'000	2015 RO'000
Capital commitments	54,753	28,019
Letter of guarantee	4,878	4,878

**Notes to the financial statements
for the year ended 31 December 2016 (continued)**

31. Financial risk management

Overview

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

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

Financial risk factors

(a) Market risk

Price risk

The permitted tariff (prices) for the supply and connection of electricity are determined by 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 currency risk

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. The Company is exposed to foreign exchange risk arising from currency exposures primarily with respect to the US Dollar. The Rial Omani is pegged to the US Dollar. Since most of the Company's foreign currency transactions are in US Dollars or other currencies linked to the US Dollar, management believes that exchange rate fluctuations would have an insignificant impact on the Company's pre-tax profit for the year.

Cash flow and fair value interest rate risk

The Company has call deposits which are interest bearing and are exposed to changes in market interest rates. The Company carries out periodic analysis and monitors the market interest rates fluctuations taking into consideration the Company's needs.

At the reporting date the interest rate risk profile of the Company's interest bearing financial instruments were:

	2016	2015
	RO'000	RO'000
Bank overdrafts	1,345	3,237
Short-term borrowings	47,020	-
Finance lease	618	573
Term loan	226,002	199,671
	274,985	203,481

**Notes to the financial statements
for the year ended 31 December 2016 (continued)**

31. Financial risk management (continued)

Financial risk factors (continued)

(a) Market risk (continued)

Cash flow and fair value interest rate risk (continued)

A 1% increase in interest rates at the reporting date would have reduced profit, on an annual basis, by the amounts shown below.

	2016 RO'000	2015 RO'000
Interest expense on bank overdraft	13	32
Interest expense on short-term borrowings	470	-
Interest expense on finance lease	6	6
Interest expense on term loan	2,260	1,997
	<u>2,749</u>	<u>2,035</u>

A 1% decrease in interest rates would have had the equal but opposite effect to the amounts shown above, on the basis that all other variables remain constant.

The Company does not account for any fixed rate financial instrument at fair value, therefore a change in interest rate at the reporting date will not affect the profit or loss and other comprehensive income.

The bank borrowings are at fixed interest rate except for the USD denominated portion of the term loan. These borrowings are carried at amortised cost.

(b) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding from an adequate amount of committed credit facilities. The management maintains flexibility in funding by maintaining availability under committed credit lines.

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.

**Notes to the financial statements
for the year ended 31 December 2016 (continued)**

31. Financial risk management (continued)

Financial risk factors (continued)

(b) Liquidity risk (continued)

Balances due within twelve months equal their gross balance.

31 December 2016	Gross amount RO '000	Less than 1 month RO '000	1 - 3 months RO '000	3 -12 months RO '000	1 - 10 years RO '000
Non-interest bearing:					
Trade and other payables	95,065	-	95,065	-	-
Amount due to related parties	21,966	-	21,966	-	-
Interest bearing:					
Term loan	230,832	240	4,804	14,412	211,376
Short-term borrowings	47,020	10,010	-	37,010	-
Finance lease	726	13	27	121	565
Bank overdrafts	1,345	1,345	-	-	-
	<u>396,954</u>	<u>11,608</u>	<u>121,862</u>	<u>51,543</u>	<u>211,941</u>
31 December 2015					
Non-interest bearing:					
Trade and other payables	62,191	-	62,191	-	-
Amount due to related parties	45,502	-	45,502	-	-
Amounts due to Holding Company	2,808	-	-	2,808	-
Interest bearing:					
Term loan	205,130	-	-	8,205	196,925
Finance lease	693	11	22	98	562
Bank overdrafts	3,237	3,237	-	-	-
	<u>319,561</u>	<u>3,248</u>	<u>107,715</u>	<u>11,111</u>	<u>197,487</u>

(c) 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, bank deposits and bank balances.

**Notes to the financial statements
for the year ended 31 December 2016 (continued)**

31. Financial risk management (continued)

Financial risk factors (continued)

(c) Credit risk (continued)

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. 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:

	2016	2015
	RO'000	RO'000
Government customers	11,168	10,073
Private customers	33,348	31,472
	44,516	41,545

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

31 December 2016	Gross	Impairment	Not
	RO '000	RO '000	impaired
			RO '000
Not past due	11,445	-	11,445
Less than 1 month	4,952	-	4,952
1 month to 3 months	11,223	-	11,223
3 months to 1 year	11,369	-	11,369
1 year to 2 years	3,338	1,662	1,676
More than 2 years	2,189	1,086	1,103
	44,516	2,748	41,768
31 December 2015			
Not past due	9,136	-	9,136
Less than 1 month	8,110	-	8,110
1 month to 3 months	10,420	-	10,420
3 months to 1 year	7,542	-	7,542
1 year to 2 years	3,990	954	3,036
More than 2 years	2,347	1,990	357
	41,545	2,944	38,601

**Notes to the financial statements
for the year ended 31 December 2016 (continued)**

31. Financial risk management (continued)

Financial risk factors (continued)

(c) Credit risk (continued)

Bank balances

The Company's bank accounts are placed with reputed financial institutions with a minimum credit rating of P-2 as per Moody's Investors Service ratings.

Bank ratings	2016 RO'000	2015 RO'000
Bank Muscat SAOG	9,852	834
National Bank of Oman SAOG	380	11
Ahli Bank SAOG	1	195
HSBC Bank Oman SAOG	2	2
	<u>10,235</u>	<u>1,042</u>

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

	2016 RO'000	2015 RO'000
Trade receivables	44,516	41,545
Other receivables	425	403
Amount due from related parties	30	35
Cash at bank	10,235	1,042
	<u>55,206</u>	<u>43,025</u>

Categories of financial instruments

Financial assets		
Cash at bank and in hand	10,255	1,062
Loans and receivable at amortised cost		
Trade receivables	44,516	41,545
Due from related parties	30	35
Other receivables	425	403
	<u>44,971</u>	<u>41,983</u>

**Notes to the financial statements
for the year ended 31 December 2016 (continued)**

31. Financial risk management (continued)

Financial risk factors (continued)

(c) Credit risk (continued)

Financial Liabilities

Financial liabilities held at amortised cost	2016	2015
	RO'000	RO'000
Term loan	226,002	199,671
Short term loan	47,020	-
Amount due to related parties	21,966	45,502
Amount due to holding company	-	2,808
Bank overdraft	1,345	3,237
Trade and other payables	95,065	62,191
	391,398	313,409

32. Fair value of assets and liabilities

The carrying amounts of financial assets and liabilities with a maturity of less than one year are assumed to approximate to their fair values.

33. Capital 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 and retained earnings. The Company is not subject to external imposed capital requirements.

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.

Other than the requirements of the Commercial Companies Law of 1974, as amended, the Company is subject to externally imposed capital requirements under the "Dual currency term facility agreement" with lender which require the company to have a target debt-equity gearing ratio not exceeding 233.33% for debt. The gearing ratio at 31 December 2016 of 105.48% is below the target.

**Notes to the financial statements
for the year ended 31 December 2016 (continued)**

33. Capital management (continued)

Gearing ratio

Gearing ratio at the end of the reporting period was as follows:

	2016	2015
	RO '000	RO '000
Debt	273,640	202,908
Bank overdrafts	1,345	3,237
Cash and bank balances	(10,255)	(1,062)
	<hr/>	<hr/>
Net debt	264,730	205,103
	<hr/>	<hr/>
Equity	250,954	239,793
	<hr/>	<hr/>
Net debt to equity ratio	105.48%	85.53%
	<hr/>	<hr/>

34. Approval of financial statements

The financial statements were approved by the Board and authorized for issue on 21 February 2017.

**MAZOOON ELECTRICITY
COMPANY SAOC**

**Report and financial statements
for the year ended 31 December 2015**

MAZOOON ELECTRICITY COMPANY SAOC

Report and financial statements for the year ended 31 December 2015

	Pages
Independent auditor's report	1 - 2
Statement of financial position	3
Statement of profit or loss and other comprehensive income	4
Statement of changes in equity	5
Statement of cash flows	6
Notes to the financial statements	7 - 41

Independent auditor's report to the shareholders of Mazoon Electricity Company SAOC

1

Report on the financial statements

We have audited the accompanying financial statements of **Mazoon Electricity Company SAOC** (the "Company") which comprise the statement of financial position as at 31 December 2015, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 3 to 41.

Board of Director's responsibility for the financial statements

The Board of Directors (the "Board") is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the Commercial Companies Law of 1974 of Sultanate of Oman, as amended and for such internal control as the Board determines, is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Independent auditor's report
to the shareholders of
Mazoon Electricity Company SAOC (continued)**

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the **Mazoon Electricity Company SAOC** as of 31 December 2015 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements

Also, in our opinion the financial statements comply, in all material aspects, with the relevant disclosure requirements of the Commercial Companies Law of 1974 of Sultanate of Oman, as amended.

Deloitte 

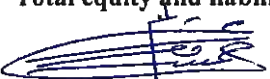
Deloitte & Touche (M.E.) & Co. LLC
Muscat, Sultanate of Oman
1 March 2016

MAZOOON ELECTRICITY COMPANY SAOC

3

Statement of financial position at 31 December 2015

	Notes	2015 RO '000	2014 RO '000
ASSETS			
Non-current assets			
Property, plant and equipment	5	520,688	444,735
Current assets			
Inventories	6	4,473	4,386
Government subsidy receivable		24,694	
Trade and other receivables	7	40,613	31,133
Cash and cash equivalents	8	1,062	2,432
Total current assets		70,842	37,951
Total assets		591,530	482,686
EQUITY			
Capital and reserves			
Share capital	9	150,000	500
Legal reserve	10	50,000	167
General reserve	11	5,517	250
Retained earnings		34,276	64,541
Shareholder's funds	12	-	105,896
Total equity		239,793	171,354
LIABILITIES			
Non-current liabilities			
Amounts due to Holding Company	13	-	46,413
Provisions	14	1,615	1,645
Finance lease - non-current portion	22	463	-
Term loan - non-current portion	21	192,237	-
Deferred tax liability	15	19,257	16,254
Deferred revenue - non-current portion	16	15,269	12,573
Total non-current liabilities		228,841	76,885
Current liabilities			
Trade and other payables	17	107,693	63,762
Provision for current tax	29	600	600
Other current liabilities	18	225	5,247
Bank overdrafts	19	3,237	1,854
Short-term borrowings	20	-	162,000
Finance lease - current portion	22	110	-
Term loan - current portion	21	7,434	-
Amounts due to Holding Company	13	2,808	-
Deferred revenue - current portion	16	403	376
Provisions	14	386	608
Total current liabilities		122,896	234,447
Total liabilities		351,737	311,332
Total equity and liabilities		591,530	482,686


Omar Ahmed Salim Qatan
Chairman


Sunil Anant Raykar
Director


Zahir Abdullah Al Abri
Chief Executive Officer

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

MAZOOON ELECTRICITY COMPANY SAOC

4

Statement of profit or loss and other comprehensive income for the year ended 31 December 2015

	Notes	2015 RO'000	2014 RO'000
Revenue	23	257,203	197,097
Operating costs	24	(204,576)	(156,468)
Gross profit		52,627	40,629
General and administrative expenses	25	(21,722)	(22,640)
Other income	27	2,405	1,156
Profit from operations		33,310	19,145
Finance income	28	45	8
Finance costs	28	(4,017)	(2,160)
Profit before tax		29,338	16,993
Taxation	29	(3,003)	(3,398)
Profit for the year and total comprehensive		26,335	13,595

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

MAZOOON ELECTRICITY COMPANY SAOC

Statement of changes in equity for the year ended 31 December 2015

	Share capital RO'000	Statutory reserve RO'000	General reserve RO'000	Retained earnings RO'000	Shareholder's funds RO'000	Total RO'000
At 1 January 2014	500	167	250	52,246	105,896	159,059
Profit for the year and total comprehensive income	-	-	-	13,595	-	13,595
Dividend paid (note 31)	-	-	-	(1,300)	-	(1,300)
At 1 January 2015	500	167	250	64,541	105,896	171,354
Increase in share capital	149,500	-	-	-	(105,896)	43,604
Profit for the year and total comprehensive income	-	-	-	26,335	-	26,335
Transfer to general reserves (note 11)	-	-	5,267	(5,267)	-	-
Transfer to legal reserve (note 10)	-	49,833	-	(49,833)	-	-
Dividend paid (note 31)	-	-	-	(1,500)	-	(1,500)
At 31 December 2015	150,000	50,000	5,517	34,276	-	239,793

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

MAZOOON ELECTRICITY COMPANY SAOC

6

Statement of cash flows for the year ended 31 December 2015

	2015 RO'000	2014 RO'000
Cash flows from operating activities		
Profit before tax	29,338	16,993
Adjustments for:		
Depreciation on property, plant and equipment	19,747	18,686
Gain on disposal of property plant and equipment	(24)	(5)
Provision for inventory obsolescence - net	2	13
Allowance for doubtful debts	564	614
Provision for employee benefits - net	(252)	169
Interest expense	3,952	2,098
Deferred revenue amortised	(377)	(326)
Operating cash flows before changes in working capital	52,950	38,242
Working capital changes due to:		
Inventories	(89)	(1,109)
Government subsidy receivable	(24,694)	-
Trade and other receivables	(10,044)	(5,798)
Trade and other payables	43,827	8,801
Other current liabilities	(5,022)	(3,502)
Net cash from operating activities	56,928	36,634
Cash flows from investing activities		
Purchase of property, plant and equipment	(95,739)	(98,749)
Proceeds from disposal of property, plant and equipment	63	11
Deferred revenue	3,100	1,700
Net cash used in investing activities	(92,576)	(97,038)
Cash flows from financing activities		
Net movement in short- term borrowings	(162,000)	72,000
Net movement in term loan	199,671	-
Finance lease	573	-
Bank overdraft	1,383	(5,789)
Interest paid	(3,849)	(2,098)
Dividends paid	(1,500)	(1,300)
Net cash from financing activities	34,278	62,813
Net change in cash and cash equivalents	(1,370)	2,409
Cash and cash equivalents at the beginning of the year	2,432	23
Cash and cash equivalents at the end of the year (Note 8)	1,062	2,432

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

Notes to the financial statements for the year ended 31 December 2015

1. General

Mazoon Electricity Company SAOC (the "Company") is a closely held Omani joint stock company registered under the Commercial Companies Law of Oman. The establishment and operations of the Company are governed by the provisions of the Law for the Regulation and Privatisation of the Electricity and Related Water Sector (the Sector Law) promulgated by Royal Decree 78/2004.

The Company is primarily undertaking regulated distribution and supply of electricity in the South Batinah, Dakhliyah, North Sharqiyah and South Sharqiyah governorates of Oman 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.

Mazoon Electricity Company SAOC is a 99.99% subsidiary of the Electricity Holding Company SAOC (EHC or the Holding Company); a Company registered in the Sultanate of Oman and 0.01% is held by the Ministry of Finance (MOF), of the Government of Sultanate of Oman.

**Notes to the financial statements
for the year ended 31 December 2015 (continued)**

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

2.1 New and revised IFRSs applied with no material effect on the combined financial statements

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2015, have been adopted in these financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- Annual Improvements to IFRSs 2010 - 2012 Cycle that includes amendments to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38.
- Annual Improvements to IFRSs 2011 - 2013 Cycle that includes amendments to IFRS 1, IFRS 3, IFRS 13 and IAS 40.
- Amendments to IAS 19 *Employee Benefits* to clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service.

2.2 New and revised IFRS in issue but not yet effective

The Company has not yet applied the following new and revised IFRSs that have been issued but are not yet effective:

New and revised IFRSs	Effective for annual periods beginning on or after
IFRS 14 Regulatory Deferral Accounts	1 January 2016
Amendments to IAS 1 <i>Presentation of Financial Statements</i> relating to Disclosure initiative	1 January 2016
Amendments to IFRS 11 <i>Joint arrangements</i> relating to accounting for acquisitions of interests in joint operations	1 January 2016
Amendments to IAS 16 <i>Property, Plant and Equipment</i> and IAS 38 <i>Intangible Assets</i> relating to clarification of acceptable methods of depreciation and amortisation	1 January 2016
Amendments to IAS 16 <i>Property, Plant and Equipment</i> and IAS 41 <i>Agriculture</i> relating to bearer plants	1 January 2016
Amendments to IAS 27 <i>Separate Financial Statements</i> relating to accounting investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements	1 January 2016

**Notes to the financial statements
for the year ended 31 December 2015 (continued)**

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

2.2 New and revised IFRS in issue but not yet effective (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IFRS 10 <i>Consolidated Financial Statements</i> , IFRS 12 <i>Disclosure of Interests in Other Entities</i> and IAS 28 <i>Investment in Associates and Joint Ventures</i> relating to applying the consolidation exception for investment entities	1 January 2016
Annual Improvements to IFRSs 2012 - 2014 Cycle covering amendments to IFRS 5, IFRS 7, IAS 19 and IAS 34	1 January 2016
IFRS 9 <i>Financial Instruments</i> (revised versions in 2009, 2010, 2013 and 2014) IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments. A finalised version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 <i>Financial Instruments: Recognition and Measurement</i> . The standard contains requirements in the following areas: <ul style="list-style-type: none"> • Classification and measurement: Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk. • Impairment: The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised • Hedge accounting: Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures. • Derecognition: The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39. 	1 January 2018
Amendments to IFRS 7 <i>Financial Instruments: Disclosures</i> relating to disclosures about the initial application of IFRS 9	When IFRS 9 is first applied
IFRS 7 <i>Financial Instruments: Disclosures</i> relating to the additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9	When IFRS 9 is first applied

**Notes to the financial statements
for the year ended 31 December 2015 (continued)**

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

2.2 New and revised IFRS in issue but not yet effective (continued)

New and revised IFRSs

**Effective for annual periods
beginning on or after**

IFRS 15 Revenue from Contracts with Customers

1 January 2018

In May 2014, IFRS 15 was issued which established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

IFRS 16 Leases

1 January 2019

IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. 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 has 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.

Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture

Effective date deferred
indefinitely

**Notes to the financial statements
for the year ended 31 December 2015 (continued)****2. Adoption of new and revised International Financial Reporting Standards (IFRS) (continued)**

The Board anticipates that these new and revised standards, interpretations and amendments will be adopted in the Company's financial statements for the year beginning 1 January 2016 or as and when they are applicable and adoption of these new standards, interpretations and amendments, except for IFRS 9, IFRS 15 and IFRS 16, may have no material impact on the financial statements of the Company in the period of initial application.

The Board anticipates that IFRS 15 and IFRS 9 will be adopted in the Company's financial statements for the annual year beginning 1 January 2018 and IFRS 16 will be adopted annual year beginning 1 January 2019. The application of IFRS 15, IFRS 9 and IFRS 16 may have significant impact on amounts reported and disclosures made in the Company's financial statements in respect of revenue from contracts with customers and the Company's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of effects of the application of these standards until the Company performs a detailed review.

3. Summary of significant accounting policies**Statement of compliance**

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

Basis of preparation

These financial statements are prepared on the historical cost basis except the finance lease payable which are valued at amortised cost and certain financial instruments initially measured at fair value.

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 4.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for leasing transactions that are within the scope of IAS 17 and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2.

**Notes to the financial statements
for the year ended 31 December 2015 (continued)**

3. Summary of significant accounting policies (continued)

Basis of preparation (continued)

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.

As at 31 December 2015, the Company's current liabilities exceeded its current assets by RO 52.054 million (2014: RO 196.496 million). The Holding Company has confirmed that it will provide the necessary financial support to enable the Company to continue to operate as a going concern for the foreseeable future and to discharge its liabilities to other parties, as they fall due. Accordingly the financial statements are prepared on a going concern basis.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any identified impairment loss. Borrowing costs which are directly attributable to the acquisition of items of property, plant and equipment, are capitalised.

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:

Assets	Years
Buildings	30
Electricity distribution works	25 - 50
Substations, lines and cables	25 - 50
Other plant and machinery	20 - 50
Furniture, fixtures and vehicles	5 - 7
Plant spares	20

**Notes to the financial statements
for the year ended 31 December 2015 (continued)****3. Summary of significant accounting policies (continued)****Property, plant and equipment (continued)***Capital 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 policies of the Company.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gains or losses arising on the disposal or retirement of property, plant and equipment are determined as the difference between the sales proceeds and their carrying amounts and are recognized in the profit or loss.

Financial instruments

Financial assets and financial liabilities are recognised on the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Non-derivative financial instruments

Non-derivative financial instruments comprise, trade and other receivables, receivables from related parties, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs.

Subsequent to initial recognition, non-derivative financial instruments are measured at amortised cost using the effective interest rate method, less any impairment losses.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and paid or received that form an integral part of the effective interest rate, transactions costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognized on an effective interest basis for debt instruments other than those financial assets classified at fair value at profit or loss.

**Notes to the financial statements
for the year ended 31 December 2015 (continued)****3. Summary of significant accounting policies (continued)****Trade and other receivables**

Trade and other receivables are initially recognised at fair value and subsequently are stated at amortised cost using the effective interest rate method less impairment losses. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the statement of profit or loss and other comprehensive income within "General and administrative expenses". Subsequent recoveries of amounts previously written off are credited against general and administrative expenses in the statement of profit or loss and other comprehensive income.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amount of cash, which are subject to an insignificant risk of changes in value and have maturity of three months or less at the date of acquisition.

Financial liabilities

Financial liabilities are subsequently measured at amortised cost using the effective interest method.

Trade and other payables

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

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

Finance lease

Assets held under finance leases are initially recognised as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss.

**Notes to the financial statements
for the year ended 31 December 2015 (continued)**

3. Summary of significant accounting policies (continued)

Impairment

Financial assets

Financial assets are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For financial assets, objective evidence of impairment could include:

- significant financial difficulty of the counterparty;
- default or delinquency in payments; or
- it becomes probable that the borrower will enter bankruptcy or financial reorganisation.

Certain categories of financial assets, such as trade receivables that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis.

Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period as well as observable changes in national or local economic conditions that correlate with default on receivables.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of a provision account.

When a trade receivable is considered uncollectible, it is directly written off after obtaining appropriate approvals. Subsequent recoveries of amounts previously written off are credited to the statement of profit or loss and other comprehensive income.

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 periods 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. For the purposes of assessing impairment, assets are grouped at the lowest levels for which are separately identifiable cash flows (cash generating units).

**Notes to the financial statements
for the year ended 31 December 2015 (continued)****3. Summary of significant accounting policies (continued)****Inventories**

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

Borrowing costs

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

All other borrowing costs are recognised in the statement of profit or loss and other comprehensive income in the year in which they are incurred.

Employee benefits

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

Liabilities recognised in respect of employee benefits are measured at their nominal value using the current remuneration.

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

End of service 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.

**Notes to the financial statements
for the year ended 31 December 2015 (continued)****3. Summary of significant accounting policies (continued)****Provisions**

Provisions are recognised in the statement of financial position when the Company has a legal or constructive obligation as a result of a past event and it is probable that it will result in an outflow of economic benefit that can be reliably estimated.

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

The amount are recognised in the statement of financial position when the Company has a legal or constructive obligation as a result of a past event and it is probable that it will result in an outflow of economic benefit that can be reliably estimated.

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 years.

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

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

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

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

**Notes to the financial statements
for the year ended 31 December 2015 (continued)****3. Summary of significant accounting policies (continued)****Government subsidy**

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

Government grants

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

Government grants relating to costs are deferred and recognised in the statement of profit or loss and other comprehensive income 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 statement of profit or loss and other comprehensive income on a straight line basis over the expected useful lives of related assets.

Revenue

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, revenue recognised in respect to customer contributed assets in accordance with IFRIC 18 and other electricity related revenue. 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).

Other income includes meter connection fees, tender fees, fines and application of deferred revenue on customer contributions and is accounted on an accrual basis.

Customer contributions

Effective from 1 July 2009, the Company has adopted IFRIC 18, whereby customer contributions towards the cost of property, plant and equipment have been recognised in the statement of profit or loss and other comprehensive income in accordance with the provisions of IFRIC 18.

Operating costs*Electricity purchases*

The bulk supply tariff represents the purchase cost of electricity from Oman Power and Water Procurement Company SAOC, a related party.

Transmission use of system charges

The transmission use of system charges represent the charges payable to Oman Electricity Transmission Company SAOC, a related party, for the transmission of electricity generated by the generation companies into the Company's distribution network.

**Notes to the financial statements
for the year ended 31 December 2015 (continued)****3. Summary of significant accounting policies (continued)****Operating costs (continued)***Transmission connection charges*

The transmission connection charges represent the charges payable to Oman Electricity Transmission Company SAOC, a related party, for connections to the transmission system to cover the capital cost of the connection assets and ancillary assets and the ongoing cost of maintaining the connection assets. Such assets are single user assets, solely required to connect an individual user to the transmission system, which are not and would not normally be used by any other connected party.

Finance income and costs

Finance income and costs are accounted for on accrual basis.

All interest and other costs incurred in connection with borrowings are expensed as incurred, as part of financing costs and are accounted for on accrual basis, except that the interest costs incurred on borrowings specifically undertaken to finance the construction of qualifying assets, are capitalised along with the cost of the asset during the construction period.

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 year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss and other comprehensive income as they arise.

**Notes to the financial statements
for the year ended 31 December 2015 (continued)****4. Critical accounting judgments and key sources of estimation uncertainty**

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

Depreciation

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

Allowance for doubtful debts

Allowance for doubtful debts is based on management's best estimates of recoverability of the amounts due along with the number of days for which such debts are outstanding.

Provision for inventory obsolescence

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

Taxation

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

Revenue recognition

Due to the various reasons, 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 impact to the extent of such differences.

MAZOON ELECTRICITY COMPANY SAOC

**Notes to the financial statements
for the year ended 31 December 2015 (continued)**

5. Property, plant and equipment

	Buildings on leasehold land RO '000	Electricity distribution works RO '000	Lines and cables RO '000	Substation assets RO '000	Other plant and machinery RO '000	Furniture, fixtures and vehicles RO '000	Plant spares RO '000	Finance lease assets RO '000	Capital work-in- progress RO '000	Total RO '000
Cost										
1 January 2014	17,299	223,576	115,904	40,961	12,079	7,165	2,745	-	30,811	450,540
Additions	-	-	-	-	-	2,468	2,650	-	93,631	98,749
Transfers	2,416	38,210	19,606	10,454	12,472	-	(2,915)	-	(80,243)	-
Disposals	-	-	-	-	-	(20)	-	-	-	(20)
1 January 2015	19,715	261,786	135,510	51,415	24,551	9,613	2,480	-	44,199	549,269
Additions	-	-	-	-	-	1,557	1,904	573	91,705	95,739
Transfers	201	35,337	8,980	9,161	2,233	-	(1,981)	-	(53,931)	-
Disposals	-	-	-	-	-	(244)	-	-	-	(244)
31 December 2015	19,916	297,123	144,490	60,576	26,784	10,926	2,403	573	81,973	644,764

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

MAZOON ELECTRICITY COMPANY SAOC

**Notes to the financial statements
for the year ended 31 December 2015 (continued)**

5. Property, plant and equipment (continued)

	Buildings on leasehold land RO '000	Electricity distribution works RO '000	Lines and cables RO '000	Substatio n assets RO '000	Other plant and machinery RO '000	Furniture, fixtures and vehicles RO '000	Plant spares RO '000	Finance lease assets RO '000	Capital work-in- progress RO '000	Total RO '000
Depreciation										
1 January 2014	1,949	54,602	11,234	11,078	2,839	3,854	306	-	-	85,862
Charge for the year	627	11,049	2,976	1,723	723	1,442	146	-	-	18,686
Transfers	-	-	-	-	115	-	(115)	-	-	-
Disposals	-	-	-	-	-	(14)	-	-	-	(14)
1 January 2015	2,576	65,651	14,210	12,801	3,677	5,282	337	-	-	104,534
Charge for the year	662	10,693	3,267	2,013	1,210	1,758	144	-	-	19,747
Transfers	-	-	-	-	102	-	(102)	-	-	-
Disposals	-	-	-	-	-	(205)	-	-	-	(205)
31 December 2015	3,238	76,344	17,477	14,814	4,989	6,835	379	-	-	124,076
Net book value										
31 December 2015	16,678	220,779	127,013	45,762	21,795	4,091	2,025	573	81,973	520,688
31 December 2014	17,139	196,135	121,300	38,614	20,874	4,331	2,143	-	44,199	444,735

**Notes to the financial statements
for the year ended 31 December 2015 (continued)**

6. Inventories

	2015	2014
	RO'000	RO'000
Spares and consumables	4,534	4,445
Provision for inventory obsolescence	(61)	(59)
	4,473	4,386

Movement in provision for inventory obsolescence

At beginning of the year	59	46
Provision during the year	2	44
Written-off during the year	-	(31)
At end of the year	61	59

7. Trade and other receivables

Amounts due from private customers	31,472	24,031
Amounts due from Government customers	10,073	7,488
Allowance for doubtful debts	(2,944)	(2,380)
Net trade receivables	38,601	29,139
Amounts due from related parties (Note 30)	35	38
Prepayments	626	576
Receivable from Government	538	1,005
Other receivables	813	375
	40,613	31,133

Movement in allowance for doubtful debts

At beginning of the year	2,380	1,766
Provision for the year	564	614
At end of the year	2,944	2,380

The allowance for doubtful debts relates to government and private customers.

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

MAZOOON ELECTRICITY COMPANY SAOC

24

Notes to the financial statements for the year ended 31 December 2015 (continued)

8. Cash and cash equivalents

	2015 RO'000	2014 RO'000
Cash at bank	1,042	2,412
Cash on hand	20	20
	<u>1,062</u>	<u>2,432</u>

9. Share capital

Pursuant to the decision of Company's Extraordinary General meeting dated 12 August 2015 regarding capital restructuring of the company and the BOD resolution passed, the Share Capital of the Company was increased from RO 500,000 to RO 150,000,000.

The Company's authorised, issued and paid-up capital consists of 150,000,000 shares of RO 1 each. The details of the shareholders are as follows:

	Percentage of shareholding		Number of shares issued	
	2015 %	2014 %	2015	2014
Electricity Holding Company SAOC	99.99	99.99	149,985,000	499,950
Ministry of Finance	0.01	0.01	15,000	50
	<u>100.00</u>	<u>100.00</u>	<u>150,000,000</u>	<u>500,000</u>

10. Legal reserve

Article 106 of the Commercial Companies Law of 1974, as amended requires that 10% of a Company's net profit be transferred to a non-distributable legal reserve until the amount of the legal reserve becomes equal to at least one-third of the Company's paid-up share capital. At 31 December 2015, legal reserve was equivalent to one-third of the Company's share capital and hence no further transfer from the current year profit was made during the year.

Pursuant to the decision of Company's Extraordinary General meeting dated 12 August 2015 regarding capital restructuring of the company and the Board of Directors resolution passed increasing the Share Capital of the Company (from RO 500,000 to RO 150,000,000), the legal reserve of the company were increased to RO 50,000,000 by transferring required amount of RO 49.833 million from the retained earnings.

**Notes to the financial statements
for the year ended 31 December 2015 (continued)**

11. 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.

12. Shareholder's funds

Following the implementation of a decision of the Sector Law and in accordance with the transfer scheme, Electricity Holding Company SAOC 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 is represented in the books as shareholder's funds

Pursuant to the decision of Company's Extraordinary General meeting dated 12 August 2015 regarding capital restructuring of the company and the Board of Directors resolution passed increasing the Share Capital of the Company (from RO 500,000 to RO 150,000,000), the balance amount in shareholder's funds of RO 105,895,781 is transferred from shareholder's fund and converted to Paid up capital.

13. Amounts due to Holding Company

Amounts due to Holding Company, represent the interest free loans provided to the Company for capital expenditure. The loans are unsecured. It is, therefore, impracticable to determine the fair value of the loan and is carried at cost.

Pursuant to the decision of Company's Extraordinary General meeting dated 12 August 2015 regarding capital restructuring of the company and the Board of Directors resolution passed increasing the Share Capital of the Company (from RO 500,000 to RO 150,000,000), an amount of RO 43,604,219 was transferred from amount due to Holding Company and converted to paid-up capital.

14. Provisions

	2015 RO'000	2014 RO'000
Non-current		
Provision for employee benefits – gratuity	1,615	1,645
Current		
Provision for employee benefits - leave encashment	386	608

**Notes to the financial statements
for the year ended 31 December 2015 (continued)**

14. Provisions (continued)

Movement in provision for employee benefits - gratuity

	2015 RO'000	2014 RO'000
At beginning of the year	1,645	1,608
Charge for the year	52	102
Payment during the year	(82)	(65)
	<u>1,615</u>	<u>1,645</u>

Movement in provision employee benefits - Leave encashment

At beginning of the year	608	476
Charge during the year	117	256
Payment during the year	(339)	(124)
	<u>386</u>	<u>608</u>

15. Deferred tax liability

Deferred income taxes are calculated on all temporary differences under the balance sheet liability method using a principal tax rate of 12%. The net deferred tax liability 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:

2015	1 January RO'000	Recognized in income RO'000	31 December RO'000
Assets			
Provision for inventory obsolescence	(7)	-	(7)
Allowance for doubtful debts	(286)	(68)	(354)
Usufruct accruals	(269)	(29)	(298)
	<u>(562)</u>	<u>(97)</u>	<u>(659)</u>
Liability			
Accelerated tax depreciation	16,816	3,100	19,916
	<u>16,254</u>	<u>3,003</u>	<u>19,257</u>

The Company has not recognized deferred tax assets in respect of unused tax losses as there is uncertainty of future taxable profit.

**Notes to the financial statements
for the year ended 31 December 2015 (continued)**

15. Deferred tax liability (continued)

2014	1 January RO'000	Recognized in income RO'000	31 December RO'000
Assets			
Provision for inventory obsolescence	(6)	(1)	(7)
Allowance for doubtful debts	(212)	(74)	(286)
Usufruct accruals	(240)	(29)	(269)
	<u>(458)</u>	<u>(104)</u>	<u>(562)</u>
Liability			
Accelerated tax depreciation	13,864	2,952	16,816
	<u>13,406</u>	<u>2,848</u>	<u>16,254</u>

16. Deferred revenue

Deferred revenue represents Government project funding towards the cost of property, plant and equipment and customer contributed assets before 1 July 2009. These contributions are deferred over the life of the relevant property, plant and equipment. From 1 July 2009 customer contributions other than assets funded by government for the use of the public at large are recognised in accordance with IFRIC 18 'Transfers of assets from customers' and are not deferred.

	2015 RO '000	2014 RO '000
Non-current		
Deferred revenue	<u>15,269</u>	<u>12,573</u>
Current		
Deferred revenue	<u>403</u>	<u>376</u>

17. Trade and other payables

Accruals for capital projects	47,806	28,627
Amount due to related parties (Note 30)	45,502	9,183
Accruals and other payables	10,971	14,828
Trade payable	3,414	11,064
Payable to Government	-	60
	<u>107,693</u>	<u>63,762</u>

**Notes to the financial statements
for the year ended 31 December 2015 (continued)**

18. Other current liabilities

Other current liabilities represent revenue in excess of maximum allowed as per price control formula deferred to the subsequent year.

19. Bank overdrafts

The Company has credit facilities with Bank Muscat SAOG including overdrafts to finance the Company's working capital requirements and to support its other operational requirements. Bank overdrafts are repayable on demand and carry interest at commercial rates.

During the year, the Company had availed a working capital facility (overdraft and revolving short term loan) from Ahli Bank SAOG for an amount of RO 10 million. The limit of RO 10 million is interchangeable between overdraft and revolving short term loan upon a condition that the combined utilisation of both the facilities not to exceed RO 10 million at any point of time. The facility carry interest rate at the rate of 0.75% to 2.75% (2014: 0.75% to 2.75%) per annum.

20. Short-term borrowings

	2015 RO'000	2014 RO'000
Short-term borrowings	-	162,000

The carrying amount of the Company's short-term borrowings is denominated in Rial Omani. A loan facility agreement has been entered into with Bank Muscat SAOG on 26 June 2011 for a period ending 30 June 2012 and later extended to 30 September 2015. The interest rate of this credit facility was 1.7 % (2014: 1.7%) per annum. Borrowings were secured against letter of comfort given by the Electricity Holding Company. The term loan was repaid as a bullet payment on 28 September 2015 and the prior year balance was RO 70 million.

The Company had entered into a financing agreement originally dated 24 June 2012 with consortium comprising of National Bank of Oman SAOG, Oman Arab Bank SAOC, Ahli Bank, HSBC Bank Oman SAOG and Arab Banking Corporation amounting to RO 20 million. During the year, the expiry date was extended to 30 September 2015. Through an amended and restated term facility agreement dated 2 December 2014 the facility was enhanced by RO 80 million and the composition of the consortium was changed to National Bank of Oman SAOG, Oman Arab Bank SAOC, Ahli Bank, HSBC Bank Oman SAOG, Arab Banking Corporation and Bank Dhofar SAOG, by including Bank Dhofar also in the consortium. These finances carried mark-up at the rate of 1.7% (2014: 1.7%) per annum payable on the last day of each third month over a period of one year. The term loan was repaid as a bullet payment on 29 September 2015 and the prior year balance was RO 60 million.

20. Short-term borrowings (continued)

**Notes to the financial statements
for the year ended 31 December 2015 (continued)**

The Company had entered into a dual currency term facility agreement with consortium comprising of First Gulf Bank PJSC, BBK BSC, Gulf International Bank BSC, Arab Banking Corporation BSC, Ahli Bank SAOG and HSBC Bank Oman SAOG as original lenders, with National Bank of Oman SAOG acting as Agent, for an amount equivalent to RO 32 million. The finances carry mark-up at the rate of 1.7% per annum payable on the last day of each third month over a period of one year, whereas the principal was repayable as a bullet payment on 5 January 2015 and was extended until 30 September 2015. The term loan was repaid as a bullet payment on 29 September 2015 and the prior year balance was RO 32 million.

21. Term loan

During the year 2015, the Company entered into a Dual Currency Term Loan Facility Agreement with a consortium of Lenders, with Ahli Bank acting as Facility Agent and Account bank, for an amount of RO 240 Million, for a period of 11 years as follows:

- RO 117 million, at 3.5 percent fixed interest per annum for a period of 5 years from the date of first utilization of the RO tranche of the Term Loan, thereafter interest to be reviewed annually. The first quarterly installment repayment will on 30 September 2016.
- USD 320 million (equivalent to RO 123 million), at fixed interest equivalent to 3 month LIBOR plus a margin of 2 percent per annum for a period of 11 years from the date of first utilization. The first quarterly installment repayment will be due on 30 September 2016.
- Upfront fee of 1%, flat on the amount of the term loan, paid from the proceeds of first utilization of the term loan.

	2015	2014
	RO '000	RO '000
Long-term loan	205,130	-
Less: unamortized transaction cost	(5,459)	-
	<hr/>	<hr/>
Carrying value of long term loan	199,671	-
	<hr/> <hr/>	<hr/> <hr/>
Total transaction cost	5,660	-
Less: amortized transaction cost during the year	(201)	-
	<hr/>	<hr/>
Unamortized transaction cost	5,459	-
	<hr/> <hr/>	<hr/> <hr/>
Term loan - current portion	8,205	-
Less: unamortized transaction cost	(771)	-
	<hr/>	<hr/>
	7,434	-
	<hr/> <hr/>	<hr/> <hr/>

Notes to the financial statements
for the year ended 31 December 2015 (continued)

21. Term loan

	2015 RO '000	2014 RO '000
Term loan – non - current portion	196,925	-
Less: unamortized transaction cost	(4,688)	-
	<u>192,237</u>	<u>-</u>

22. Finance lease

During the year, the Company entered into finance lease arrangement. The Company's obligations under these finance leases are secured by a contractual agreement from the lessor to transfer the vehicle, in the name of the Company at the end of the Lease period of 6 years. The facilities carry interest that range from 3.5% per annum on reducing balance method and is repayable in monthly installments over 6 years. Amounts due within a year from the end of reporting period are disclosed as a current liability.

	Minimum lease payments		Present value of minimum lease payments	
	2015 RO '000	2014 RO '000	2015 RO '000	2014 RO '000
Not later than one year	114	-	110	-
Later than one year and not later than five years	520	-	463	-
	<u>634</u>	<u>-</u>	<u>573</u>	<u>-</u>
Less: future finance charges	(61)	-	-	-
Present value of minimum lease payments	<u>573</u>	<u>-</u>	<u>573</u>	<u>-</u>
			2015 RO '000	2014 RO '000
Included in the financial statements as:				
Finance lease – current portion			110	-
Finance lease – non-current portion			463	-
At 31 December			<u>573</u>	<u>-</u>

MAZOOON ELECTRICITY COMPANY SAOC

31

Notes to the financial statements for the year ended 31 December 2015 (continued)

23. Revenue

	2015 RO'000	2014 RO'000
Electricity sales to private customers	85,809	76,207
Electricity sales to Government customers	25,419	21,905
Government subsidy	137,624	92,352
Other revenue	3,329	3,132
	<u>252,181</u>	<u>193,596</u>
Previous year revenue less / (excess) than of maximum allowed as per price control formula, brought forward	3,824	8,814
Previous year system loss (penalty) / (incentive) brought forward	(245)	(309)
Previous year network system security penalty brought forward	1,668	243
System loss incentive / (penalty) for the year	(629)	245
Network system security / (penalty)	(725)	(1,073)
Short Provision of previous year network system / (penalty)	-	(595)
Revenue in (excess) than maximum allowed as per price control formula deferred to the next year	1,129	(3,824)
	<u>257,203</u>	<u>197,097</u>

24. Operating costs

Purchase of electricity (note 30)	152,902	108,081
Transmission use of system charges (note 30)	23,802	22,250
Depreciation	17,844	17,103
Maintenance and repairs expenses	4,439	4,016
Transmission connection charges (note 30)	4,070	3,504
Spares and consumable expenses	1,162	1,179
Other direct costs	357	335
	<u>204,576</u>	<u>156,468</u>

25. General and administrative expenses

Staff costs (note 26)	10,878	11,417
Commission	4,099	4,057
Service expenses	3,328	3,868
Depreciation	1,903	1,583
Directors remuneration and sitting fees	52	56
Other expenses	1,462	1,659
	<u>21,722</u>	<u>22,640</u>

**Notes to the financial statements
for the year ended 31 December 2015 (continued)**

25. General and administrative expenses (continued)

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

26. Staff cost

	2015 RO'000	2014 RO'000
Wages and salaries	8,519	7,760
Other allowances and benefits	2,307	3,555
End of service benefits	52	102
	<u>10,878</u>	<u>11,417</u>

Other allowances and benefits include a reversal of RO 470,154 related to bonus for the year 2014.

27. Other income

Penalties and fines	916	407
Sale of scrap	892	-
Sale of forms and tenders	89	210
Amortization of deferred revenue	377	326
Profit on sale of assets	24	5
Other income	107	208
	<u>2,405</u>	<u>1,156</u>

28. Finance income / costs

Finance income:

Interest on bank accounts	45	8
	<u>45</u>	<u>8</u>

Finance costs:

Interest on bank overdrafts	(59)	(109)
Interest on short-term borrowings	(2,090)	(1,989)
Interest on term loan	(1,659)	-
Interest on intercompany	(144)	-
Bank charges	(65)	(62)
	<u>(4,017)</u>	<u>(2,160)</u>

Interest is earned from current account balances held with banks during the year with interest rates from 0.75% to 0.85 % (2014 - 0.75%) per annum.

**Notes to the financial statements
for the year ended 31 December 2015 (continued)**

29. Taxation

Income tax is provided as per the provisions of the "Income Tax Law" in the Sultanate of Oman after adjusting for items which are non-assessable or disallowed. The tax rate applicable to the Company is 12%. The deferred tax on all temporary differences have 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:

	2015 RO'000	2014 RO'000
Recognized in profit or loss:		
Current tax		
Prior year	-	550
	<hr/>	<hr/>
Deferred tax		
Current year	3,008	2,843
Prior year	(5)	5
	<hr/>	<hr/>
	3,003	2,848
	<hr/>	<hr/>
Tax expense	3,003	3,398
	<hr/>	<hr/>
Recognized in statement of financial position		
Provision for current tax	600	600
	<hr/>	<hr/>

The Company is liable to income tax in accordance with the income tax law of the Sultanate of Oman at the enacted tax rate of 12% on taxable income in excess of RO 30,000.

The following is a reconciliation of income taxes calculated on accounting profits at the applicable tax rate with the income tax expense for the year: The reconciliation of the accounting profit with the taxation charge in the financial statements is as follows:

	2015 RO'000	2014 RO'000
Profit before tax	29,338	16,993
	<hr/>	<hr/>
Taxation @ 12% after deducting RO 30,000	3,521	2,040
Tax effect of expenses that are not deductible	1	1
Unrecognised deferred tax asset on tax loss	(514)	802
Tax related to prior years	-	550
Under provision of deferred tax liability in prior years	-	5
Excess provision of deferred tax liability in prior years	(5)	-
	<hr/>	<hr/>
Income tax expense	3,003	3,398
	<hr/>	<hr/>

Tax assessments for the years 2011 to 2014 are pending for assessment by Oman taxation authorities. Management estimates that the liabilities related to the open tax years will not be significantly different from the liabilities recognized in the statement of financial position.

**Notes to the financial statements
for the year ended 31 December 2015 (continued)**

30. Related party transactions

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

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

	2015	2014
	RO'000	RO'000
Expenses		
Bulk supply tariff to		
Oman Power and Water Procurement Company SAOC	152,902	108,081
Transmission use of system charges to		
Oman Electricity Transmission Company SAOC	23,802	22,250
Transmission connection charges to		
Oman Electricity Transmission Company SAOC	4,070	3,504
Training expenses to Nama Institute of Competency Development	192	-
Accounting services charges to Electric Holding Company SAOC	177	150
	181,143	133,985

30. Related party transactions

Key management personnel compensation

Key management personnel are those persons having 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:

	2015	2014
	RO'000	RO'000
Short-term employee benefits	859	679
Post-employment benefits	76	56
Directors remuneration and sitting fees	52	56
	987	791
Loan from Holding Company	2,808	46,413

MAZOOON ELECTRICITY COMPANY SAOC

35

Notes to the financial statements for the year ended 31 December 2015 (continued)

30. Related party transactions

The year end related party balances are as under:

	2015 RO'000	2014 RO'000
Payable to:		
Oman Electricity Transmission Company SAOC	6,156	4,212
Oman Power and Water Procurement Company SAOC	37,672	4,071
Electricity Holding Company SAOC	1,300	819
Muscat Electricity Distribution Company SAOC	5	5
Nama Institute of Competency Development	280	-
Rural Areas Electricity Company SAOC	89	76
	<u>45,502</u>	<u>9,183</u>
Receivable from :		
Oman Electricity Transmission Company SAOC	5	14
Muscat Electricity Distribution Company SAOC	28	22
Rural Areas Electricity Company SAOC	2	2
	<u>35</u>	<u>38</u>

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

31. Proposed dividend

The Board of Directors of the Company at their meeting held on 23 February 2016 have proposed a cash dividend of RO 0.05 per share aggregating RO 7,500,000 on the Company's existing share capital (for the year ended 31 December 2014, dividend of RO 3 per share aggregating RO 1,500,000 was proposed and paid as cash dividend during the year). This dividend is subject to the approval of the Company's shareholders in the Annual General Meeting.

32. Commitments and contingencies

	2015 RO'000	2014 RO'000
Capital commitments	28,019	32,065
Letter of guarantee	4,878	-

**Notes to the financial statements
for the year ended 31 December 2015 (continued)**

33. Financial risk management

Overview

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

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

Financial risk factors

(a) Market risk

Price risk

The permitted tariff (prices) for the supply and connection of electricity are determined by 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 currency risk

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. The Company is exposed to foreign exchange risk arising from currency exposures primarily with respect to the US Dollar. The Rial Omani is pegged to the US Dollar. Since most of the Company's foreign currency transactions are in US Dollars or other currencies linked to the US Dollar management believes that exchange rate fluctuations would have an insignificant impact on the Company's pre-tax profit.

Cash flow and fair value interest rate risk

The Company has call deposits which are interest bearing and are exposed to changes in market interest rates. The Company carries out periodic analysis and monitors the market interest rates fluctuations taking into consideration the Company's needs.

At the reporting date the interest rate risk profile of the Company's interest bearing financial instruments were:

	2015 RO'000	2014 RO'000
Bank overdrafts	3,237	1,854
Short-term borrowings	-	162,000
Finance lease	573	-
Term loan	199,671	-
	<hr/> 203,481 <hr/>	<hr/> 163,854 <hr/>

Notes to the financial statements
for the year ended 31 December 2015 (continued)

33. Financial risk management (continued)

Financial risk factors (continued)

(a) Market risk (continued)

A 1% increase in interest rates at the reporting date would have reduced profit, on an annual basis, by the amounts shown below.

	2015 RO'000	2014 RO'000
Interest expense on bank overdraft	32	19
Interest expense on short-term borrowings	-	1,620
Interest expense on finance lease	6	-
Interest expense on term loan	1,997	-
	<u>2,035</u>	<u>1,639</u>

A 1% decrease in interest rates would have had the equal but opposite effect to the amounts shown above, on the basis that all other variables remain constant.

The bank borrowings are at fixed interest rate. These borrowings are carried at amortised cost.

(b) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding from an adequate amount of committed credit facilities. The management maintains flexibility in funding by maintaining availability under committed credit lines.

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 2015

	Carrying amount RO '000	Less than 1 month RO '000	1 - 3 months RO '000	3 -12 months RO '000	1 - 10 years RO '000
Non-interest bearing:					
Trade and other payables	62,191	-	62,191	-	-
Amount due to related parties	45,502	-	45,502	-	-
Amounts due to Holding Company	2,808	-	-	2,808	-
Interest bearing:					
Term loan	199,671	-	3,524	3,910	192, 237
Short-term borrowings	-	-	-	-	-
Finance lease	573	9	18	83	463
Bank overdrafts	3,237	3,237	-	-	-
	<u>313,982</u>	<u>3,246</u>	<u>111,235</u>	<u>6,801</u>	<u>192,700</u>

Notes to the financial statements
for the year ended 31 December 2015 (continued)

33. Financial risk management (continued)

Financial risk factors (continued)

(b) Liquidity risk (continued)

31 December 2014

	Carrying amount RO '000	Less than 1 month RO '000	1 - 3 months RO '000	3 -12 months RO '000	1 - 10 years RO '000
Non-interest bearing:					
Trade and other payables	54,579	-	54,579	-	-
Amount due to related parties	9,183	-	9,183	-	-
Amounts due to Holding Company	46,413	-	-	-	46,413
Interest bearing:					
Short-term borrowings	162,000	-	-	162,000	-
Bank overdrafts	1,854	1,854	-	-	-
	<u>274,029</u>	<u>1,854</u>	<u>63,762</u>	<u>162,000</u>	<u>46,413</u>

(c) 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, bank 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. 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:

	2015 RO'000	2014 RO'000
Government customers	10,073	7,488
Private customers	31,472	24,031
	<u>41,545</u>	<u>31,519</u>

Notes to the financial statements
for the year ended 31 December 2015 (continued)

33. Financial risk management (continued)

Financial risk factors (continued)

(c) Credit risk

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

31 December 2015	Gross RO '000	Impairment RO '000	Past due but not impaired RO '000
Not past due	9,136	-	9,136
Less than 1 month	8,110	-	8,110
1 month to 3 months	10,420	-	10,420
3 months to 1 year	7,542	-	7,542
More than 1 year to 2 years	3,990	954	3,036
More than 2 years	2,347	1,990	357
	<u>41,545</u>	<u>2,944</u>	<u>38,601</u>
31 December 2014			
Not past due	6,522	-	-
Less than 1 month	6,528	-	6,528
1 month to 3 months	9,381	-	9,381
3 months to 1 year	4,249	-	4,249
More than 1 year to 2 years	2,982	746	2,236
More than 2 years	1,857	1,634	223
	<u>31,519</u>	<u>2,380</u>	<u>22,617</u>

Bank balances

The Company's bank accounts are placed with reputed financial institutions with a minimum credit rating of P-2 as per Moody's Investors Service ratings.

Bank ratings	2015 RO'000	2014 RO'000
Bank Muscat SAOG	834	2,187
National Bank of Oman SAOG	11	223
Ahli Bank SAOG	195	-
HSBC Bank Oman SAOG	2	2
	<u>1,042</u>	<u>2,412</u>

**Notes to the financial statements
for the year ended 31 December 2015 (continued)**

33. Financial risk management (continued)

Financial risk factors (continued)

(c) Credit risk (continued)

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

	2015 RO'000	2014 RO'000
Trade receivables	41,545	31,519
Other receivables	403	375
Due from related parties	35	38
Cash at bank	1,042	2,412
	<u>67,719</u>	<u>34,344</u>

Categories of financial instruments

Financial assets

Cash at bank and in hand

1,062

2,432

Loans and receivable

Trade receivables

41,545

31,519

Due from related parties

35

38

Other receivables

403

375

41,983

31,932

Financial Liabilities

Financial liabilities held at amortised cost

Term loan

199,671

-

Short term loan

-

162,000

Amount due to related parties

45,502

9,183

Amount due to holding company

2,808

46,413

Bank overdraft

3,237

1,854

Trade and other payables

62,191

54,579

313,409

274,029

The carrying amounts of financial assets and liabilities with a maturity of less than one year are assumed to approximate to their fair values. In respect of amounts due to Holding Company, it is not practicable to determine the fair value as the amounts do not carry interest.

**Notes to the financial statements
for the year ended 31 December 2015 (continued)**

34. Fair value of assets and liabilities

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 reliably as it does not carry interest and has no fixed repayment terms.

35. Capital 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 and retained earnings. The Company is not subject to external imposed capital requirements.

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.

Other than the requirements of the Commercial Companies Law of 1974, as amended, the Company is subject to externally imposed capital requirements under the "Dual currency term facility agreement" with lender which require the company to have a target debt-equity gearing ratio not exceeding 233.33% for debt. The gearing ratio at 31 December 2015 of 85.53% is below the target

Gearing ratio

Gearing ratio at the end of the reporting period was as follows:

	2015	2014
	RO '000	RO '000
Debt	202,908	163,854
Bank overdraft	3,237	1,854
Cash and bank balances	(1,042)	(2,412)
Net debt	205,103	163,296
Equity	239,793	171,354
Net debt to equity ratio	85.53%	96.30 %

36. Approval of financial statements

The financial statements were approved by the Board and authorized for issue on 23 February 2016.

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