

ENERGY FOR PAKISTAN

ANNUAL REPORT 2018

Group Strategic Report, Report of the Directors and
Consolidated Financial Statements for the Year ended
31 December 2018

for

Oracle Power Plc Group of Companies

Oracle power plc group of companies (registered number: 05867160)

Oracle Power PLC

Contents Of The Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

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Chairman's Statement

FOR THE YEAR ENDED 31 DECEMBER 2018

I am pleased to present the results for Oracle Power PLC (the "Company" or "Oracle") for the year ended 31 December 2018.

Over the year, Oracle has continued progressing its planned integrated lignite coal mine and minemouth power plant located in Block VI of the Thar desert in the south-east of the Sindh Province of Pakistan (the "Project").

There has been a change in the partnership composition in the Memorandum of Understanding originally signed with Sichuan Provincial Investment Group Co. Limited ("SCIG") and with PowerChina International Group Limited. Beijing Jingneng Power Company Limited ("BJPC") have taken the position of SCIG. I take this opportunity to welcome BJPC, who bring much expertise and value to the Project. PowerChina, through their subsidiary SEPCO, have been a partner to the Project since 2014 and we value their continued commitment.

The involvement of BJPC and PowerChina in the Project is under the general auspices of the China Pakistan Economic Corridor ("CPEC"). The Project was raised to a "Priority Listing" within the CPEC agenda in January 2017, and this underlines the importance of this project to China as well as to Pakistan.

Operational highlights of 2018 are described in the Chief Executive's Report. Our work in 2019 is concentrated on formalising detailed agreements with our Chinese partners, including the formalisation of financing arrangement for the share of the requisite equity investment as well as all project debt. We will also ensure that all Government, permissions, licences and other approvals are in place, further details of which are described in the Chief Executive's Report.

The Company has required, and will require, more funding ahead of reaching financial close. There have been equity placings, before costs, in March 2018 of £550,000, in August 2018 of £450,000 and post-period end, in February 2019 of £500,000. In addition, in May 2019, we secured a short-term working loan facility with Brandon Hill Capital Ltd for up to £250,000, further funding will be required thereafter. The remaining outstanding shares in our Pakistan mining subsidiary, Sindh Carbon Energy Limited, were acquired through a share exchange in January 2018, and as a consequence, it is now 100% held by Oracle.

An orderly transition of power followed the general election in Pakistan in July 2018. The incoming Government of Imran Khan remains supportive of the development of Thar coal and of relations with China. The broad parameters of security remain as last year: there have been no major incidents, and overall the army has maintained order.

We are most grateful to the Pakistani Authorities at both Federal and Provincial levels for the constructive way in which they have supported and continue to support our Project.

I took over as Chairman of the Board in January 2018 from Anthony Scutt. Regrettably he was not re-elected as a Director at the Annual General Meeting in June, 2018. He has served the Company since 2006. My Board colleagues and I are profoundly appreciative of his invaluable contribution to the development of Oracle over this time.

The other major change is the appointment of Ms Naheed Memon, initially as a Non-Executive Director, before assuming the role of Chief Executive Officer and Executive Director to manage the delivery of the Thar Project on the ground in Pakistan. Shahruxh Khan, whom Naheed replaces, remains an Executive Director of the Company and will continue to assist in the development of the Thar project as it moves towards financial close. He is primarily responsible for the workings of the London office. He has done a remarkable job in developing Oracle to its current position.

Our management is otherwise unchanged and I would also like to acknowledge their contribution to the company.

Above all I wish to thank our shareholders for their continued confidence, patience and support, enabling us to bring the project towards realisation.

Mark W Steed
Chairman
17 June 2019

Chief Executive's Report

FOR THE YEAR ENDED 31 DECEMBER 2018

Economic growth in Pakistan was 5.79% in the fiscal year 2018, according to the Finance Wing of the Government of Pakistan Economic Survey, in line with forecasts and stronger than the International Monetary Fund's global growth estimate of 3.9%. The Economic Survey reported inflation for Pakistan in 2018 as 3.78%. The country continues to suffer from shortfall in electricity supply; also the distribution network is in need of substantial upgrade throughout the country. Since 2014, 12.2GW of generation capacity has been added so that by February there was a total installed generation capacity of 30.0GW. The population of Pakistan has increased to 207 million; 30% still do not have access to electricity.

Under the China Pakistan Economic Corridor ("CPEC") agreement a number of energy projects are now in various stages of development throughout the country. Oracle's Block VI integrated coal mine and mine mouth power plant is on the Priority List of Energy Projects in the CPEC and continues to have support from both the Pakistan and Chinese governments. As announced in December 2018 we entered into a new Memorandum of Understanding ("MOU") with Beijing Jingneng Power Company Limited ("BJPC") and PowerChina International Group Limited ("Power China") to promote the project. BJPC will be the majority shareholder in the project and have replaced the Sichuan Provincial Investment Group Co. Limited in the MOU.

The parties to the MOU entered a new Consortium Agreement ("CA") and have made a new application to the Private Power Infrastructure Board ("PPIB") to build, own and operate a single 2x660MW supercritical plant in Block VI of the Thar coalfield. Once approved PPIB will issue a Letter of Intent ("LOI") along with a Notice to Proceed so that the applications for a Generation Licence and new Upfront Tariff can be made to the National Electric Power Regulatory Authority ("NEPRA") within 3 months of the issuance of the LOI. Following this PPIB would issue a Letter of Support so that the Power Purchase Agreement ("PPA") can be finalised with the Central Power Purchasing Authority, along with the Implementation Agreement ("IA") with the Government of Pakistan. The IA guarantees payment under the PPA. All of this will enable financial close to be achieved.

In addition to securing the requisite regulatory approvals we announced in January 2019 that the parties to the MOU had confirmed their willingness to proceed with pre-development work proposed to be funded by the parties in proportion to their shareholding as envisaged by the MOU. This work will involve additional site works and technical studies to provide more detailed information to enable financial close of the Project to be achieved.

Work is continuing on site in preparation for development in particular to establish land ownership so that land acquisition and resettlement can be undertaken in accordance with the Resettlement Policy Framework published by the Sindh Coal Authority Energy Department in May 2015.

I am most grateful to both the Provincial Government of Sindh and the Federal Government of Pakistan for their continuing support for developments in the Thar Coalfield, and our Block VI project in particular, which we strongly believe will be a major contributor to alleviating the electricity shortfall in the country. The Company again extends its thanks to the shareholders for their continued patience and support.

Ms Naheed Memon,
Chief Executive Officer
17 June 2019

Group Strategic Report

FOR THE YEAR ENDED 31 DECEMBER 2018

The Directors present their Strategic Report of the Company and the Group for the year ended 31 December 2018.

PRINCIPAL ACTIVITY AND BUSINESS MODEL

The principal activity of the Group in the year under review was that of an energy project, based on the exploration and development of coal, and building a mine-mouth power plant in Pakistan. The exploration and development is primarily carried out in Pakistan, but the Group is controlled, financed and administered within the United Kingdom which remains the principal place of business. The Group's business model is to create value through a balanced portfolio of energy assets at various stages in the value cycle, through the procurement of exploration leases, exploitation work, development of commercially viable discoveries, and implementation and operation. The Group will seek judiciously to enhance value further through asset trade.

REVIEW OF THE BUSINESS

During the year the Group continued to utilise its funds to develop its Pakistan Thar mine project. The expenditures are either capitalised in accordance with IFRS, or expensed. The capitalised expenditures are shown as intangible fixed assets in the Statement of Financial Position and the expensed expenditures are shown as administrative expenses in the Statement of Profit or Loss and hence determine the loss for Oracle Power PLC Group of Companies after taxation of £879,996 (2017: £1,047,354).

The Chairman, in his Statement, and the Chief Executive Officer in her Report, have fully described the activities of the Company during the financial year and the further steps now required to take the Company through to financial close.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group is principally engaged in the development of lignite coal resources in Block VI in the Thar desert in the Sindh province in Pakistan through an open pit mine supplying a mine-mouth power plant. The principal strategic and operational risks and uncertainties facing the Group are described below, together with the steps taken for their mitigation. Information on financial risk management is set out in the Financial Instruments section in this report.

The principal risks and uncertainties for the Company are :

Issue	Likelihood of Issue Arising	Impact if Issue Arises
Financial Close	Medium	High
Project Completion	Medium	High
Operating	Low	Low/Medium
Economic	Low/Medium	Low
Financing	Low	High
Political, Legal and Regulatory	Medium	Medium/High
Environment and Corporate Social Responsibility	Low	High

Group Strategic Report - continued

FOR THE YEAR ENDED 31 DECEMBER 2018

Following the signing of a Memorandum of Understanding with its Chinese partners, BJPC and PowerChina, the immediate challenge for the Company is securing a binding Shareholders Agreement to move to financial close and project completion. There are risks following the signing of the Shareholders Agreement of not reaching financial close, principally in securing the further permission needed from the Pakistani Authorities and securing of finance. Also it will be necessary to draw up EPC contracts for the mine and the power plant. Economic risk is protected, including cost increase, through the Government of Pakistan's cost-plus pricing mechanism.

One consequence of the Shareholders Agreement will be that Oracle transfers operatorship of the project. Whilst this should be no issue for project completion and ongoing operations, Oracle will need to assure that its influence is maintained in relations with Government and stakeholders in Pakistan.

There remains political risk, such as a decline in relations between Pakistan and China leading to the pricing mechanism, or overseas remittance of dividends and debt servicing not being honoured.

The risks are detailed below, along with the key measures taken for mitigation.

FINANCIAL CLOSE RISK

Risk

Following the signing of a MOU with BJPC and PowerChina, the primary risk is consummating a binding Shareholders Agreement. The principal elements in reaching this stage relate to a decision by the Company's Chinese partners that the technical, legal and regulatory aspects of the project are to their satisfaction.

In addition higher authorities in China may decide not to proceed with activity in Pakistan and use the opportunity, before binding commitments are made, arbitrarily to withdraw.

MITIGATION

The Company has used world leading consultants in feasibility work, to ensure a fully technically sound project. Recognising that major coal development is new for Pakistan, the Company has worked closely with the regulatory bodies and with professional advisers within Pakistan to ensure an effective regulatory regime. The immediately neighbouring Block II achieved financial close in April 2016 and is expected to begin power plant trials shortly. The developments at Block II so far support the soundness of technical feasibility studies that have been carried out. Also the regulatory regime, as laid out, has been fully applied by the Pakistani Authorities. Neither of these aspects should bear negatively on the Chinese decision to enter into a binding Shareholders Agreement.

Arbitrary withdrawal is unlikely, given the high profile commitments made by China to CPEC which was re-affirmed by President Xi at the recent Belt and Road Conference in Beijing.

PROJECT COMPLETION RISK

Risk

- The Block VI development comprises both a mine and a power plant. Various factors could give rise to delay in completion. *These include:*
- Delay in mine development either due to geological issues or project execution (e.g. equipment not available as planned);
- Lignite of lower quality than anticipated;
- Power plant not developed as planned or fails performance tests;
- Dewatering of mine does not work as planned or excess water cannot be effectively disposed of;
- Insufficient transmission line capacity; and
- The risks are increased by the inter-dependence of the mine and the power plant; the mine needs the power plant to be ready to commence full coal production and the power plant relies on coal from the mine being available to commence power generation.

Group Strategic Report - continued

FOR THE YEAR ENDED 31 DECEMBER 2018

MITIGATION

- The Parties to the MOU intend to bring leading EPC contractors into the running of the project;
- Neighbouring Block II has ascertained that the lignite is of the anticipated quality;
- The Company is in close contact with the relevant Government authorities regarding water management issues;
- Government takes responsibility for ensuring sufficient transmission line capacity through the Power Purchase Agreement and the Implementation Agreement. There is a CPEC priority project to provide an additional 4,000MW of transmission capacity for Thar, more than sufficient to meet all presently known Thar projects;
- The Company will take out the normal suite of insurance policies;
- As noted above, to the extent that delays lead to increased cost, these would be recoverable through the coal and electricity pricing mechanisms; and
- The project is on the Priority List and CPEC.

OPERATING RISK

Risk

Technical issues, similar to those described under Project Completion Risk, may affect the operation of both the mine and the power plant. Interdependence is also a key issue in the operational phase; failure to produce coal as planned would constrain power generation and failure of the power plant to operate to the assumed load factor will constrain coal production.

Water is an additional risk during production operations. Further hydrology work is planned before project completion, from which the hydrology dynamics will become clearer. The mine will require dewatering, and water is required for the power plant process. Whilst the mine water production is expected to meet the power plant needs, the amount of dewatering needed and any imbalance in the water production and utilisation may cause additional cost pressures.

MITIGATION

- As for Project Completion Risk, the intention is for both the mine and the power plant to be operated by leading contractors;
- As for Project Completion Risk, the Company will take out the normal suite of insurance policies;
- As for Project Completion Risk, to the extent that operational issues give rise to cost increases, these should also be recoverable through the coal and electricity pricing mechanisms; and
- If more water is required, either the Company will ask the Government to meet its obligations, or more water wells will be drilled.

ECONOMIC RISK

Risk

The economic performance of the Company could be affected by movements in international markets. *These include:*

- Exchange rate movements, amongst the four currencies, US Dollar, Renminbi, Pakistani Rupee, Pound Sterling, that affect the Company;
- Increased interest rates which, if arising during construction, would add to capital costs;
- Fall in international energy prices encouraging importation either of imported coal, gas or oil; and
- US\$ inflation, which could raise capital and operating costs.

The potential income streams of the mine and the power plant are based on two key agreements: the Coal Sales Agreement for sales of coal to the power plant and the Power Purchase Agreement for sales of electricity to NTDC, under which the Internal Rate of Return is guaranteed by the Pakistani Government in US Dollar terms. Therefore at project level the project will be protected against adverse currency movements e.g. a strengthening Renminbi, which would increase the cost of Chinese equipment. At corporate level, Oracle's potential flow of dividends will be protected in US\$ terms, so there is a risk of loss or gain in £ Sterling terms. The project would also be protected against adverse movements in interest rates and in US\$ inflation.

Group Strategic Report - continued

FOR THE YEAR ENDED 31 DECEMBER 2018

MITIGATION

- Cost variances resulting from exchange rate movements and US\$ inflation should generally be recoverable through the coal and electricity pricing mechanisms;
- The risk posed by further importation of coal or oil for power generation is not considered to be high given the large price differentials and the present lack of power plants. The savings in foreign exchange to the country of import substitution through local energy production are clear; and
- The development of indigenous coal in Pakistan increases the country's security of energy supply.

FINANCING RISK

Risk

The MOU signed with BJPC and PowerChina, two well financed Chinese companies, envisages equity funding of the project from the Chinese partners of up to 88% of the total. They will also lead discussions with Sinosure, the Chinese Export and Credit Agency, for the underwriting and placing of project debt finance.

MITIGATION

The Chinese partners are responsible for arranging all debt and providing 88% of equity. Oracle may apply its historical costs against the share to be provided by Oracle, and the balance should be readily available.

POLITICAL, LEGAL, REGULATORY AND FISCAL RISKS

Risk

The Federal and Sindh Governments have demonstrated strong support for the integrated Thar coal mining and power plant development, and for maintaining the supportive regulatory and fiscal regime at present in place. *Risks arise from :*

- Change in regime;
- Shorter term, the funding and completion of local infrastructure;
- Longer term, when investment has been made, adversely varying the fiscal regime, the lease terms or the royalty and tax rates, making foreign exchange available to meet debt servicing requirements and dividend payments;
- Bureaucratic interpretation of regulations, including pricing mechanisms; also potentially leading to delay;
- Security and terrorism, particularly as operations in Thar take on a higher profile;
- Transfer of operatorship to Chinese partners and Oracle becoming a minority partner; and
- NGO activism.

MITIGATION

- During 2018 there was an orderly change of regime following a general election. The Government have expressed their continued support for the development of indigenous coal and Thar. The Board believes that the shortage of power and the imperative to develop Thar is likely to be clear to any incoming government;
- Much of the planned major infrastructure is already in place;
- Longer term, there are strong international forces to ensure that foreign investment is properly protected, i.e. CPEC and Investment Treaties with China and the UK. The Company will consider whether political risk insurance could be a cost effective mitigant;
- Oracle has a strong working relationship with all relevant levels of Government and will use these relationships to address potential bureaucracy and delay;
- The Government has set up a special force with overall responsibility for security in Thar. Oracle is putting in place a comprehensive security plan which compliments those of the Government agencies.

Group Strategic Report - continued

FOR THE YEAR ENDED 31 DECEMBER 2018

ENVIRONMENT AND CSR

Risk

Energy projects, of this nature, have a major impact on the environment and impose significant corporate social responsibility on a company. If environmental risks are not properly addressed and corporate social responsibility mismanaged either of these can give rise to severe reputational damage and significant cost.

MITIGATION

Oracle operates to international standards of environmental and social impact management and complies with the Pakistan Environmental Protection legislation, which mirrors international standards. The Environmental and Social Impact Assessment for the mine has been approved by the Sindh Environmental Protection Agency and the No Objection Certificate ("NOC") was issued in May 2013. For the power plant, the public hearing was held in August 2017 and the NOC is awaited.

From the outset, Oracle has understood the need to act as an exemplary corporate citizen. Oracle has long established a Community Liaison Officer and will continue to foster good relationships with local communities. Oracle will work to ensure that it works with other developers of Thar Coal, for example Sindh Engro in Block II in joining the Thar Foundation, set up to coordinate welfare initiatives.

Group Strategic Report - continued

FOR THE YEAR ENDED 31 DECEMBER 2018

CORPORATE SOCIAL RESPONSIBILITY (“CSR”)

Objective: Oracle Power PLC is a responsible corporate entity and is continuing to apply international best practice to the Thar project. The Company is aware of the key role it has to play in developing this pioneering project, in minimising the impact that its operations can have on the natural and social environment and in creating opportunities for the local community.

Environmental and Social Impact Assessment (“ESIA”)

Oracle commissioned Wardell Armstrong International Ltd. (“WAI”) to produce an ESIA for the Block VI project. WAI worked with Hagler Bailly Pakistan, a local group of environmental consultants, based in Islamabad, to complete the ESIA to meet both national and international standards. The ESIA was completed and submitted in April 2013 to the Sindh Environmental Protection Agency, Government of Sindh (“SEPA”). A public hearing was held on site in June 2013, attended by the local people along with government representatives, SEPA, various non-governmental organisations (“NGO”) and the Company’s consultants as part of the public consultation process. The project along with its impacts and mitigation plans were presented to the public and all were given the opportunity to comment on the proposals and question the Company and the Government on all aspects of the proposed development. There was overall support for the project and the Company will continue its consultation with the local people as the project moves into the implementation phase.

Early in July 2013 SEPA held a Technical Committee Hearing in Karachi to examine the technical aspects of the ESIA and to take on board concerns raised at the public hearing which was attended by the Company and its consultants along with Government representatives. All the technical queries raised by the panel were addressed satisfactorily and the Company outlined how the Environmental Management Plan would be implemented and monitored through the life of the project.

Following these meetings SEPA has issued the “No Objection” Certificate giving formal approval for the ESIA in January 2014 which was another significant step towards mine development.

In 2016, Mott MacDonald were commissioned to prepare an ESIA for a 660MW mine mouth power plant which was completed in March 2017 and submitted to SEPA for approval. A public hearing was held on the site in July 2017 and was attended by the local communities and other stakeholders and was well received. Also, in March 2017, the mine ESIA was updated and brought up to international standards by WAI and aligned with the power plant ESIA. An update to the ESIA’s will be required to reflect the larger mine and power plant.

Community and Consultation

In addition to the environmental characterisation of the site and its environs, a comprehensive social data gathering campaign has been completed. Background information on local demography, village structure, local culture, resources and socio-economy has been collected. In addition, an ongoing public consultation has been undertaken to gather the views and opinions of local stakeholders (both at a local and national level), and to disseminate information about the project.

Resettlement

Community response has generally been positive, with an interest in the project, and the associated community benefits that it will deliver. As a result of the location of the lignite seams, and the requirement for associated infrastructure, some relocation of local communities currently residing within Block VI will be required. The Government of Sindh, Thar Coal and Energy Board published the Resettlement Policy Framework in May 2015 which sets out the formal mechanism for resettlement in Thar and is generally in line with international performance standards.

Group Strategic Report - continued

FOR THE YEAR ENDED 31 DECEMBER 2018

A Resettlement Framework and Resettlement Action Plan ("RAP") was prepared and submitted to SEPA in April 2014 as required under the ESIA approval. The RAP has been prepared in line with the Government's Resettlement Framework Policy. The RAP has been prepared to ensure that the process is managed in line with best practice standards. A full programme of consultation, specifically dealing with this issue is being instigated. Communities will be resettled locally (i.e. within the Block area). In 2017 a census of the six local villages within Block VI was undertaken by Mott MacDonald of the number of people and their livestock holding along with a preliminary land ownership survey as required under the RAP.

The next stage of the process is to carry out a detailed land ownership survey of the mine and power plant areas to identify the land owners and their families, livestock, and agricultural assets prior to formal land acquisition procedures which will be instigated at the time of project implementation. This process is underway and will be ongoing in 2019. As part of the resettlement process, which will occur in full consultation with the affected communities and Project Affected Peoples, resettled communities will be given equivalent alternative lands for their villages. It is intended to construct replacement villages, with full electricity, sanitation and potable water supply, culturally appropriate places of worship, with opportunities for a local market area. The exact design of resettlement villages will be decided in consultation with the affected communities.

Oracle Social Development Initiatives

Oracle appointed a Community Liaison Officer ("CLO") in 2012 to act as the local point of contact for stakeholders, and to receive information from, and disseminate information to, local community members. The CLO also acts as an intermediary to represent the interests of the local communities to Oracle. As part of Oracle's CSR initiatives, a strategy is being developed to identify, and support community development projects. This is an ongoing process and will continue as the project moves into implementation.

Benefits and Opportunities

Oracle is working with local groups to ensure that the Block VI project delivers sustainable benefits to the communities and an overall improvement in local living conditions, whilst also positively responding to the energy crisis in Pakistan. This project will result in direct and indirect benefits to the local communities. Direct benefits will include employment at the mine and power plant, whilst indirect benefits may include revenues generated by local supply of goods and services to the operations.

Benefits and Opportunities may include:

- Improvements and extension of the existing government primary schools in Block VI;
- Training of literate male and female community members for teaching;
- Extension of the building to support more students;
- Supply of stationery and other provisions;
- Bi-annual hygiene and healthcare awareness campaign in all communities;
- Setting up water filter systems in all communities;
- Awareness campaign on methods to improve livestock health and productivity in all communities; and.
- Construction of a road to connect local villages and communities to the mine site access road proposed under the project.

ON BEHALF OF THE BOARD:

Mr Mark W Steed - Director
17 June 2019

Report of the Directors

FOR THE YEAR ENDED 31 DECEMBER 2018

The Directors present their report with the financial statements of the Company and the Group for the year ended 31 December 2018.

DIVIDENDS

No dividends will be distributed for the year ended 31 December 2018.

EVENTS SINCE THE END OF THE YEAR

Information relating to events since the end of the year is given in the note (23) to the financial statements.

The Directors during the year under review and to the date of this report were:

Mr M Steed: Non-Executive Director (appointed Chairman on 24 January 2018);

Mr S Khan: Chief Executive Officer until 25 January 2019; Executive Director thereafter;

Mr A C R Scutt: Chairman until 24 January 2018, Senior Independent Non-Executive Director until he left the Board on 13 June 2018;

Mr A Migge: Non-Executive Director; Senior Independent Director;

Ms Naheed Memon; appointed Non-Executive Director 7 January 2019; appointed Chief Executive Officer on 25 January 2019.

The beneficial interests of the Directors holding office on 31 December 2018 in the issued share capital of the company were as follows:

Ordinary 0.1p shares

	31 December 2018	1 January 2018
Mr S Khan	32,841,049	32,841,049
Mr M Steed	1,000,000	342,500

Ordinary shares of 0.1p each under option

The directors held no share options during the year.

INFORMATION ON DIRECTORS AND SENIOR MANAGEMENT

Mark Steed

Chairman

Mr Steed has had a career in the field of international stock and commodity markets, the management of offshore hedge funds, corporate finance and trading in securities in emerging economies. He has worked with and set up various portfolio and fund management companies, in the roles of Chief Executive Officer, Chief Financial Officer and Compliance Officer. Notably he has been involved in the set up of Amstel Securities LLP, City Capital Securities Limited, Shard Capital Partners LLP and the Sion Hall Family Office. Within the Company, Mr Steed, in addition to his role as Chairman, oversees corporate, financial and audit matters.

Naheed Memon

Chief Executive Officer

Ms Memon has had a career spanning public service and the private sector. Following a first degree in Computing Science at the University of Karachi, she completed a MSc in Economics, including a Distinction in Econometrics, at Birkbeck College, London and an MBA at Imperial College London. She has held various roles in her family conglomerate, the Kings Group of Industries, Pakistan, including Director of Marketing and Director of Information Systems. She was CEO of Advici Consulting Limited, a consulting practice based in London advising in marketing and investor facilitation. She has been a Financial Advisor with Merrill Lynch, Private Banking. She was CEO of Manzil Pakistan, a public policy think tank based in Karachi. She has served the Sindh Board of Investment (Government of Sindh), as Vice Chair from 2013 - 2016, then as Chair until August 2018.

Shahrukh Khan

Executive Director

Mr Khan was educated in the USA and UK. He was awarded a BA in Business administration and Economics at Richmond, the American International University in London. Mr Khan has project finance experience in the natural resource and infrastructure related sector, predominantly in the Middle East, South Asia and China. He has specialist expertise in large and complex projects, including project valuation and investment appraisal, feasibility studies and other project finance related services. Mr Khan is a founder of Oracle Power Plc.

Report of the Directors - continued

FOR THE YEAR ENDED 31 DECEMBER 2018

Andreas Migge

Senior Independent Director

Mr Migge has had a career in Investment Banking and Private Equity with a focus on energy and natural resources. He has an international background, having worked in the US, Europe, Asia and the Middle East. Mr Migge has considerable international transaction experience, notably leading the acquisition of the power plants Lalpir and Pakgen in Pakistan, which was voted "Deal of the Year Asia". In 2014, he was a founding investor and member of the sponsor team for the Reata Prospect, an on-going shale oil exploration project in the Permian Basin in the US. Mr Migge has also led investments in power projects in Iraq and coal mining restructuring projects in the US. He served in the Special Forces of the German Air Force and holds an MBA from Yale University. Within the Company, Mr Migge oversees technical and business development matters.

Simon Smith

Finance Manager

Mr Smith has background in finance from a 25 year career in Shell, in a variety of posts. He was Finance Director in Sierra Leone and in Egypt where he also deputised for the Chief Executive. He also worked in Shell's M&A unit, particularly on the sale of Billiton, Shell's Metals division, the sale of Shell's agrochemical interests and Shell's early expansion into eastern Europe. Latterly he headed up Group Finance HR. Mr Smith has an MA in Economics from the University of Cambridge and is a fellow of the Institute of Chartered Accountants in England and Wales.

Brian Rostron

Mining and Contracts Manager

Mr Rostron is a Mining Engineer with over 30 years' international experience and an expert on coal. He is a Chartered Engineer who has been responsible for the operational management of various coal mining companies with overall responsibility for production, financial performance, acquisitions and restructuring. Mr Rostron has previously been a Director of Miller Argent South Wales Ltd, H.J. Banks Mining, Scottish Coal Company, Coal Contractors Ltd as well as the Director General of the Confederation of UK Coal Producers. Mr Rostron has a BSc. In Combined Science (Geology and Economics) from Sunderland Polytechnic and a MSc. In Mining Engineering from the University of Newcastle-upon Tyne. He is a member of the Institution of Materials, Minerals and Mining, a fellow of the Geological Society, a Fellow of the Institute of Quarrying and a member of the Institute of Explosive Engineers.

Report of the Directors - continued

FOR THE YEAR ENDED 31 DECEMBER 2018

FINANCIAL INSTRUMENTS

The Group's financial instruments comprise cash and cash equivalents, loan investments and financial assets and various items such as trade receivables, trade payables, accruals and prepayments that arise directly from its operations.

The main purpose of these financial instruments is to finance the Group's operations. The Board regularly reviews and agrees policies for managing the level of risk arising from the Group's financial instruments which are summarised as follows :

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's policy throughout the year has been to ensure that it has adequate liquidity to meet its liabilities when due by careful management of its working capital.

Credit Risk

The Group's principal financial assets are the cash and cash equivalents and taxation receivable as recognised in the statement of financial position, and which represent the Group's maximum exposure to credit risk in relation to financial assets.

Capital Management

The Company's capital consists wholly of ordinary shares. The Board's policy is to preserve a strong capital base in order to maintain investor, creditor and market confidence and to safeguard the future development of the business, whilst balancing these objectives with the efficient use of capital.

Market Risk

Market risk is the risk that changes in market prices, such as commodity prices, foreign exchange rates, interest rates and equity prices will affect the Group's and Company's income or value of its holdings in financial instruments.

GOING CONCERN

The Directors have considered the cashflow requirements of the Group over the next 12 months. It will be necessary to raise additional funds to bring the project to financial close. The Directors expect to meet the funding requirements and therefore believe that the going concern basis is appropriate for the preparation of the financial statements.

The long-term viability of the Group at the moment depends on the successful delivery of the Thar project. This includes finding partners who are able to provide the finance that the project requires, raising cash on the London Stock Exchange, bringing the project to financial close, successfully constructing the mine and the power plant, successful operations and addressing all of the risks outlined in this report (pages 6 to 10).

SIGNIFICANT SHAREHOLDINGS

There has been an equity placing since 31 December 2018, on 21 February 2019. The Directors are aware of the following who were interested, directly or indirectly, in 3% or more of the Group's ordinary shares on 31 December 2018 and on 20 February 2019:

	31 December 2018		20 February 2019	
	Shareholding	% holding	Shareholding	% holding
Power Equity Investments Ltd	153,846,154	13.47%	153, 846, 154	12.22%
Optima Worldwide Group Ltd	120,750,299	10.58%	120,750,299	9.59%
Dr K. Laghari	95,652,174	8.3%	95,652,174	7.59%
Brandon Hill Capital Ltd*	63,241,573	5.54%	77,574,514	6.16%
Nazario Consultancy Ltd	62,159,230	5.44%	62,159,230	4.94%

*Brandon Hill Capital Ltd is a subsidiary of Optima Worldwide Group Ltd (together the OWG Group). In addition, certain directors of the OWG Group own shares in Oracle. The combined OWG Group, including directors, was 21.9% on 20 February 2019.

Report of the Directors - continued

FOR THE YEAR ENDED 31 DECEMBER 2018

AUTHORITY TO ISSUE SHARES

Each year at the AGM the Directors may seek authority to allot shares, with the authority when granted lasting until the next AGM. At the last AGM held on 13 June 2018 the shareholders gave authority for the Directors to allot equity securities for cash up to an aggregate nominal value of £300,000.

HEALTH AND SAFETY

There were no reported personal injuries or fatalities among the Company's staff or contractors during the year.

SIGNIFICANT AGREEMENTS

The Companies Act 2006 requires the Company to disclose any significant agreements which take effect, alter or terminate upon a change in control of the Company. The Company is not aware of, or party to, any such agreement.

REMUNERATION REPORT

This report has been prepared in accordance with the requirements of Schedule 2 Part 1 of the Companies Act 2006 (Schedule) and describes how the Board has applied the Principles of Good Governance relating to Directors Remuneration. In accordance with Section 439 of the Companies Act 2006 a resolution to approve the report will be proposed at the Annual General Meeting of the Company at which the Financial Statements are submitted for shareholder approval.

Remuneration Policy

The Remuneration Committee is focused on ensuring that the Group's policies and procedures are effective for the Group's business and that executive remuneration packages are designed to attract, drive, motivate and retain executive directors and senior management of the requisite calibre and expertise, and to reward them appropriately for creating and enhancing long-term value for shareholders. The performance measurement of the Chief Executive Officer and key members of the senior management team, and the determination of their annual remuneration package is undertaken by the Remuneration Committee.

The remuneration of the Non-Executive Directors is determined by the Board within limits set by the Articles of Association and in accordance with the general guidance principles adopted by the Quoted Companies Alliance for small and mid-size quoted Companies.

Non-executive Directors' Terms of Engagement

The Non-executive directors have specific terms of engagement. Their remuneration is determined by the Board. In the event that a Non-executive Director undertakes additional assignments for the Company, a fee will be agreed by the Board in respect of each assignment.

Aggregate Directors' Remuneration

The remuneration paid to the Directors, inclusive of Employer National Insurance contributions, in accordance with the service contracts, during the year ended 31 December 2018 was as follows:

	Salary & Fees & Fees £	Bonuses £	Pensions £	Termination £	Share based benefits £	2018 Total payments £	2017 Total £
Executive							
Mr S Khan	140,405	-	4,895	-	-	145,300	173,711
Non Executive							
Mr M W Steed	27,189	-	812	-	-	28,001	12,915
Mr A C R Scutt	13,362	-	-	12,500	-	25,862	27,323
Mr Y Mor dacq	-	-	-	-	-	-	20,833
Mr A Migge	25,000	-	-	-	-	25,000	10,350

Mr Mordacq was a director up to 30 October 2017, Mr Steed was a director from 12 July 2017 and Mr Migge was a director from 2 August 2017.

Report of the Directors - continued

FOR THE YEAR ENDED 31 DECEMBER 2018

Directors' Service Contracts

The Directors have contracts with a two year term, renewable by mutual agreement and on an annual basis thereafter. Termination notice period is stated.

<u>Executive</u>	<u>Date of appointment</u>	<u>Notice period</u>
Ms N Memon	7 January 2019	12 months
Mr S Khan	13 February 2007	12 months
<u>Non-executive</u>		
Mr M Steed	12 July 2017	6 months
Mr A Migge	2 August 2017	6 months

Report of the Directors - continued

FOR THE YEAR ENDED 31 DECEMBER 2018

Performance Evaluation

The Board undertakes annually a formal evaluation of its performance and of its committees through a questionnaire and interview process involving individual Directors and Senior Managers that is overseen by the Senior Independent Director, Mr Migge.

Executive Incentives

The Remuneration Committee will be preparing, before the project's financial close, recommendations to the Board for submission for shareholders' approval in respect of performance bonus schemes and long term incentives packages for directors and managers. These proposals will be formulated after consultation with professional remuneration advisers, h2glenfern Ltd, and major shareholders.

CORPORATE GOVERNANCE REPORT

During 2018 the Board continued its commitment to maintaining high standards of corporate governance, complying with the requirements of the corporate governance guidelines (Guidelines) for smaller quoted companies issued by the Quoted Companies Alliance. The 10 principles set out in the Guidelines aim to assist small and growing companies in ensuring good governance practices and communicating such practices with shareholders and stakeholders. With the exception of Directors' Remuneration (which is dealt with separately in the Remuneration Report), this statement sets out how the Board has applied such principles and the Company's compliance with the specific provisions of the Guidelines.

The key governance related matter that occurred during the financial year ended 31 December 2018 was the formal adoption of the QCA code.

Board and Board Committees

The Board of Directors

The Board of the Company is responsible for the Group's system of corporate governance. At 31 December 2018 the Board consisted of three Directors being the Chief Executive Officer, Mr S Khan, the Non-Executive Chairman, Mr M Steed and Non-executive Director, Mr A Migge. Details of their previous roles are given in the Report of the Directors. During 2018, there were some changes to the membership of the Board. On 24 January 2018, Mr Scutt stepped down as Chairman, remaining a Non-executive director and resuming his role as Senior Independent Director. He was replaced as Chairman by Mr Steed. On 7 January 2019 Ms N Memon was appointed as a Non-executive Director. On 25 January 2019, she was appointed as Chief Executive Officer in place of Mr Khan; Mr Khan remains an Executive Director.

The Board has considered the independence of Mr Migge and considers him to be fully independent.

Details of Directors' service contracts are given in the Remuneration Report. None of the Board have any conflicts of interest arising from cross-directorships or day-to-day involvement in running the business. All Directors are subject to election by shareholders at the first Annual General Meeting after their appointment. All Directors are submitted for re-election after three years, subject to continued satisfactory performance. All Directors had access throughout the year to the advice and services of the Company Secretary, Mr S Smith, who is responsible for ensuring that Board procedures and applicable regulations under the Company's Articles of Association or otherwise are complied with. Each Director is entitled, if necessary, to seek independent professional advice at the Company's expense.

The Directors carry out annually an internal review of the effectiveness of the Board and this process was repeated in early 2018.

Board Meetings

The Board of Directors meets approximately every two months and five meetings were held in 2017. There is a defined schedule of matters reserved for its decision. The matters so reserved include responsibility for the overall Group strategy, approval of contracts, commitments to capital expenditure budgets over £10,000, appointment of Directors and staff, approval of remuneration of Directors on the recommendation of the Remuneration Committee, issue of shares and warrants, appointment of a financial adviser, approval of regulatory announcements to the market, and a final investment decision to proceed with project implementation.

Report of the Directors - continued

FOR THE YEAR ENDED 31 DECEMBER 2018

Board Committees

The Board Committees are comprised of Non-Executive Directors, except for the Nomination Committee which is chaired by Mr S Khan, and the Tender Board which additionally comprises Mr B Rostron. They operate within defined terms of reference, details of which are posted on the Company's website, and they report regularly to the Board. At this stage of the development of the Company the Board Committees are also charged with advising the Boards and management of the subsidiary companies.

It is anticipated that, as the subsidiary companies grow in size with development of the project, the subsidiaries will eventually form Board Committees of their own to advise the respective Boards. Such committees will include a Health, Safety and Environment Committee for each company based in Pakistan.

The meetings held in 2018 were as follows:

	<u>Number of Meeting in 2018</u>	<u>Members (& attendance during period of appointment)</u>
The Board	5	Messrs Steed (all), Scutt (all), Khan (all), Migge (all)
Nomination Committee	2	Messrs Khan (all), Scutt (all), Migge(all)
Remuneration Committee	1	Messrs Scutt (all), Migge (all)
Audit Committee	3	Messrs Scutt (all), Steed (all)

Nomination Committee

The Nomination Committee was established post-admission to AIM to review the structure, size and composition of the Board, including the skills, knowledge and experience required and to make recommendations to the Board with regard to any changes. The Committee also identifies and screens candidates for recommendation to the Board for the Remuneration and Audit Committees. The Nomination Committee also formulates proposals for succession planning of the Board and management. The Committee consists of Mr Khan as chairman and Mr Migge. The Committee met twice in 2018. The Committee also monitors the application of the Company policy on discrimination and encouraging diversity amongst the Company's workforce. No such issues were noted in 2018.

Remuneration Committee

The Remuneration Committee met twice in 2018. The Committee consists of Mr Migge as chairman, in place of Mr Scutt after he left the board. It is responsible for reviewing the remuneration, performance bonuses, incentive schemes and pension provision for Board members and executives of the Company. The Committee responsibility extends to the review of the remuneration of the Company's appointees to the Boards of Sindh Carbon Energy Limited and Thar Electricity (Private) Ltd. The Committee engages the services of remuneration consultants h2glenfern Ltd for advice on policies concerning Board and executive remuneration, performance bonuses, incentive schemes and pensions. It is policy that no individual participates in discussions or decisions concerning their own remuneration.

Audit Committee Report

The Audit Committee of the Board met three times in 2018. The Committee was chaired by Mr Scutt until he left the Board. Mr Steed was appointed to the committee on 27 July 2017 and was appointed chairman in pace of Mr Scutt. Other Directors and officers are invited to attend where appropriate, and Mr Smith, as Finance Manager, was in attendance at all the 2018 meetings.

The role of the Audit Committee is to monitor the integrity of the financial statements, and to review any significant financial reporting issues, especially the consistency of, and changes to, accounting policy. The Committee also assesses the effectiveness of the Company's internal controls and risk management systems. The Committee considers and makes recommendations to the Board, to be put to shareholders for approval at the AGM, in relation to the appointment, re-appointment and replacement of the Company's external auditor. This extends to monitoring the effectiveness, remuneration and independence of the external auditors.

Whilst the Audit Committee is composed of Directors of Oracle Power PLC it also has a role to advise the Boards of the subsidiary companies, Sindh Carbon Energy Ltd. and Thar Electricity (Private) Ltd.

The auditors of Oracle Power PLC are Price Bailey who have served the Company since it was founded. Price Bailey have regularly rotated the audit engagement partner, and did so immediately following the AGM in 2018. The Committee view is that Price Bailey have served the Company well and that their audit fee remains reasonable. The Committee has therefore concluded that with the limited size of this audit the costs of re-tendering could not be justified at this stage.

Report of the Directors - continued

FOR THE YEAR ENDED 31 DECEMBER 2018

A.F. Ferguson & Co., the local affiliates in Karachi of Price Waterhouse Coopers are auditors of Sindh Carbon Energy Limited and of Thar Electricity (Private) Ltd. Price Waterhouse Coopers (London) advise the Group on global tax matters and A. F. Ferguson & Co advise the Group on Pakistani tax matters. These roles are considered by the Audit Committee to be compatible with their role as auditors of the subsidiary companies. In December 2018 the Partner and Manager in charge of the audit in Price Bailey attended the Audit Committee meeting to consider the year end timetable, discuss issues arising from the annual closing and possible post-balance sheet events. Recent changes in accounting standards were also discussed. No substantial impact on the Group accounts has been noted.

The 'going concern' assumption was reviewed by the Committee. The carrying values of the assets rely upon the successful raising of sufficient finance to reach an investment decision and the Report and Annual Accounts reflect that judgement.

In the area of internal controls, the Audit Committee monitors the internal control environment of the Group. The Committee also oversees the Group's adherence to Market Abuse Regulations. The Committee considers that internal controls are sound, both in Oracle Power PLC and in the subsidiary companies. The Committee monitors the Company Internal Control Manual and makes amendments as they are needed.

The risk assessment exercise for the Company is undertaken annually under the supervision of the Audit Committee. The results of the most recent exercise are included in this Report in the section Principal Risks and Uncertainties (pages 6 to 10).

The Audit Committee noted that following any future signing of the Definitive Agreements, as foreseen in the Memorandum of Understanding with Beijing Jingneng Power Company Limited ("BJPC") and PowerChina International Group Limited, the Audit Committee would in future have more restricted access to the activities of Sindh Carbon Energy Limited and Thar Electricity (Private) Limited. At such time, the Audit Committee suggests that an internal audit process should be put in place, overseen by the external auditors or a BJPC internal auditor and also that one director appointed by Oracle should participate in the audit process.

Management Meetings

The Senior Management of the Company meets monthly to discuss in detail project progress and all other aspects of the business and where appropriate put tables recommendations to the Board for their consideration and approval.

Tender Board

The Tender Board was chaired by Mr Migge. Mr B Rostron as the Contracts and Technical Manager also serves on the Tender Board. No meetings were called in 2018. The purpose of the Tender Board is to ensure the fair and objective consideration of bids received for services and goods of both capital and revenue expenditure. The Tender Board must be consulted on all contracts or purchases which could exceed £10,000. The Tender Board will recommend contract awards to the individuals authorised to commit the Company. In the case of contracts of £100,000 or more the final decision will be ratified by the Company Board of Directors.

Matters to be referred to the Tender Board are:

- lists of proposed tenderers
- lists of proposed vendors
- proposals to negotiate rather than tender contracts
- opening and recording of sealed bids (which may be delegated to appropriate officers)
- proposals to award contracts
- variations, claims and over expenditure on contracts when these exceed 7% of the original price
- renewal of existing contracts

Report of the Directors - continued

FOR THE YEAR ENDED 31 DECEMBER 2018

For all major contracts (over £100,000) it is required that the list of contractors to be invited and the invitation to tender documents be submitted to the Tender Board. Arrangements for opening sealed bids and negotiating with contractors should be agreed with the Tender Board. Normally tenders should be received in sealed envelopes directly by the Secretary of the Tender Board and filed securely.

Accountability and Audit Financial Reporting

The Board is responsible for presenting a balanced and understandable assessment of the Company's position and prospects, extending to interim financial reports and other announcements. All major announcements are approved by the Chairman, the Board and the Nominated Adviser.

Internal Controls

The Directors have overall responsibility for ensuring that the Group maintains a system of internal controls to provide them with reasonable assurance that the assets of the Group are safeguarded and that the shareholders' investments are safeguarded. The system includes internal controls covering financial, operational and compliance areas, and risk management. There are limitations in any system of internal controls, which can provide reasonable but not absolute assurance with respect to the preparation of financial information, the safeguarding of assets and the possibility of material misstatement or loss.

The Board has delegated responsibility for the monitoring of internal control to the Audit Committee, and this is covered in the Audit Committee Report. The Board considers that an internal audit function would not be appropriate at this stage of the Group's development, but keeps the matter under review.

Relations with Shareholders

The Directors place great importance on maintaining good communications with both institutional and private investors. The Group reports formally to shareholders twice a year and more regular communication is provided through regulatory announcements and through the website. The Chief Executive, supported by the Group's brokers, makes interim presentations to shareholders as needed. Mr Scutt resumed his role as Senior Independent Director when he stepped down as Chairman on 24 January 2018, until he left the Company; he was then replaced by Mr Migge.

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Group Strategic Report, the Report of the Directors and the financial statements in accordance with applicable law and regulations. Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state that the financial statements comply with IFRS;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's and the Group's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Report of the Directors - continued

FOR THE YEAR ENDED 31 DECEMBER 2018

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the group's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the group's auditors are aware of that information.

The auditors, Price Bailey LLP, have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the Group's forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:

Mr Mark W Steed Director
17 June 2019

Report of the Independent Auditors to the Members of Oracle Power PLC Group of Companies

FOR THE YEAR ENDED 31 DECEMBER 2018

Opinion

We have audited the financial statements of Oracle Power plc Group of Companies (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2018 which comprise the Consolidated Statement of Profit or Loss, the Consolidated Statement of Profit or Loss and Other Comprehensive Income, the Consolidated Statement of Financial Position, the Company Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows, the Company Statement of Cash Flows and Notes to the Consolidated Statement of Cash Flows, Notes to the Company Statement of Cash Flows, Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2018 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty relating to going concern

We draw attention to note 2 in the financial statements, which indicates that the Group will need to raise additional funds to bring their project to financial close and continue to meet ongoing operational costs for the next 12 months. Whilst the directors expect to meet funding requirements, based upon the current economic environment there exists a material uncertainty which may cast significant doubt as to whether the Group will be able to raise sufficient funds and therefore continue as a going concern. Our opinion is not modified in respect of this matter.

Given the uncertainties noted above we considered going concern to be a Key Audit Matter. We have assessed management's forecasts and underlying assumption. In doing so we considered factors such as historical operating expenditure and the group's ability to raise funding in the near future.

We found our results from the above and the disclosures in the financial statements in respect of the above to be appropriate.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant addressed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: overall audit strategy, the allocation of resources in the audit, the directing of efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

Report of the Independent Auditors to the Members of Oracle Power PLC Group of Companies - continued

FOR THE YEAR ENDED 31 DECEMBER 2018

Carrying value of Exploration Assets and Project Feasibility

The group has substantial exploration assets on which the success of the group is underpinned.

As explained in Note 1 to the financial statements the assessment of whether there are indicators of impairment in relation to exploration assets requires the exercise of significant judgement by management.

Given the significant value of the exploration assets the assessment of whether there are indicators of impairment represented a key audit matter for our audit.

Directors have assessed whether there is an indicator of impairment of the project and have concluded this is not the case.

Our procedures included:

Review of management's assessment of indicators of impairment under IFRS6 in respect of the exploration project.

Review of the status and validity of the exploration licences.

Challenge of the management's assessment and consideration of evidence provided including a review of key partner contracts and plans to take the project to financial close.

We evaluated the adequacy and appropriateness of the disclosures provided within the financial statements in Notes 1 and 9.

Our application of materiality

We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonably knowledgeable users that are taken on the basis of Financial Statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We based materiality on net assets of the group and concluded materiality to be £245,000. We consider that net assets provides us with the most relevant performance measure to stakeholders of the entity given the stage of the Group's activity and growth.

We apply the concept of materiality both in the planning and performance of the audit, and in evaluating the effects of misstatements.

During the course of the audit we reassessed materiality from planning to reflect the final reported performance of the group. There was no change made to our planning materiality.

Report of the Independent Auditors to the Members of Oracle Power PLC Group of Companies - continued

FOR THE YEAR ENDED 31 DECEMBER 2018

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment. We determined materiality and assessed the risk of material misstatement in the financial statements. In particular we looked at where the directors had made subjective judgements within accounting estimates. We addressed the risk of management override of internal controls including whether there was evidence of bias by the directors that represented a risk of material misstatements due to fraud.

The group has operating entities based in Pakistan. We assessed there to be three significant components being the Oracle Power Plc with operations in the UK and Sindh Carbon Energy Ltd and Thar Electricity (Private) Ltd with operations in Pakistan.

The parent entity was subject to a full scope audit by the group auditor.

A full scope audit was performed on the significant components Sindh Carbon Energy Ltd and Thar Electricity (Private) Ltd by A.F. Ferguson & Co., the local affiliates in Karachi of Price Waterhouse Coopers. Detailed group reporting instructions for the testing of the significant areas were sent to the component auditor and we discussed their findings with the component audit partner. The group audit team also performed the audit procedures over the significant risk areas and consolidation.

Other information

The Directors are responsible for the other information. The other information comprises the information in the Annual Report, but does not include the financial statements and our Report of the Auditors thereon.

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

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

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Group Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and;
- the Group Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Group Strategic Report or the Report of the Directors.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Report of the Independent Auditors to the Members of Oracle Power PLC Group of Companies - continued

FOR THE YEAR ENDED 31 DECEMBER 2018

Responsibilities of Directors

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine 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 Directors are responsible for assessing the group's and the parent 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 Directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Our 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 a Report of the Auditors 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 (UK) 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our Report of the Auditors.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in a Report of the Auditors and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Martin Clapson FCA (Senior Statutory Auditor)
for and on behalf of Price Bailey LLP
Chartered Accountants & Statutory Auditors

Tennyson House
Cambridge Business Park
Cambridge
CB4 0WZ

17 June 2019

Consolidated Statement of Profit or Loss

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 £	2017 £
CONTINUING OPERATIONS			
Revenue		-	-
Administrative expenses		<u>(881,041)</u>	<u>(1,027,951)</u>
OPERATING LOSS		(881,041)	(1,027,951)
Finance costs	5	(602)	(21,544)
Finance income	5	<u>1,647</u>	<u>2,141</u>
LOSS BEFORE INCOME TAX	6	(879,996)	(1,047,354)
Income tax	7	-	-
LOSS FOR THE YEAR	-	<u>(879,996)</u>	<u>(1,047,354)</u>
Loss attributable to:			
Owners of the parent		(879,996)	(1,047,269)
Non-controlling interests		<u>-</u>	<u>(85)</u>
		<u>(879,996)</u>	<u>(1,047,354)</u>
Earnings per share expressed in pence per share: 8			
Basic		(0.08)	(0.11)
Diluted		<u>(0.08)</u>	<u>(0.11)</u>

The notes form part of these financial statements

Consolidated Statement of Profit or Loss and other Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2018

	2018 £	2017 £
LOSS FOR THE YEAR	(879,996)	(1,047,354)
OTHER COMPREHENSIVE INCOME		
Items that will not be reclassified to profit or loss:		
Exchange difference on consolidation	(251,214)	(239,356)
Income tax relating to items of other comprehensive income	<u>-</u>	<u>-</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF INCOME TAX	<u>(251,214)</u>	<u>(239,356)</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	<u>(1,131,210)</u>	<u>(1,286,710)</u>
Total comprehensive income/(loss) attributable to:		
Owners of the parent	(1,131,210)	(1,281,884)
Non-controlling interests	<u>-</u>	<u>(4,826)</u>
	<u>(1,131,210)</u>	<u>(1,286,710)</u>

The notes form part of these financial statements

Consolidated Statement of Financial Position

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 £	2017 £
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	9	4,742,818	4,839,316
Property, plant and equipment	10	12,278	18,076
Loans and other financial assets	1	391,843	370,291
	2		
		<u>5,146,939</u>	<u>5,227,683</u>
CURRENT ASSETS			
Trade and other receivables	13	70,689	72,546
Cash and cash equivalents	14	48,899	126,178
		<u>119,588</u>	<u>198,724</u>
TOTAL ASSETS		<u>5,266,527</u>	<u>5,426,407</u>
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	16	1,141,822	961,884
Share premium	17	14,538,219	11,622,166
Translation reserve	17	(347,244)	(96,030)
Share scheme reserve	17	22,839	-
Retained earnings	17	(10,422,227)	(7,355,072)
		<u>4,933,409</u>	<u>5,132,948</u>
Non-controlling interests	15	-	12,841
TOTAL EQUITY		<u>4,933,409</u>	<u>5,145,789</u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	18	333,118	333,118
TOTAL LIABILITIES		<u>333,118</u>	<u>333,118</u>
TOTAL EQUITY AND LIABILITIES		<u>5,266,527</u>	<u>5,426,407</u>

The financial statements were approved and authorised for issue by the Board of Directors on 7 June 2019 and were signed on its behalf by:

Mr Mark W. Steed - Director

The notes form part of these financial statements

Company Statement of Financial Position

FOR THE YEAR ENDED 31 DECEMBER 2018

		2018	2017
ASSETS	Notes	£	£
NON-CURRENT ASSETS			
Intangible assets	9	3,312,816	3,247,597
Property, plant and equipment	10	1,756	2,448
Investments	11	3,702,947	1,502,947
Loans and other financial assets	12	1,527,134	1,436,329
		<u>8,544,653</u>	<u>6,189,321</u>
CURRENT ASSETS			
Trade and other receivables	13	198,414	182,047
Cash and cash equivalents	14	45,248	109,528
		<u>243,662</u>	<u>291,575</u>
TOTAL ASSETS		<u>8,788,315</u>	<u>6,480,896</u>
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	16	1,141,822	961,884
Share premium	17	14,538,219	11,622,166
Share scheme reserve	17	22,839	-
Retained earnings	17	(8,001,171)	(7,152,409)
		<u>7,701,709</u>	<u>5,431,641</u>
TOTAL EQUITY		<u>7,701,709</u>	<u>5,431,641</u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	18	1,086,606	1,049,255
		<u>1,086,606</u>	<u>1,049,255</u>
TOTAL LIABILITIES		<u>1,086,606</u>	<u>1,049,255</u>
TOTAL EQUITY AND LIABILITIES		<u>8,788,315</u>	<u>6,480,896</u>

As permitted by Section 408 of the Companies Act 2006, the income statement of the parent company is not presented as part of these financial statements. The parent company's loss for the financial year was £848,762 (2017 - £1,024,042).

The financial statements were approved and authorised for issue by the Board of Directors on 17 June 2019 and were signed on its behalf by:

Mr Mark W. Steed - Director

The notes form part of these financial statements

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2018

	Called up share capital £	Retained earnings £	Share premium £	Translation reserve £	Share scheme reserve £	Total	Non-controlling interests £	Total equity £
Balance at 1st January 2017	911,783	(6,417,391)	10,900,723	143,326	109,588	5,648,029	17,677	5,665,696
Loss for the year	-	(1,047,269)	-	-	-	(1,047,269)	(85)	(1,047,354)
Other Comprehensive income								
Exchange difference on consolidation	-	-	-	(239,356)	-	(239,356)	(4,741)	(244,097)
Total Comprehensive Income	-	(1,047,269)	-	(239,356)	-	(1,286,625)	(4,826)	(1,291,451)
Transactions with owners								
Issue of share capital	50,101	-	721,443	-	-	771,544	-	771,544
Share options expired	-	22,876	-	-	(22,876)	-	-	-
Share options exercised	-	86,712	-	-	(86,712)	-	-	-
Total Transactions with Owners	50,101	109,588	721,443	-	(109,588)	771,544	-	771,544
Balance at 31 December 2017	961,884	(7,355,072)	11,622,166	(96,030)	-	5,132,948	12,841	5,145,789
Loss of the year	-	(879,996)	-	-	-	(879,996)	-	(879,996)
Other Comprehensive income								
Exchange difference on consolidation	-	-	-	(251,214)	-	(251,214)	-	(251,214)
Total Comprehensive Income	-	(879,996)	-	(251,214)	-	(1,131,210)	-	(1,131,210)
Transactions with owners								
Issue of share capital	179,938	-	2,916,053	-	-	3,095,991	-	3,095,991
Share options granted	-	-	-	-	22,839	22,839	-	22,839
Arising on acquisition of non-controlling interest	-	(2,187,159)	-	-	-	(2,187,159)	(12,841)	(2,200,000)
Total Transactions with Owners	179,938	(2,187,159)	2,916,053	-	22,839	931,671	(12,841)	918,830
Balance at 31 December 2018	1,141,822	(10,422,227)	14,538,219	(347,244)	22,839	4,933,409	-	4,933,409

The notes form part of these financial statements

Company Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2018

	Called up share capital £	Retained earnings £	Share premium £	Share scheme reserve £	Total equity £
Balance at 1st January 2017	911,783	(6,237,955)	10,900,723	109,588	5,684,139
Loss for the year	-	(1,024,042)	-	-	(1,024,042)
Total Comprehensive Income	-	(1,024,042)	-	-	(1,024,042)
Transactions with owners					
Issue of share capital	50,101	-	721,443	-	771,544
Share options expired	-	22,876	-	(22,876)	-
Share options exercised	-	86,712	-	(86,712)	-
Total Transactions with owners	50,101	109,588	721,443	(109,588)	771,544
Balance at 31 December 2017	961,884	(7,152,409)	11,622,166	-	5,431,641
Loss of the year	-	(848,762)	-	-	(848,762)
Total Comprehensive Income	-	(848,762)	-	-	(848,762)
Transactions with owners					
Issue of share capital	179,938	-	2,916,053	-	3,095,991
Share options granted	-	-	-	22,839	22,839
Total Transactions with owners	179,938	-	2,916,053	22,839	3,118,830
Balance at 31 December 2018	1,141,822	(8,001,171)	14,538,219	22,839	7,701,709

The notes form part of these financial statements

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes to the Statement of Cash Flows	2018 £	2017 £
Cash flows from operating activities			
Cash generated from operations	1	(834,162)	(830,845)
Interest paid		<u>(602)</u>	<u>(21,544)</u>
Net cash from operating activities		<u>(834,764)</u>	<u>(852,389)</u>
Cash flows from investing activities			
Purchase of intangible fixed assets		(154,115)	(294,548)
Purchase of tangible fixed assets		-	(2,840)
Interest paid		<u>1,647</u>	<u>2,141</u>
Net cash from investing activities		<u>(152,468)</u>	<u>(295,247)</u>
Cash flows from financing activities			
Proceeds of share issue		<u>909,953</u>	<u>771,544</u>
Net cash from financing activities		<u>909,953</u>	<u>771,544</u>
Decrease in cash and cash equivalents			
Cash and cash equivalents at beginning of year	2	126,178	505,904
Effect of foreign exchange rate changes		<u>-</u>	<u>(3,634)</u>
Cash and cash equivalents at end of year	2	<u>48,899</u>	<u>126,178</u>

The notes form part of these financial statements

Company Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes to the Statement of Cash Flows	2018 £	2017 £
Cash flows from operating activities			
Cash generated from operations	1	(910,059)	(992,570)
Interest paid		<u>(602)</u>	<u>(21,544)</u>
Net cash from operating activities		<u>(910,661)</u>	<u>(1,014,114)</u>
Cash flows from investing activities			
Purchase of intangible fixed assets		(65,219)	(113,815)
Purchase of tangible fixed assets		-	(2,840)
Investment in subsidiary		-	(100)
Interest received		<u>1,647</u>	<u>2,141</u>
Net cash from investing activities		<u>(63,572)</u>	<u>(114,614)</u>
Cash flows from financing activities			
Loan from subsidiary		-	100
Proceeds of share issue		<u>909,953</u>	<u>771,544</u>
Net cash from financing activities		<u>909,953</u>	<u>771,644</u>
Decrease in cash and cash equivalents			
Cash and cash equivalents at beginning of year	2	109,528	466,612
Effect of foreign exchange rate changes		<u>-</u>	<u>-</u>
Cash and cash equivalents at end of year	2	<u>45,248</u>	<u>109,528</u>

The notes form part of these financial statements

Notes to the Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2018

1. RECONCILIATION OF LOSS BEFORE INCOME TAX TO CASH GENERATED FROM OPERATIONS

Group	2018	2017
	£	£
Loss before income tax	(879,996)	(1,047,354)
Depreciation charges	692	1,501
Loss/(Gain) on foreign exchange movement	(25,051)	36,473
Finance costs	602	21,544
Finance income	(1,647)	(2,141)
Non-cash share based payments	8,876	-
	<u>(896,524)</u>	<u>(989,977)</u>
Decrease/(increase) in trade and other receivables	4,207	26,305
Increase/(decrease) in trade and other payables	58,155	132,827
	<u>(834,162)</u>	<u>(830,845)</u>
Cash generated from operations	(834,162)	(830,845)
	<u>(834,162)</u>	<u>(830,845)</u>
Company	2018	2017
	£	£
Loss before income tax	(848,762)	(1,024,042)
Depreciation charges	692	1,501
Loss/(Gain) on foreign exchange movement	(25,051)	36,167
Finance costs	602	21,544
Finance income	(19,286)	(14,920)
Non-cash share based payments	8,876	-
	<u>(882,929)</u>	<u>(979,750)</u>
Decrease/(increase) in trade and other receivables	4,772	26,636
Increase/(decrease) in trade and other payables	37,351	123,596
Decrease/(increase) in loans to subsidiaries	(69,253)	(163,052)
	<u>(910,059)</u>	<u>(992,570)</u>
Cash generated from operations	(910,059)	(992,570)
	<u>(910,059)</u>	<u>(992,570)</u>

2. CASH AND CASH EQUIVALENTS

The amounts disclosed on the Statements of Cash Flows in respect of cash and cash equivalents are in respect of these Statement of Financial Position amounts:

	Group		Company	
	31/12/18	1/1/18	31/12/18	1/1/18
Year ended 31 December 2018	£	£	£	£
Cash and cash equivalents	<u>48,899</u>	<u>126,178</u>	<u>45,248</u>	<u>109,528</u>
Year ended 31 December 2017	31/12/17	1/1/17	31/12/17	1/1/17
	£	£	£	£
Cash and cash equivalents	<u>126,178</u>	<u>505,904</u>	<u>109,528</u>	<u>466,612</u>

The notes form part of these financial statements

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

1. STATUTORY INFORMATION

Oracle Power PLC Group is a group domiciled in United Kingdom. The parent is a public company, limited by shares and registered in England and Wales. The company's registered number and registered office address can be found on the General Information page. The Group is primarily involved in an energy project, based on the exploration and development of coal and building a mine-mouth power plant in Pakistan. The presentation currency of the financial statements is the Pound Sterling (£).

2. ACCOUNTING POLICIES

Going concern

The Directors have considered the cashflow requirements of the Group over the next 12 months. It will be necessary to raise additional funds to bring the project to financial close and to continue to meet operational costs for the next 12 months. The Directors expect to meet the funding requirements and therefore believe that the going concern basis is appropriate for the preparation of the financial statements.

Compliance with accounting standards

These financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and IFRIC interpretations and with those parts of the Companies Act 2006 applicable to reporting groups under IFRS.

The financial statements have been prepared under the historical cost convention.

Significant accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for revenues and expenses during the year and the amounts reported for assets and liabilities at the statement of financial position date. However, the nature of estimation means that the actual outcomes could differ from those estimates.

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are the measurement of any impairment on intangible assets and the estimation of share-based payment costs. The Group determines whether there is any impairment of intangible assets on an annual basis. The estimation of share-based payment costs requires the selection of an appropriate model, consideration as to the inputs necessary for the valuation model chosen and the estimation of the number of awards that will ultimately vest.

At the balance sheet date the intangible assets are carried forward at their cost of £4,742,818.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

Business acquisitions have been accounted for in accordance with IFRS 3, 'Business Combinations'. Fair values are attributed to the Group's share of net assets. Where the cost of acquisition exceeds the fair values attributed to such assets, the difference is treated as purchased goodwill and is capitalised. In the case of subsequent acquisitions of minority interests, the difference between the consideration payable for the additional interest in the subsidiary and the minority interest's share of the assets and liabilities reflected in the consolidated statement of financial position at the date of acquisition of the minority interest has been treated as goodwill.

Notes to the Consolidated Financial Statements - continued

FOR THE YEAR ENDED 31 DECEMBER 2018

2. ACCOUNTING POLICIES - CONTINUED

Intangible fixed assets - exploration costs

Expenditure on the acquisition costs, exploration and evaluation of interests in licences, including related finance and administration costs, are capitalised. Such costs are carried forward in the statement of financial position under intangible assets and amortised over the minimum period of the expected commercial production of coal in respect of each area of interest where:

a) such costs are expected to be recouped through successful development and exploration of the area of interest or alternatively by its sale;

b) exploration activities have not yet reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active operations in relation to the areas are continuing.

An annual impairment review is carried out by the Directors to consider whether any exploration or development costs have suffered impairment in value where a site has been abandoned or confirmed as no longer technically feasible. Accumulated costs in respect of areas of interest that have been abandoned are written off to the profit and loss account in the year in which the area is abandoned.

Exploration costs are carried at cost less any provision for impairment.

Property, plant and equipment

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Fixtures and fittings	- 15% on reducing balance
Motor vehicles	- 20% on reducing balance
Computer equipment	- 30% on reducing balance

Investments

Fixed asset investments are stated at cost. The investments are reviewed annually and any impairment is taken directly to the statement of profit or loss. Investments in subsidiaries are fully consolidated within the Group financial statements.

Financial instruments

Financial assets and liabilities are recognised on the statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

- Cash and cash equivalents comprise cash held at bank and short term deposits
- Trade payables are not interest bearing and are stated at their nominal value
- Equity instruments issued by the Company are recorded at the proceeds received except where those proceeds appear to be less than the fair value of the equity instruments issued, in which case the equity instruments are recorded at fair value. The difference between the proceeds received and the fair value is reflected in the share based payments reserve.
- Derivative assets designated at fair value are performance bonds deposited in US Dollars and their values are subject to foreign exchange fluctuations.

Taxation

Current taxes are based on the results shown in the financial statements and are calculated according to local tax rules, using tax rates enacted or substantially enacted by the statement of financial position date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the statement of financial position date.

Notes to the Consolidated Financial Statements - continued

FOR THE YEAR ENDED 31 DECEMBER 2018

2. ACCOUNTING POLICIES - CONTINUED

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the statement of financial position date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

Profit and losses of overseas subsidiary undertakings are translated into sterling at average rates for the year. The statements of financial position of overseas subsidiary undertakings are translated at the rate ruling at the statement of financial position date. Differences arising from the translation of Group investments in overseas subsidiary undertakings are recognised as a separate component of equity.

Net exchange differences classified as equity are separately tracked and the cumulative amount disclosed as a translation reserve.

The principal place of business of the Group is the United Kingdom with sterling being the functional currency. Funds are advanced to Pakistan as required to finance the exploration costs which are payable locally.

Hire purchase and leasing commitments

Rentals paid under operating leases are charged to the statement of profit or loss on a straight line basis over the period of the lease.

Employee benefit costs

The group operates a defined contribution pension scheme. Contributions payable to the group's pension scheme are charged to the income statement in the period to which they relate.

Share-based payment transactions

Where equity settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the statement of profit or loss over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each statement of financial position date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of all options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of profit or loss over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the statement of profit or loss is charged with the fair value of goods and services received.

Cash and cash equivalents

Cash and cash equivalents for the purpose of the cash flow statement comprise cash and bank balances.

Notes to the Consolidated Financial Statements - continued

FOR THE YEAR ENDED 31 DECEMBER 2018

2. ACCOUNTING POLICIES - CONTINUED

New standards and interpretations applied

In preparing these financial statements the Company has reviewed all new standards and interpretations.

New Standards, Interpretations and Amendments effective from 1 January 2018

The following new and revised Standards and Interpretations have been adopted in these financial statements but their adoption has not had any significant impact on the amounts reported in these financial statements:

- IFRS 15 Revenue from Contracts with Customers (amended April 2016)
- IFRS 2 Share-based Payment (amended June 2016)
- IAS 28 Investment in Associates and Joint Ventures (amended 2016)

The other new and revised Standards and Interpretations are not considered to be relevant to the Company's financial reporting and operations and are not detailed in these financial statements.

New Standards, Interpretations and Amendments that are not yet effective and have not been adopted early

The following new and revised Standards and Interpretations are relevant to the Company but not yet effective for the year commencing 1 January 2018 and have not been applied in preparing these financial statements:

- IAS 1 Presentation of Financial Statements (amended 2018)
- IAS 8 Accounting Policies (amended 2018)
- IAS 12 Income Taxes (amended 2017) - IAS 19 Employee Benefits (amended 2018)
- IAS 23 Borrowing Costs (amended 2017)
- IAS 28 Investment in Associates and Joint Ventures (amended 2017)
- IFRS 9 Financial Instruments (amended 2017)
- IFRS 16 Leases (issued 2016)
- IFRS 3 Business Combinations (amended 2017)

The Directors do not consider that the implementation of any of these new standards will have a material impact upon reported income or reported net assets.

IFRS 16 will be effective for financial periods commencing on or after 1 January 2019 and will bring the majority of all operating leases onto the balance sheet in line with the accounting treatment of finance leases. This will increase the value of gross assets and both current and non-current liabilities but is not expected to have a material effect on the consolidated income statement.

3. SEGMENTAL REPORTING

The principal activity of the Group is an energy project, based on the exploration and development of coal and building a mine-mouth power plant in Pakistan. All expenditure is in respect of this one activity and the £4,742,818 (2017: £4,839,316) intangible non-current assets of the Group are wholly attributable to the project in Pakistan.

Notes to the Consolidated Financial Statements - continued

FOR THE YEAR ENDED 31 DECEMBER 2018

4. EMPLOYEES AND DIRECTORS

	2018	2017
	£	£
Wages and salaries	397,500	430,724
Social security costs	40,118	44,509
Pension contributions to money purchase schemes	10,683	10,511
Compensation to director for loss of office	12,500	-
	<u>460,801</u>	<u>485,744</u>

The average monthly number of employees of the Company during the year was as follows:

	2018	2017
Directors	4	4
Administration and production	3	3
	<u>7</u>	<u>7</u>

	2018	2017
	£	£
Directors' remuneration	187,500	217,943
Company contributions to Directors' pension money purchase schemes	5,708	5,000
Compensation to director for loss of office	12,500	-
	<u>205,708</u>	<u>222,943</u>

The number of Directors to whom retirement benefits were accruing was as follows:

Money purchase schemes	<u>1</u>	<u>1</u>
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Information regarding the highest paid director is as follows:

	2018	2017
	£	£
Remuneration	125,000	150,000
Company Pension contributions to money purchase schemes	4,900	5,000
	<u>130,000</u>	<u>155,000</u>

Details of remuneration for each Director are included in the Report of the Directors (p 11).

5. NET FINANCE COSTS

	2018	2017
	£	£
Finance income:		
Deposit account interest	<u>1,647</u>	<u>2,141</u>
Finance costs:		
Loan interest	<u>602</u>	<u>21,544</u>
Net finance income/(costs)	<u>1,045</u>	<u>19,403</u>

Notes to the Consolidated Financial Statements - continued

FOR THE YEAR ENDED 31 DECEMBER 2018

6. LOSS BEFORE INCOME TAX

	2018	2017
	£	£
The loss before income tax is stated after charging/(crediting):		
Hire of plant and machinery	-	1,821
Other operating leases	92,878	99,603
Depreciation - owned assets	3,568	5,730
Auditors' remuneration	13,900	18,352
Other non-audit services	-	-
Foreign exchange differences	<u>(25,051)</u>	<u>36,473</u>

The depreciation charges shown above include £2,876 (2017:£4,240) which have been capitalised as exploration costs by the subsidiary company in accordance with the accounting policy.

7. INCOME TAX

Analysis of tax expense

No liability to UK corporation tax arose for the year ended 31 December 2018 nor for the year ended 31 December 2017.

Factors affecting the tax expense

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below

	2018	2017
	£	£
Loss before income tax	<u>(879,996)</u>	<u>(1,047,354)</u>
Loss multiplied by the standard rate of corporation tax in the UK of 19% (2017 - 19.250%)	(167,199)	(201,616)
Effects of:		
Inter company items eliminated	3,352	2,461
Potential deferred taxation on losses for year tax relief	<u>163,847</u>	<u>199,155</u>
Tax expense	<u>-</u>	<u>-</u>

The Group and Company has estimated UK excess management charges of £7,622,344 (2017: £6,773,582) to carry forward against future income. The overseas subsidiaries have losses of £100,746 (2017: £87,155) which will be carried forward to offset future profits. There is no charge for foreign taxation for the year (2017: nil).

Notes to the Consolidated Financial Statements - continued

FOR THE YEAR ENDED 31 DECEMBER 2018

8. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share is calculated using the weighted average number of shares adjusted to assume the conversion of all dilutive potential ordinary shares. In addition to the weighted average number of shares, the weighted average potentially dilutive instruments amounted to 73,250,809 (2017: 73,250,809). No adjustment is made where the effect would be to dilute the loss attributable to the ordinary shareholders.

Reconciliations are set out below.

	Earnings £	2018 Weighted average number of shares	Per-share amount pence
Basic EPS			
Earnings attributable to ordinary shareholders	(879,996)	1,101,312,862	(0.08)
Effect of dilutive securities	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Diluted EPS			
Adjusted earnings	(879,996)	1,101,312,862	(0.08)
	<u> </u>	<u> </u>	<u> </u>
		2017	
	Earnings £	Weighted average number of shares	Per-share amount pence
Basic EPS			
Earnings attributable to ordinary shareholders	(1,047,354)	912,194,911	(0.11)
Effect of dilutive securities	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Diluted EPS			
Adjusted earnings	(1,047,354)	912,194,911	(0.11)
	<u> </u>	<u> </u>	<u> </u>

There is no difference between the basic and diluted loss per share.

Notes to the Consolidated Financial Statements - continued

FOR THE YEAR ENDED 31 DECEMBER 2018

9. INTANGIBLE ASSETS

Group

Exploration costs £

COST

At 1 January 2018	4,839,316
Additions	160,630
Exchange differences	(257,128)
	<u>4,742,818</u>
At 31 December 2018	<u>4,742,818</u>

NET BOOK VALUE

At 31 December 2018	<u>4,742,818</u>
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Exploration costs £

COST

At 1 January 2017	4,779,496
Additions	298,778
Exchange differences	(238,958)
	<u>4,839,316</u>
At 31 December 2017	<u>4,839,316</u>

NET BOOK VALUE

At 31 December 2017	<u>4,839,316</u>
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The Group exploration costs of £4,742,818 are currently being carried forward at cost in the financial statements. The Group will need to raise funds to reach financial close. Also, financial close involves the raising of finance, both debt and equity for the opening up of the mine and the construction of the power plant. If the Group is unable to raise this finance, some of the assets may require impairment.

Company

Exploration costs £

COST

At 1 January 2018	3,247,597
Additions	65,219
	<u>3,312,816</u>
At 31 December 2018	<u>3,312,816</u>

NET BOOK VALUE

At 31 December 2018	<u>3,312,816</u>
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Notes to the Consolidated Financial Statements - continued

FOR THE YEAR ENDED 31 DECEMBER 2018

9. INTANGIBLE ASSETS - CONTINUED

Company

Exploration costs £

COST

At 1 January 2017	3,133,782
Additions	<u>113,815</u>
At 31 December 2017	<u>3,247,597</u>
NET BOOK VALUE	
At 31 December 2017	<u>3,247,597</u>

The impairment of exploration costs is charged to administration and included within the statement of profit or loss as an expense.

10. PROPERTY, PLANT AND EQUIPMENT

Group

	Fixtures and fittings £	Motor vehicles £	Computer equipment £	Totals £
COST				
At 1 January 2018	1,385	29,249	4,410	35,044
Additions	-	-	-	-
Exchange differences	-	(4,598)	(125)	(4,723)
At 31 December 2018	<u>1,385</u>	<u>24,651</u>	<u>4,285</u>	<u>30,321</u>
DEPRECIATION				
At 1 January 2018	462	13,802	2,704	16,968
Charge for year	185	2,826	557	3,568
Exchange differences	-	(2,392)	(101)	(2,493)
At 31 December 2018	<u>647</u>	<u>14,236</u>	<u>3,160</u>	<u>18,043</u>
NET BOOK VALUE				
At 31 December 2018	<u>738</u>	<u>10,415</u>	<u>1,125</u>	<u>12,278</u>

Notes to the Consolidated Financial Statements - continued

FOR THE YEAR ENDED 31 DECEMBER 2018

10. PROPERTY, PLANT AND EQUIPMENT - CONTINUED

Group

	Fixtures and fittings £	Motor vehicles £	Computer equipment £	Totals £
COST				
At 1 January 2017	-	33,903	3,081	36,984
Additions	1,385	-	1,455	2,840
Exchange differences	-	(4,654)	(126)	(4,780)
At 31 December 2017	<u>1,385</u>	<u>29,249</u>	<u>4,410</u>	<u>35,044</u>
DEPRECIATION				
At 1 January 2017	-	11,522	1,672	13,194
Charge for year	462	4,146	1,122	5,730
Exchange differences	-	(1,866)	(90)	(1,956)
At 31 December 2017	<u>462</u>	<u>13,802</u>	<u>2,704</u>	<u>16,968</u>
NET BOOK VALUE				
At 31 December 2017	<u>923</u>	<u>15,447</u>	<u>1,706</u>	<u>18,076</u>

Company

	Fixtures and fittings £	Computer equipment £	Totals £
COST			
At 1 January 2018	1,385	3,615	5,000
Additions	-	-	-
At 31 December 2018	<u>1,385</u>	<u>3,615</u>	<u>5,000</u>
DEPRECIATION			
At 1 January 2018	462	2,090	2,552
Charge for year	185	507	692
At 31 December 2018	<u>647</u>	<u>2,597</u>	<u>3,244</u>
NET BOOK VALUE			
At 31 December 2018	<u>738</u>	<u>1,018</u>	<u>1,756</u>

Notes to the Consolidated Financial Statements - continued

FOR THE YEAR ENDED 31 DECEMBER 2018

10. PROPERTY, PLANT AND EQUIPMENT - CONTINUED

Company

	Fixtures and fittings £	Computer equipment £	Totals £
COST			
At 1 January 2017	-	2,160	2,160
Additions	<u>1,385</u>	<u>1,455</u>	<u>2,840</u>
At 31 December 2017	<u>1,385</u>	<u>3,615</u>	<u>5,000</u>
DEPRECIATION			
At 1 January 2017	-	1,051	1,051
Charge for year	<u>462</u>	<u>1,039</u>	<u>1,501</u>
At 31 December 2017	<u>462</u>	<u>2,090</u>	<u>2,552</u>
NET BOOK VALUE			
At 31 December 2017	<u>923</u>	<u>1,525</u>	<u>2,448</u>

11. INVESTMENTS

Company

COST

	Shares in group undertakings £
At 1 January 2018	1,502,947
Additions	<u>2,200,000</u>
At 31 December 2018	<u>3,702,947</u>
NET BOOK VALUE	
At 31 December 2018	<u>3,702,947</u>

Shares in group undertakings £

COST

	Shares in group undertakings £
At 1 January 2017	1,502,847
Additions	<u>100</u>
At 31 December 2017	<u>1,502,947</u>
NET BOOK VALUE	
At 31 December 2017	<u>1,502,947</u>

Notes to the Consolidated Financial Statements - continued

FOR THE YEAR ENDED 31 DECEMBER 2018

11. INVESTMENTS - CONTINUED

Company

The Company's investments at the Statement of Financial Position date in the share capital of companies include the following:

Subsidiaries

Sindh Carbon Energy Limited

Registered office: 44/2, Street B-6, Phase V, Off Khyaban e Shaheen, Defense Housing Authority, Karachi, Pakistan. Nature of business: Coal exploration and mining.

Class of shares:	%	2018	2017
	holding	£	£
Ordinary shares of Rs. 10 each	100.00 (2017: 98.00%)		
Aggregate capital and reserves		616,943	620,863
Loss for the year		(3,920)	(4,265)

The subsidiary company was incorporated in Pakistan on 23 January 2007 for the exploration and future extraction of coal in Pakistan. Oracle Power PLC agreed to acquire 80% of the ordinary share capital of the company at par, fully paid by cash.

On 14 March 2016 Oracle Power PLC took up a rights issue to acquire a further 9,000,000 ordinary shares of the company at par for consideration of £603,141. The acquisition was settled through a reduction of the inter-company loan and increased the holding in the subsidiary to 98%.

On 12 March 2018 Oracle Power PLC acquired the remaining 2% of Sindh Carbon Energy Limited. This was acquired via a share for share exchange where Oracle Power PLC issued 95,652,174 shares in exchange for the remaining 199,999 ordinary shares of Sindh Carbon Energy Limited.

The investment in share capital for the 100% holding amounts to £2,867,256 (2017: £667,256).

Revive Financial Limited

Registered office: Tennyson House, Cambridge Business Park, Cambridge, CB4 0WZ

Nature of business: Administration and financial support

Class of shares:	%	2018	2017
	holding	£	£
Ordinary shares of 1p each	100.00		
Aggregate capital and reserves		804,516	804,516

The company was incorporated on 8 October 2013 but has not yet commenced trading and has no profit or loss for the year (2017: Nil).

The company was acquired under the terms of a share exchange agreement whereby shares in Oracle Power PLC were allotted to the shareholders of Revive Financial Limited in exchange for their shareholdings in Revive Financial Limited. The company became a subsidiary of Oracle Power PLC upon the completion of the share exchange on 18 October 2013.

Following the share for share exchange, Revive Financial Limited made a loan of £804,516 to Oracle Power PLC. The loan of £804,516 (2017: £804,516) which remains outstanding is interest free and is repayable within 30 days of giving written notice of demand for repayment.

The investment in share capital for the 100% holding amounted to £804,516.

Notes to the Consolidated Financial Statements - continued

FOR THE YEAR ENDED 31 DECEMBER 2018

11. INVESTMENTS - CONTINUED

Company

Thar Electricity (Private) Limited

Registered office: PIA Building, 3rd Floor, 49, Blue Area, Fazlul Haq Road, Islamabad, Pakistan

Nature of business: Energy production

Class of shares:	% holding	2018 £	2017 £
Ordinary shares of Rs. 10 each	100.00		
Aggregate capital and reserves		(2,769)	6,342
Loss for the year		(9,675)	(6,267)

The subsidiary company was incorporated in Pakistan on 17 June 2015 for the future generation of electricity in Pakistan. Oracle Power PLC agreed to acquire 100% of the ordinary share capital of the company at par, fully paid by cash.

The investment in share capital for the 100% holding amounted to £31,075.

Oracle Reserve Power Limited

Registered office: Tennyson House, Cambridge Business Park, Cambridge, CB4 0WZ

Nature of business: Power generation

Class of shares:	% holding	2018 £	2017 £
Ordinary	100.00		
Aggregate capital and reserves		100	100

The dormant subsidiary company was incorporated as Oracle Power Developments Limited on 9 May 2017 and changed its name to Oracle Reserve Power Limited on 20 November 2017. Oracle Power PLC agreed to subscribe for 100% of the ordinary share capital of the company at par, fully paid for cash.

The investment in share capital for the 100% holding amounted to £100.

12. LOANS AND OTHER FINANCIAL ASSETS

	2018 £	2017 £
Financial assets	391,843	370,291

Notes to the Consolidated Financial Statements - continued

FOR THE YEAR ENDED 31 DECEMBER 2018

12. LOANS AND OTHER FINANCIAL ASSETS - CONTINUED

Group

The financial asset of £391,843 represents a performance guarantee for US\$500,000 issued in favour of Director General, Coal Mines Development Department to cover company obligations under the mining lease. The guarantee was originally valid up to the earliest of the date commercial operations begin, three years from the date of issue, or 2 February 2018. This has been extended to 31 January 2020. This performance guarantee is secured by a deposit by Oracle Power PLC with the issuing bank.

As at 31 December 2017, Sindh Koela Limited held 2% of the issued shares of Sindh Carbon Energy Limited and these shares were funded by a loan of PKR 2,000,000 from Oracle Power PLC. The loan accrues interest on a daily basis at a rate of 9 per cent per annum. The loan was unsecured and repayable from 50% of dividends due to Sindh Koela Limited from Sindh Carbon Energy Limited when the project starts to generate revenues, or was repayable in full on any early transfer of shares by Sindh Koela Limited in Sindh Carbon Energy Limited.

Further loans were made to Sindh Koela Limited to fund initial expenditure in Pakistan on behalf of the Group. At the statement of financial position date there was a loan of £25,000 (2017: £25,000) from Oracle Power PLC to Sindh Koela Limited and PKR 3,000,000 (2017: PKR 3,000,000) from Sindh Carbon Energy Limited to Sindh Koela Limited. The loans were interest free, unsecured and were not due for repayment until the project starts to generate revenues. A full impairment provision had been made against these loans and the accrued interest of £5,904 (2017: £5,904).

On 12 January 2018, the Company reached agreement to acquire the remaining 199,999 shares in Sindh Carbon Energy Limited which were not owned by the Company from the then shareholder, Sindh Koela Limited. As part of this agreement, the loans and interest which were previously impaired have been fully written off.

Company

	Loans to group undertakings
	£
At 1 January 2018	1,066,038
New in year	<u>69,253</u>
At 31 December 2018	<u>1,135,291</u>
	Loans to group undertakings
	£
At 1 January 2017	903,998
New in year	<u>162,040</u>
At 31 December 2017	<u>1,066,038</u>

Notes to the Consolidated Financial Statements - continued

FOR THE YEAR ENDED 31 DECEMBER 2018

12. LOANS AND OTHER FINANCIAL ASSETS - CONTINUED

Company

Other financial assets were as follows:

	2018	2017
	£	£
Financial assets	<u>391,843</u>	<u>370,291</u>

In addition to the items disclosed for the Group, during the period Oracle Power PLC made loans to its subsidiaries totalling £48,600 (2017: £96,000) to Sindh Carbon Energy Limited and £20,653 (2017: £66,040) to Thar Electricity (Private) Limited of which £33,683 is denoted in USD of \$42,980.

The amounts outstanding at the statement of financial position date were £1,044,673 (2017: £996,073) due from Sindh Carbon Energy Limited and £90,618 (2017: £69,964) due from Thar Electricity (Private) Limited. Interest accrues on a daily basis at a rate of 1% over the Bank of England base rate. The loans are unsecured and although they are repayable on demand, they are unlikely to be repaid until the project becomes successful and the subsidiaries start to generate revenues.

13. TRADE AND OTHER RECEIVABLES

Year ended 31 December 2018	Group		Company	
	2018	2017	2018	2017
Current:	£	£	£	£
Other receivables	25,242	15,429	152,967	131,828
VAT	7,159	11,793	7,159	11,793
Prepayments and accrued income	<u>38,288</u>	<u>45,324</u>	<u>38,288</u>	<u>38,426</u>
	<u>70,689</u>	<u>72,546</u>	<u>198,414</u>	<u>182,047</u>

14. CASH AND CASH EQUIVALENTS

Year ended 31 December 2018	Group		Company	
	2018	2017	2018	2017
Current:	£	£	£	£
Bank deposit account	35,248	99,528	35,248	99,528
Bank accounts	<u>13,651</u>	<u>26,650</u>	<u>10,000</u>	<u>10,000</u>
	<u>48,899</u>	<u>126,178</u>	<u>45,248</u>	<u>109,528</u>

15. NON-CONTROLLING INTERESTS

The non-controlling interest representing two per cent of the capital and reserves of the subsidiary Sindh Carbon Energy Limited is held by Sindh Koela Limited. There were no pre-acquisition reserves or goodwill. As described in Note 12, on 12 January 2018, the Company reached agreement to acquire the remaining shares in Sindh Carbon Energy Limited which were not owned by the Company, from which point Sindh Carbon Energy Limited has been a wholly owned subsidiary of the Company.

Notes to the Consolidated Financial Statements - continued

FOR THE YEAR ENDED 31 DECEMBER 2018

16. CALLED UP SHARE CAPITAL

	2018	2017
	£	£
Allotted, issued and fully paid		
1,141,821,582 (2017: 961,883,698) Ordinary shares of 0.1p each	<u>1,141,822</u>	<u>961,884</u>

In January 2018 95,652,174 ordinary shares of 0.1p each were allotted at 2.3p per share in exchange for 199,999 ordinary shares of Sindh Carbon Energy Limited. Sindh Carbon Energy Limited is now 100% owned by Oracle Power PLC. The shares were issued at a premium to nominal value of 2.20p per share during the year.

In May 2018 39,285,710 ordinary shares of 0.1p each were allotted at 1.4p per share as fully paid for cash at a premium to nominal value of 1.30p per share during the year.

In August 2018 45,000,000 ordinary shares of 0.1p each were allotted at 1p per share as fully paid for cash at a premium to nominal value of 0.90p per share during the year.

The number of shares in issue are as follows:

	2018	2017
	No.	No.
At 1 January 2018	961,883,698	<u>911,783,126</u>
Issued during the year	179,937,884	50,100,572
At 31 December 2018	<u>1,141,821,582</u>	<u>961,883,698</u>

At the balance sheet date 12,525,805 authorised ordinary shares were reserved for issue under options (2017: Nil).

17. RESERVES

The following is a description of each of the reserve accounts that comprise equity shareholders' funds:

Share capital	The share capital comprises the issued ordinary shares of the company at par.
Share premium	The share premium comprises the excess value recognised from the issue of ordinary shares at par.
Translation reserve	Cumulative gains and losses on translating the net assets of overseas operations to the presentation currency.
Share scheme reserve	Cumulative fair value of options charged to the statement of comprehensive income net of transfers to the profit and loss reserve on exercised and cancelled/lapsed options
Retained earnings	Retained earnings comprise the group's cumulative accounting profits and losses since inception.

Notes to the Consolidated Financial Statements - continued

FOR THE YEAR ENDED 31 DECEMBER 2018

18. TRADE AND OTHER PAYABLES

	Group		Company	
	2018	2017	2018	2017
Current:	£	£	£	£
Trade payables	167,714	157,864	147,537	157,864
Amounts owed to group undertakings	-	-	804,616	804,616
Social security and other taxes	36,073	30,092	36,073	30,092
Other payables	77,226	32,714	76,702	32,608
Accruals and deferred income	52,105	59,948	21,678	24,075
	<u>333,118</u>	<u>280,618</u>	<u>1,086,606</u>	<u>1,049,255</u>

19. LEASING AGREEMENTS

Minimum lease payments fall due as follows:

Group	Non-cancellable operating leases	
	2018	2017
	£	£
Within one year	90,212	94,062
Between one and five years	15,000	105,212
After five years	-	-
	<u>105,212</u>	<u>199,274</u>

Future minimum lease payments under non-cancellable operating leases fall due as follows:

Company	Non-cancellable operating leases	
	2018	2017
	£	£
Within one year	90,212	90,848
Between one and five years	15,000	105,212
After five years	-	-
	<u>105,212</u>	<u>196,060</u>

The Company has entered into a three year lease for £7,500 per month for premises in the UK, commencing 1 March 2017 and ending 29 February 2020. The lease will automatically renew at the prevailing market rate after three years unless terminated at that date by either party giving at least three months written notice.

Notes to the Consolidated Financial Statements - continued

FOR THE YEAR ENDED 31 DECEMBER 2018

20. FINANCIAL RISK MANAGEMENT

The Group's financial instruments comprise cash and cash equivalents, loan investments and financial assets and various items such as trade receivables, trade payables, accruals and prepayments that arise directly from its operations, categorised as follows:

	2018	2017
	£	£
Financial assets		
Cash and bank balances	48,899	126,178
Fair value through profit or loss		
Designated as at fair value through profit or loss	-	-
Held for trading	-	-
Loans and receivables	25,242	15,429
Derivative financial assets	391,873	370,291
Financial liabilities		
Amortised cost	<u>244,940</u>	<u>190,578</u>

The main purpose of these financial instruments is to finance the Group's operations. The Board regularly reviews and agrees policies for managing the level of risk arising from the Group's financial instruments as summarised below.

a) Market Risk

Market risk is the risk that changes in market prices, such as commodity prices, foreign exchange rates, interest rates and equity prices will affect the Group's income or value of its holdings in financial instruments.

i) Foreign Exchange Risk

The Group operates internationally and is exposed to foreign exchange risk arising from currency exposures. The Group is exposed to currency risk on cash and cash equivalents, loans, receivables and payables that are denominated in currencies other than sterling which is the functional currency of the Group.

The Group's net exposure to foreign currency risk at the reporting date is as follows:

	2018	2017
	£	£
Pakistan Rupees	3,651	16,973
US Dollars	<u>391,873</u>	<u>370,291</u>
	<u>395,524</u>	<u>387,264</u>

Sensitivity analysis

A 10 percent strengthening of sterling against the Pakistan Rupee and US Dollar at 31 December 2018 would have increased/ (decreased) equity and profit and loss by the amounts shown below:

	Equity		Profit and loss	
	2018	2017	2018	2017
	£	£	£	£
Pakistan Rupees	(365)	(1,697)	-	-
US Dollars	<u>(39,187)</u>	<u>(37,029)</u>	<u>(39,187)</u>	<u>37,029</u>

A 10 percent weakening of sterling against the Pakistan Rupee and US Dollar at 31 December 2018 would have an equal but opposite effect on the amounts shown above.

Notes to the Consolidated Financial Statements - continued

FOR THE YEAR ENDED 31 DECEMBER 2018

20. FINANCIAL RISK MANAGEMENT - CONTINUED

ii) Interest Rate Risk

The Group is exposed to interest rate risk on its interest bearing bank accounts and loans.

	Weighted average interest rate %	2018 £	Weighted average interest rate %	2017 £
Cash and cash equivalents	3.72	48,899	0.97	126,178
Loans	1.50	-	1.50	-
		48,899		126,178

Sensitivity analysis

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) equity and profit and loss by £2,090 (2017: £4,343).

b) Credit Risk

The Group's principal financial assets are the cash and cash equivalents and taxation receivable as recognised in the statement of financial position, and which represent the Group's maximum exposure to credit risk in relation to financial assets.

The Company has made unsecured loans to its subsidiaries of £1,044,673 (2017: £900,073) to Sindh Carbon Energy Limited and £90,618 (2017: £69,965) to Thar Electricity (Private) Limited. Although they are repayable on demand, they are unlikely to be repaid until the project becomes successful and the subsidiaries start to generate revenue.

c) Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's policy throughout the year has been to ensure that it has adequate liquidity to meet its liabilities when due by careful management of its working capital.

The following tables illustrate the contractual maturity profiles of its financial liabilities, all of which are repayable within one year, as at 31 December:

Maturity up to one year:	2018 £	2017 £
Trade and other payables	244,940	190,578
Tax liabilities	36,073	30,092
	281,013	220,670

d) Fair Values of Financial Assets and Liabilities

The Group measures the fair value of its financial assets and liabilities in the statement of financial position in accordance with the fair value hierarchy. This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1:** Quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2:** Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3:** Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Notes to the Consolidated Financial Statements - continued

FOR THE YEAR ENDED 31 DECEMBER 2018

20. FINANCIAL RISK MANAGEMENT - CONTINUED

The Group holds a derivative financial asset of US\$500,000 (2017: US\$500,000) requiring revaluation to sterling at the balance sheet date. The fair value of the derivative financial asset amounted to £391,843 (2017: £370,291) and is measured in line with level 2 hierarchy.

The carrying value of all financial assets and liabilities in the financial statements approximate their fair values.

Capital Management

The Company's capital consists wholly of ordinary shares, together with their associated share premium. The Board's policy is to preserve a strong capital base in order to maintain investor, creditor and market confidence and to safeguard the future development of the business, whilst balancing these objectives with the efficient use of capital.

21. CONTINGENT LIABILITIES

On 3 February 2015 a performance guarantee for US\$500,000 was issued in favour of Director General, Coal Mines Development Department to cover company obligations under the mining lease. The guarantee was originally valid up to the earliest of the date commercial operations begin, three years from the date of issue, or 2 February 2018. This has been extended to 31 January 2020. This performance guarantee is secured by a deposit by Oracle Power PLC with the issuing bank.

Notes to the Consolidated Financial Statements - continued

FOR THE YEAR ENDED 31 DECEMBER 2018

22. RELATED PARTY DISCLOSURES

During the year Oracle Power PLC accrued interest of £16,349 (2017: £12,287) in respect of loans totalling £1,044,673 (2017: £900,073) made to Sindh Carbon Energy Limited and £1,293 (2017: £492) in respect of loans totalling £90,618 (2017: £69,965) made to Thar Electricity (Private) Limited. At the Statement of Financial Position date the total interest outstanding amounted to £132,613 (2017: £116,264) for Sindh Carbon Energy Limited and £1,852 (2017: £564) for Thar Electricity (Private) Limited.

Following the decision in 2013 to make a full impairment provision against the loans and interest owed by Sindh Koela Limited, Oracle Power PLC accrued no interest in the year (2017: nil) in respect of the loans. On 12 January 2018, the Company reached agreement to acquire the remaining 199,999 shares in Sindh Carbon Energy Limited which were not owned by the Company from the then shareholder, Sindh Koela Limited. As part of this agreement, the loans of £41,029 (2017: £41,029) and interest of £5,904 (2017: £5,904) which were previously impaired have been fully written off.

On 12 January 2018 Oracle Power PLC acquired the remaining 2% of Sindh Carbon Energy Limited. This was acquired via a share for share exchange where Oracle Power PLC issued 95,652,174 shares in exchange for the remaining 199,999 Ordinary shares of Sindh Carbon Energy Limited.

Oracle Power PLC owes £804,516 (2017: £804,516) to its subsidiary Revive Financial Limited in respect of a loan. The loan is interest free and is repayable within 30 days of receiving a written notice demanding repayment.

Key management personnel compensation

The Directors' and key management personnel of the Group during the year were follows:

Mr S Khan (Chief Executive Officer)

Mr A C R Scutt (Non-Executive Director)

Mr M W Steed (Non-Executive Director)

Mr A Migge (Non-Executive Director)

Mr S Smith (Finance Manager)

Mr B Rostron (Mining and Contracts Manager)

The aggregate compensation made to key management personnel of the Group is set out below:

	2018	2017
	£	£
Short-term employee benefits	347,500	419,564
Post-employment benefits	8,683	8,400
Termination benefits	12,500	-
	<u>368,683</u>	<u>427,964</u>

Details of key management personnel compensation are disclosed in the Remuneration Report included in the Directors Report.

Key management personnel equity holdings

Details of key management personnel beneficial interests in the fully paid Ordinary shares of the Company and share options held, are unchanged during the year and are disclosed in the Directors Report.

Notes to the Consolidated Financial Statements - continued

FOR THE YEAR ENDED 31 DECEMBER 2018

23. EVENTS AFTER THE REPORTING PERIOD

An equity placing was announced on 21 February 2019 raising £500,000 before costs. The placing was at 0.425p per ordinary share and 117,647,052 shares were issued. The impact of the equity placing on the substantial shareholdings in the Company is shown in the Directors Report.

On 31 May 2019, the Company entered into a loan agreement with Brandon Hill Capital Limited to provide the Company with a working capital facility of up to £250,000. Pursuant to the terms of the Loan Agreement, £50,000 is immediately available for draw down. Subsequent to the initial draw down the Company is able to draw funds up to £50,000 per month up to a maximum of £250,000. A coupon of 12% per annum (accruing daily) will be applied to those funds drawn by the Company. The loan is unsecured, with the principal and outstanding interest being repayable 12 months from the date of the loan agreement, or earlier at the Company's option without penalty.

Other than the above, there has not arisen in the interval between the year end and the date of this report any other item, transaction or event of a material nature, likely, in the opinion of the Directors of the Group to affect:

- i) The Group's operations in future financial periods; or
- ii) The results of those operations in future periods; or
- iii) The Group's state of affairs in future financial periods.

24. SHARE-BASED PAYMENT TRANSACTIONS

The Company has a share option programme that entitles the holders to purchase shares in the Company with the options exercisable at the price determined at the date of granting the option. The terms and conditions of the grants active in the year are as follows; there are no vesting conditions to be met and all options are to be settled by the issue of shares:

Grant date	Number of instruments	Contractual life of options
13 February 2007 – lapsed 31 March 2017	8,080,000	10 years
15 November 2007 – lapsed 31 March 2017	8,683	10 years
18 April 2011 – lapsed 31 March 2017	250,000	6 years
2 March 2015 – exercised 28 December 2017	23,076,920	3 years
3 April 2018	1,712,143	3 years
2 August 2018	2,250,000	3 years
23 October 2018	8,563,662	5 years

The number and weighted average exercise prices of share options is as follows:

	Weighted average exercise price 2018	Number of options 2018	Weighted average exercise price 2017	Number of options 2017
Outstanding at 1 January	-	-	1.40p	31,606,920
Granted during the period	0.024	12,525,805	-	-
Expired during the period	-	-	5.00p	(8,530,000)
Exercised during period	-	-	0.65p	(23,076,920)
Outstanding at 31 December	0.024	12,525,805		-
Exercisable at 31 December		-		-

Notes to the Consolidated Financial Statements - continued

FOR THE YEAR ENDED 31 DECEMBER 2018

24. SHARE-BASED PAYMENT TRANSACTIONS - CONTINUED

During the year no share options were exercised (2017: 23,076,920, at an exercise price of 0.65p per share) and no share options expired during the year (2017: 8,530,000 expired unexercised with a weighted average exercise price of 2017: 5p).

The fair value of commission on share placements, payable in return for share options granted is based on the fair value of share options granted, measured using a binomial lattice model, with the following inputs

Fair value grant date	3 April 2018	2 August 2018	23 October 2018
Share price	1p	1p	1p
Exercise price	0.014	0.01	0.03
Expected volatility	30.37%	45.22%	57.09%
Option life	3 years	3 years	5 years
Risk-free interest rate	1.50%	3.75%	0.75%

The expected volatility was determined by reviewing actual volatility of the Company's share price since its listing on AIM to the date of granting the option. In calculating the fair value, consideration was given to the market trends at the grant date of the option.

There is commission on share placements of £22,839 (2017: nil) charged to share premium account in respect of equity-settled share-based payment transactions.

Company Information

FOR THE YEAR ENDED 31 DECEMBER 2018

Oracle Power PLC (formerly Oracle Coalfields PLC) is registered as a public company under English Law. Its shares are quoted on the AIM market of the London Stock Exchange. Oracle Power PLC is incorporated and domiciled in England and Wales and its registered number is 05867160.

DIRECTORS: Mr S Khan
Mr A C R Scutt (*left the Board 13 June 2018*)
Mr M W Steed
Mr A Migge
Ms N Memon (*appointed 7 January 2019*)

SECRETARY: Mr S Smith

REGISTERED OFFICE: Tennyson House,
Cambridge Business Park,
Cambridge, CB4 0WZ.

REGISTERED NUMBER: 05867160 (England and Wales)

AUDITORS: Price Bailey LLP
Chartered Accountants & Statutory Auditors
Tennyson House,
Cambridge Business Park,
Cambridge, CB4 0WZ

A. F. Ferguson and Co.
Chartered Accountants
State Life Building 1-C,
I.I. Chundrigar Road,
Karachi, Pakistan

NOMINATED ADVISER: Strand Hanson Limited
26 Mount Row
London, W1K 3SQ

REGISTRAR: Neville Registrars Limited
18 Laurel Lane, Halesowen
West Midlands, B63 3DA

BROKERS:	Brandon Hill Capital Limited	Peterhouse Corporate Finance Limited
	1 Tudor Street London, EC4Y 0AH	15 Eldon Street London EC2M 7LD

SOLICITORS:	Trowers & Hamblins LLP	HaiderMota BNR
	40 Tower Hill London, EC3N 4DX	D-79, Block No. 5, Karachi 75600, Pakistan

BANKERS:	Royal Bank of Scotland plc	Habib Bank AG Zurich	Habib Metropolitan Bank
	1st Floor, Conqueror House Vision Park, Histon Cambridge, CB24 9NL	Moorgate Branch, Habib House 42 Moorgate London, EC2R 6JJ	Habib Bank Plaza I.I.Chundrigar Road Karachi-75650, Pakistan

PUBLIC RELATIONS: Blytheweigh
4-5 Castle Street
London
EC3V 9DL

Notice is hereby given that the Annual General Meeting (Meeting) of Oracle Coalfields PLC (the Company) will be held at 116 Pall Mall London SW1Y 5ED on Tuesday 16 July 2019 at 2.30pm to transact the following business:

As ordinary business

To consider and if thought fit, to pass the following resolutions which will be proposed as ordinary resolutions:

1. To receive and adopt the Company's audited report and accounts for the period from 1 January 2018 to 31 December 2018 and the Directors' and auditors' reports thereon;
2. To consider and approve the Remuneration Report as detailed on page 10 of the Company's Annual Report and Financial statements;
3. To re-elect Naheed Memon as a Director of the Company;
4. To re-elect Shahrukh Khan as a Director of the Company
5. To re-appoint Price Bailey LLP as auditors to hold office from the conclusion of the meeting to the conclusion of the next meeting at which the accounts are laid before the Company and authorise the Directors to fix the auditors' remuneration.

As special business

To consider and if thought fit, to pass the following resolutions, of which resolution 6 will be proposed as an ordinary resolution and resolution 7 will be proposed as a special resolution:

6. THAT, for the purposes of section 551 of the Companies Act 2006 (the Act) the Directors of the Company be and are hereby generally and unconditionally authorised to exercise all powers of the Company to allot equity securities (within the meaning of section 560 of the Act) up to an aggregate nominal amount of £300,000 provided that this authority shall expire (unless previously renewed, varied or revoked by the Company in general meeting) at the conclusion of the next Annual General Meeting of the Company, save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors of the Company may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired. This authority is in substitution for any and all authorities previously conferred upon the Directors for the purposes of section 551 of the Act, without prejudice to any allotments made pursuant to the terms of such authorities.
7. THAT, subject to the passing of resolution 5 above the Directors of the Company be and are hereby empowered pursuant to section 570 of the Act to allot equity securities (within the meaning of section 560 of the Act) pursuant to the authority conferred by resolution 6 above as if section 561 of the Act did not apply to any such allotment provided that the power conferred by this resolution shall be limited to:
 - a. the allotment of equity securities for cash in connection with an issue or offer of equity securities (including, without limitation, under a rights issue, open offer or similar arrangement) to holders of equity securities in proportion (as nearly as may be practicable) to their respective holdings of equity securities subject only to such exclusions or other arrangements as the Directors of the Company may consider necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws of any territory, or the requirements of any regulatory body or stock exchange in any territory; and
 - b. the allotment (otherwise than pursuant to resolution 7.a) of equity securities for cash up to an aggregate nominal value of £300,000.

The power conferred by this resolution 7 shall expire (unless previously renewed, revoked or varied by the Company in general meeting), at such time as the general authority conferred on the Directors of the Company by resolution 5 above expires, except that the Company may at any time before such expiry make any offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors of the Company may allot equity securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

By order of the Board

Simon Smith

Company secretary
Oracle Power PLC
Tennyson house
Cambridge Business Park
Cambridge,
CB4 0WZ

Appointment of proxies

1. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those members registered on the Company's register of members at 2.30pm on Friday 12 July 2019 or, if this Annual General Meeting is adjourned, 48 hours (excluding bank holidays and weekends) prior to the time fixed for the adjourned meeting, shall be entitled to attend and vote at the Annual General Meeting.
2. As a member of the Company you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the Meeting and you should have received a proxy form with this notice of meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.
3. A proxy does not need to be a member of the Company but must attend the Annual General Meeting to represent you. Details of how to appoint the Chairman of the Annual General Meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form. If you wish your proxy to speak on your behalf at the Annual General Meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.
4. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, please contact the Company's Registrars, Neville Registrars Limited, Neville House, 18 Laurel Lane, Halesowen, West Midlands B63 3DA to obtain another hard copy form.
5. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Annual General Meeting.
6. The notes to the proxy form explain how to direct your proxy how to vote on each resolution or withhold their vote. To appoint a proxy using the proxy form, the form must be completed and signed, sent or delivered to the Company's Registrars, Neville Registrars Limited, Neville House, Steelpark Road, Halesowen, West Midlands B62 8HD by no later than 2.30pm on Friday 12 July 2019. Completion and return of the form of proxy will not preclude a member from attending and voting in person at the Annual General Meeting.
7. In the case of a member which is a Company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the Company or an attorney for the Company. Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.
8. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).
9. To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also applies in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded. Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, please contact the Company's Registrars, Neville Registrars Limited, Neville House, Steelpark Road, Halesowen, West Midlands B62 8HD. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

Oracle Power PLC

Oracle Power Plc

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www.oraclepower.com