

Sembcorp Salalah Power & Water Company SAOG

**Unaudited condensed interim financial statements
For the period ended 31 March 2017**

Registered office:

P.O. Box 1466
Postal Code 211
Salalah
Sultanate of Oman

Principal place of business:

Salalah
Sultanate of Oman

SEMBCORP SALALAH POWER & WATER COMPANY SAOG

Unaudited condensed interim financial statements

for the period ended 31 March 2017

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Review report to the shareholders of Sembcorp Salalah Power & Water Company SAOG

Introduction

We have reviewed the accompanying unaudited condensed interim statement of financial position of Sembcorp Salalah Power & Water Company SAOG (the Company) for the period ended 31 March 2017 and the related unaudited condensed interim statements of profit or loss and other comprehensive income, changes in equity and cash flows for the period then ended, and a summary of significant accounting policies and other explanatory information (unaudited condensed interim financial information). Management is responsible for the preparation and presentation of this unaudited condensed interim financial information in accordance with International Accounting Standard IAS 34 – 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this unaudited condensed interim financial information based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410 - 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying unaudited condensed interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 – 'Interim Financial Reporting'.

Other matter

- (i) The financial statements for the year ended 31 December 2016 were audited by another firm of auditors, whose report dated 20 February 2017 expressed an unqualified opinion on those financial statements.
- (ii) The unaudited condensed interim financial statements for the period ended 31 March 2016 were reviewed by another firm of auditors, whose report dated 25 April 2016 expressed an unqualified review report on those unaudited condensed interim financial statements.

PricewaterhouseCoopers LLC

Muscat, Sultanate of Oman
26 April 2017

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SEBACORP SALALAH POWER & WATER COMPANY SAOG

Unaudited condensed statement of profit or loss and other comprehensive income

for the period ended 31 March 2017

	Notes	Unaudited For three month period ended 31 March 2017 RO	Unaudited For three month period ended 31 March 2016 RO
Revenue	3	18,321,451	17,723,207
Cost of sales	4	(10,431,193)	(9,664,895)
Gross profit		7,890,258	8,058,312
Administrative and general expenses	5	(143,814)	(206,054)
Profit before interest and tax		7,746,444	7,852,258
Finance income		55,001	22,628
Finance costs	6	(3,987,942)	(4,263,512)
Profit before tax		3,813,503	3,611,374
Income tax expense	15	(3,542,121)	(434,532)
Profit after tax for the period		271,382	3,176,842
Other comprehensive income/(loss)			
<i>Items that may be subsequently reclassified to profit or loss:</i>			
Effective portion of change in fair value of cash flow hedge (net of income tax)	9	1,330,834	(4,006,313)
Total comprehensive income/ (loss) income for the period		1,602,216	(829,471)
Earnings per share:			
Basic earnings per share	21	<u>0.0003</u>	<u>0.0033</u>

The notes on pages 6 to 29 are an integral part of these unaudited condensed interim financial statements.

The review report of the Independent Auditors is set forth on page 1.

SEMBCORP SALALAH POWER & WATER COMPANY SAOG

Unaudited condensed statement of financial position

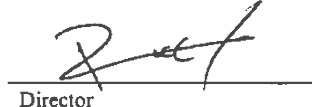
As at

	Notes	Unaudited 31 March 2017 RO	Audited 31 December 2016 RO	Unaudited 31 March 2016 RO
Assets				
Non-current assets				
Property, plant and equipment	7	305,646,647	308,284,477	315,946,394
Intangible assets	8	1,808	2,199	2,042
Total non-current assets		305,648,455	308,286,676	315,948,436
Current assets				
Inventory	10	4,208,173	4,256,144	4,321,522
Trade and other receivables	11	9,076,847	9,443,709	13,513,082
Cash and bank balances	12	24,097,050	27,256,820	20,698,985
Total current assets		37,382,070	40,956,673	38,533,589
Total assets		343,030,525	349,243,349	354,482,025
Equity and Liabilities				
Equity				
Share capital	13 (a)	95,457,195	95,457,195	95,457,195
Legal reserve	13 (b)	5,339,585	5,312,447	4,167,249
Retained earnings		298,832	3,491,047	3,016,359
Shareholders' funds		101,095,612	104,260,689	102,640,803
Hedging reserve	9&13 (c)	(14,892,403)	(16,223,237)	(25,650,260)
Net equity		86,203,209	88,037,452	76,990,543
Liabilities				
Non-current liabilities				
Long term loan	17	202,567,820	208,957,588	216,055,934
Asset retirement obligation	18	543,834	534,603	508,737
Deferred tax liability	15	12,852,625	9,726,316	6,839,415
Derivative instruments	9	12,878,133	14,599,007	23,088,091
Total non-current liabilities		228,842,412	233,817,514	246,492,177
Current liabilities				
Current portion of long term loan	17	14,483,021	14,483,021	14,398,325
Current portion of derivative instrument	9	4,642,341	3,836,490	6,059,932
Trade and other payables	14	8,859,542	9,068,872	10,541,048
Total current liabilities		27,984,904	27,388,383	30,999,305
Total liabilities		256,827,316	261,205,897	277,491,482
Total equity and liabilities		343,030,525	349,243,349	354,482,025
Net assets per share	22	0.106	0.109	0.108

The unaudited condensed interim financial statements on pages 6 to 29 were approved and authorised for issue in accordance with a resolution of the Board of Directors on 25 April 2017.


Director


Chief Executive Officer


Director

The notes on pages 6 to 29 are an integral part of these unaudited condensed interim financial statements.

The review report of the Independent Auditors is set forth on page 1.

SEMBICORP SALALAH POWER & WATER COMPANY SAOG

Unaudited condensed statement of changes in equity

for the period ended 31 March

	Share capital RO	Legal reserve RO	Retained earnings RO	Hedging reserve RO	Total RO
At 1 January 2016	95,457,195	3,849,565	3,498,203	(21,643,947)	81,161,016
Profit for the period	-	-	3,176,842	-	3,176,842
<i>Other comprehensive income</i>					-
Fair value of cash flow hedge adjustments - gross	-	-	-	(2,762,491)	(2,762,491)
Reclassification to profit or loss -gross	-	-	-	(1,790,138)	(1,790,138)
Deferred tax liability on change in fair value of cash flow hedge	-	-	-	546,316	546,316
Total comprehensive loss for the period	-	-	3,176,842	(4,006,313)	(829,471)
<i>Transactions with owners of the Company, recognised directly in equity</i>					
Final Dividend	-	-	(3,341,002)	-	(3,341,002)
Transfer to legal reserve	-	317,684	(317,684)	-	-
Total transactions with owners of the Company, recognised directly in equity	-	317,684	(3,658,686)	-	(3,341,002)
At 31 March 2016	95,457,195	4,167,249	3,016,359	(25,650,260)	76,990,543
At 1 January 2017	95,457,195	5,312,447	3,491,047	(16,223,237)	88,037,452
Profit for the period	-	-	271,382	-	271,382
<i>Other comprehensive income</i>					
Fair value of cash flow hedge adjustments - gross	-	-	-	2,261,993	2,261,993
Reclassification to profit or loss -gross (note 6)	-	-	-	(1,346,971)	(1,346,971)
Change in tax rate adjustment on change in fair value of cash flow hedge	-	-	-	553,065	553,065
Deferred tax liability on change in fair value of cash flow hedge	-	-	-	(137,253)	(137,253)
Total comprehensive income for the period	-	-	271,382	1,330,834	1,602,216
<i>Transactions with owners of the Company, recognised directly in equity</i>					
Dividend	-	-	(3,436,459)	-	(3,436,459)
Transfer to legal reserve	-	27,138	(27,138)	-	-
Total transactions with owners of the Company, recognised directly in equity	-	27,138	(3,463,597)	-	(3,436,459)
At 31 March 2017	95,457,195	5,339,585	298,832	(14,892,403)	86,203,209

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The review report of the Independent Auditors is set forth on page 1.

SEMBBCORP SALALAH POWER & WATER COMPANY SAOG

Unaudited condensed statement of cash flows

for the period ended 31 March

	Unaudited For three month period ended 31 March 2017 RO	Unaudited For three month period ended 31 March 2016 RO
Operating activities		
Profit before tax for the year	3,813,503	3,611,374
Adjustment for:		
Depreciation and amortization	2,666,125	2,686,969
Amortisation of deferred financing cost	244,754	260,577
Finance costs	3,742,787	4,002,581
Finance income	(55,001)	(22,628)
Provision for asset retirement obligation	9,231	8,622
<i>Changes in working capital:</i>		
Inventory	47,971	236,090
Trade and other receivables	325,665	(5,998,502)
Trade and other payables	184,343	1,936,601
	<u>10,979,378</u>	<u>6,721,684</u>
Finance cost paid	<u>(7,572,920)</u>	<u>(8,043,322)</u>
Net cash flow generated/(used in) from operating activities	<u>3,406,458</u>	<u>(1,321,638)</u>
Investing activities		
Net payment on account of acquisition/disposal of property, plant and equipment	(27,904)	(86,509)
Proceeds from the maturity of fixed term cash deposits	21,267,066	21,433,891
Finance income received	96,198	40,589
Net cash generated from investing activities	<u>21,335,360</u>	<u>21,387,971</u>
Financing activities		
Repayment of term loan	<u>(6,634,522)</u>	<u>(6,352,202)</u>
Net increase in cash and cash equivalents	18,107,296	13,714,131
Cash and cash equivalents as at 1 January	5,989,754	6,984,854
Cash and cash equivalents as at 31 March	<u>24,097,050</u>	<u>20,698,985</u>

The notes on pages 6 to 29 are an integral part of these unaudited condensed interim financial statements.

The review report of the Independent Auditors is set forth on page 1.

SEMBCORP SALALAH POWER & WATER COMPANY SAOG

Notes to the unaudited condensed interim financial statements

for the period ended 31 March

1 Legal status and principal activities

Sembcorp Salalah Power & Water Company SAOC ("the Company") was registered as a closed Omani Joint Stock Company in the Sultanate of Oman on 29 September 2009.

The Company entered into a Shareholders Agreement ("the Shareholders Agreement") dated 17 November 2009 between Sembcorp Oman First Investment Holding Co Ltd ("SOFIH") 40% shareholder, Sembcorp Oman IPO Holding Co Ltd ("SOIHL") 20% shareholder and Inma Power & Water Company LLC ("IPWC") 40% shareholder.

The Company was awarded a tender by the Government of the Sultanate of Oman ("the Government") to build, own and operate an electricity generation and seawater desalination plant together with the associated facilities in the Salalah region ("the Plant").

On 8 October 2013, the Company was listed in Muscat Securities Market and became a listed public joint stock company ("SAOG").

Significant agreements:

The Company has entered into the following major agreements:

- (i) Power and Water Purchase Agreement ("the PWPA") dated 23 November 2009 with Oman Power & Water Procurement Company SAOC ("OPWP") for a period of fifteen years commencing from the date of commercial operations ("Operation period") to procure the power and water produced by the Company;
- (ii) Natural Gas Sales Agreement ("NGSA") dated 23 November 2009 with the Ministry of Oil and Gas ("MOG") of the Government for the supply of natural gas;
- (iii) Usufruct Agreement ("Usufruct Agreement") dated 23 November 2009 with the Ministry of Housing for grant of Usufruct rights over the project site;
- (iv) Long Term Service Agreement ("LTSA") with General Electric International LLC ("GEIL") for maintenance services on gas turbines and generators;
- (v) EPC Turnkey Engineering, Procurement and Construction ("EPC") Contract dated 20 August 2009 with SEPCOIII Electric Power Construction Corporation ("SEPCOIII") for the construction of the Plant;
- (vi) Government Guarantee Agreement ("Government Guarantee") dated 23 November 2009 with the Government represented by the Ministry of Finance ("MOF"), whereby the MOF is prepared to guarantee the payment by OPWP of its financial obligations to the Company's Senior Lenders under the PWPA; and
- (vii) Operation and Maintenance ("O&M") agreement with Sembcorp Salalah O&M Services Company LLC ("SSOM") dated 8 February 2010 for a period of 15 years from the scheduled commercial operation date.

SEMBCORP SALALAH POWER & WATER COMPANY SAOG

Notes to the unaudited condensed interim financial statements

for the period ended 31 March

2 Basis of preparation and significant accounting policies

Basis of preparation

(a) *Statement of compliance*

These unaudited condensed interim financial statements for the period ended 31 March 2017 have been prepared in accordance with International Accounting Standard (IAS) 34, 'Interim financial reporting'. The condensed interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the financial statements of the company for the year ended 31 December 2016 which have been prepared in accordance with IFRSs.

The accounting policies applied by the company in these condensed unaudited interim financial statements are the same as those applied by the company in its financial statements for the year ended 31 December 2016.

(b) *Basis of measurement*

These financial statements are prepared on a historical cost basis except where otherwise described in the accounting policies below.

(c) *Use of estimates and judgements*

The preparation of the financial statements in conformity with IFRSs requires Management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in useful lives and residual value of property, effectiveness of hedge relationship and asset retirement obligation.

Significant accounting policies

The accounting policies set out below have been applied consistently by the Company and are consistent with those used in the previous year.

(a) *Foreign currency*

(i) *Functional and presentation currency*

The financial statements have been presented in Rial Omani ("RO") which is the functional currency of the Company.

(ii) *Foreign currency transactions*

Transactions in foreign currencies are translated to the respective functional currency of the Company at foreign exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at historical cost are translated to the functional currency at the exchange rate at the date of the transaction. Non-monetary assets and liabilities measured at fair value in foreign currencies are translated into the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign currency differences arising on translation of monetary items are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments, qualifying cash flow hedges or other non-monetary items, which are recognised in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

SEMBICORP SALALAH POWER & WATER COMPANY SAOG

Notes to the unaudited condensed interim financial statements

for the period ended 31 March

2 Basis of preparation and significant accounting policies (continued)

(b) Financial instruments

(i) Non derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, amounts due to related parties, cash and cash equivalents, loans and borrowings, and trade and other payables. Cash and cash equivalents comprise cash balances, demand deposits and fixed deposits and term deposits with original maturity not greater than three months.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs.

(ii) Derivative financial instruments, including hedge accounting

The Company holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. On initial designation of the hedge, the Company formally documents the relationship between the hedging instruments and hedged items, including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship.

The Company makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value or cash flows of the respective hedged items during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80% to 125%. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported total comprehensive income for the period. Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

(iii) Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and presented in the hedging reserve in equity. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated, exercised, or the designation is revoked, then hedge accounting is discontinued prospectively.

The cumulative gain or loss previously recognised in other comprehensive income and presented in the hedging reserve in equity remains there until the forecast transaction affects profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, then hedge accounting is discontinued prospectively. The cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised immediately in profit or loss.

(iv) Separable embedded derivatives

Changes in the fair value of separable embedded derivatives are recognised immediately in profit or loss.

SEBACORP SALALAH POWER & WATER COMPANY SAOG

Notes to the unaudited condensed interim financial statements

for the period ended 31 March

2 Basis of preparation and significant accounting policies (continued)

(c) Property, plant and equipment (continued)

(iv) Capital work in progress

Capital work in progress is measured at cost and is not depreciated until it is transferred into one of the above categories, which occurs when the asset is ready for its intended use.

(v) Site restoration

A liability for future site restoration is recognized as the activities giving rise to the obligation of future site restoration. The liability is measured at the present value of the estimated future cash outflows to be incurred on the basis of current technology. The liability includes all costs associated with site restoration, including plant closure and monitoring costs.

(d) Impairment

(i) Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed by grouping together assets that share similar credit risk characteristics. All impairment losses are recognised in profit or loss account.

An impairment loss is reversed if reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in profit or loss.

The recoverable amount of the Company's receivables is calculated as the present value of future cash flows, discounted at the original effective interest rate inherent in the asset. Receivables with a short duration are not discounted. Collectively provisions are maintained in respect of losses which are incurred but not yet specifically identified within the portfolio of receivables. The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset.

An impairment loss in respect of a held to maturity security or receivable carried at amortised cost is reversed if the subsequent increase in the recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

SEMBCORP SALALAH POWER & WATER COMPANY SAOG

Notes to the unaudited condensed interim financial statements

for the period ended 31 March

2 Basis of preparation and significant accounting policies (continued)

(d) Impairment (continued)

(ii) Non financial assets

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets. Impairment losses are recognised in the profit and loss statement unless it reverses a previous revaluation that was credited to equity, in which case it is charged to equity. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating units and then, to reduce the carrying amounts of the other assets in cash-generating units on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

Management determines whether there are any indications of impairment to the carrying values of property, plant and equipment on an annual basis because of the difference between the duration of contracted cash flows and accounting depreciation of assets. This requires an estimation of the value in use of the cash generating units. Estimating the value in use requires the Company to make an estimate of the expected future cash flows for the period lying beyond the term of the initial PWPA and also choose a suitable discount rate in order to calculate the present value of those cash flows.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(e) Financial liabilities

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Interest-bearing liabilities are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing liabilities are stated at amortised cost with any difference between cost and redemption value being recognised in the profit and loss statement over the period of the borrowings on an effective interest basis.

(f) Provisions

A provision is recognised in the statement of financial position when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(g) Revenue recognition

Revenue from the sale of electricity and water is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when electricity and water are delivered which is taken to be the point of time when the customer has accepted the deliveries and the related risks and rewards of ownership have been transferred to the customer. Capacity charge is treated as revenue under operating lease and recognized on straight line basis over the lease term to the extent that capacity has been made available based on contractual terms stipulated in PWPA.

SEMBCORP SALALAH POWER & WATER COMPANY SAOG

Notes to the unaudited condensed interim financial statements

for the period ended 31 March

2 Basis of preparation and significant accounting policies (continued)

(h) Finance income

Finance income comprises interest received on bank deposits and foreign exchange gains and losses that are recognised in the profit and loss statement. Interest income is recognised in the profit and loss statement, as it accrues, taking into account the effective yield on the asset.

(i) Borrowing costs

Interest expense and similar charges are expensed in the profit and loss statement in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to prepare for its intended use or sale. The interest component of finance lease payments is recognised in the profit and loss statement using the effective interest rate method.

(j) Inventories

Inventories are stated at the lower of cost and net realizable value. The cost of inventories is determined on the weighted average cost basis and includes expenditure incurred in acquiring and bringing them to their existing location and condition. Slow moving and obsolete inventory items are written down to their estimated net realizable value, based on criteria determined by the Company.

(k) Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the statement of profit and loss and other comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit nor loss. The measurement of deferred tax reflects the consequences that would follow the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to taxes levied by the same tax authority on the same taxable entity.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(l) Dividend

The Board of Directors takes into account appropriate parameters including the requirements of the Commercial Companies Law while recommending the dividend.

Dividends on ordinary shares are recognised when they are approved for payment.

SEMBICORP SALALAH POWER & WATER COMPANY SAOG

Notes to the unaudited condensed interim financial statements

for the period ended 31 March

2 Basis of preparation and significant accounting policies (continued)

(m) Operating lease

The Company has entered into a long term take-or-pay arrangement with OPWP under PWPA. The Company has determined the PWPA to be a lease as the purchaser has the right to direct how the Company operates the power and water plant and obtains from the Company electricity generated by the plant. Further, management has concluded that this arrangement is in the nature of operating lease since it does not transfer substantially all the risk and rewards incidental to ownership of the asset. The Company recognizes operating lease income on a straight line basis.

(n) New standards and interpretation not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2016 and earlier application is permitted; however, the Company has not early applied the following new or amended standards in preparing these financial statements.

New or amended standards	Summary of the requirements	Possible impact on financial statements
IFRS 9 <i>Financial Instruments</i>	IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 <i>Financial Instruments: Recognition and Measurement</i> . IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.	The Company is assessing the potential impact on its financial statements resulting from the application of IFRS 9.
IFRS 15 <i>Revenue from Contracts with Customers</i>	IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 <i>Revenue</i> , IAS 11 <i>Construction Contracts</i> and IFRIC 13 <i>Customer Loyalty Programmes</i> . IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.	The Company is assessing the potential impact on its financial statements resulting from the application of IFRS 15.
IFRS 16 <i>Leases</i>	IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. It replaces existing lease recognition guidance, including IAS 17 <i>Leases</i> , IFRIC 4 <i>Determining whether an Arrangement contains a Lease</i> , SIC-15 <i>Operating Leases—Incentives</i> and SIC-27 <i>Evaluating the Substance of Transactions Involving the Legal Form of a Lease</i> . IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted for entities that apply IFRS 15 <i>Revenue from Contracts with Customers</i> at or before the date of initial application of IFRS 16.	The Company is assessing the potential impact on its financial statements resulting from the application of IFRS 16.

SEMBCORP SALALAH POWER & WATER COMPANY SAOG

Notes to the unaudited condensed interim financial statements

for the period ended 31 March

2 Basis of preparation and significant accounting policies (continued)

(n) New standards and interpretation not yet effective (continued)

The following new or amended standards are not expected to have a significant impact on the Company's financial statements.

- IFRS 14 Regulatory Deferral Accounts.
- Bearer plant, defined as a living plant, to be accounted for as property, plant and equipment and included in the scope of IAS 16 Property, Plant and Equipment, instead of IAS 41 Agriculture (Amendments to IAS 16).
- Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11).
- Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 & IAS 38).
- Equity Method in Separate Financial Statements (Amendments to IAS 27).
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28).
- Annual Improvements to IFRSs 2012–2014 Cycle – various standards.
- Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28).
- Disclosure Initiative (Amendments to IAS 1).

3 Revenue

	Unaudited 31 March 2017	Unaudited 31 March 2016
	RO	RO
Fixed capacity charge – Power	8,479,910	8,603,944
Fuel charge	5,442,460	4,735,338
Fixed capacity charge – Water	3,875,172	3,930,233
Energy charge	295,712	235,388
Water output charge	228,197	218,304
	<u>18,321,451</u>	<u>17,723,207</u>

4 Cost of sales

Fuel	5,355,893	4,656,866
Depreciation and amortisation	2,657,647	2,678,878
Operation and maintenance	1,520,682	1,430,441
Contractual services maintenance	627,648	608,659
Insurance	127,698	149,394
Incentive payment	82,707	82,141
Security charges	25,276	24,540
License and permits	18,791	20,274
Provision for asset retirement obligation	9,231	8,622
Electricity import cost	5,620	5,080
	<u>10,431,193</u>	<u>9,664,895</u>

SEMBCORP SALALAH POWER & WATER COMPANY SAOG

Notes to the unaudited condensed interim financial statements

for the period ended 31 March

5 Administrative and general expenses

	Unaudited 31 March 2017 RO	Unaudited 31 March 2016 RO
Staff costs	41,522	39,638
Charity and donations	23,883	-
Fee and subscription	23,160	25,759
Legal and professional charges	16,113	9,879
Travelling expenses	11,440	14,885
Depreciation and amortisation	8,478	8,091
Directors' remuneration and sitting fees	6,500	9,750
Provision for doubtful debts	-	74,276
Others	12,718	23,776
	<u>143,814</u>	<u>206,054</u>

6 Finance costs

Interest expense on project financing	2,395,816	2,212,443
Interest expense on interest rate swap	1,346,971	1,790,138
Deferred financing cost	244,754	260,577
Commission and bank charges	401	354
	<u>3,987,942</u>	<u>4,263,512</u>

Interest expense on project financing and deferred finance cost relates to the term loan. Interest expense on swaps relates to the derivatives.

SEMBCORP SALALAH POWER & WATER COMPANY SAOG

Notes to the unaudited condensed interim financial statements

for the period ended 31 March

7 Property, plant and equipment

Unaudited	Buildings	Roads and pipelines	Plant and machinery	Office equipment	Motor vehicles	Computer equipment	Capital Work in Progress	Total
Cost	RO	RO	RO	RO	RO	RO		RO
At 1 January 2017	48,461,676	26,281,102	286,147,923	193,648	275,260	242,828	-	361,602,437
Additions	2,350	1,255	20,471	-	-	2,329	1,541	27,946
Disposals	-	-	-	(862)	-	-	-	(862)
At 31 March 2017	48,464,026	26,282,357	286,168,394	192,786	275,260	245,157	1,541	361,629,521
Accumulated depreciation								
At 1 January 2017	7,044,937	3,855,958	41,934,985	155,003	123,635	203,442	-	53,317,960
Charge for the period	360,071	197,318	2,086,995	8,767	7,703	4,880	-	2,665,734
Disposals	-	-	-	(820)	-	-	-	(820)
At 31 March 2017	7,405,008	4,053,276	44,021,980	162,950	131,338	208,322	-	55,982,874
Carrying amount								
At 31 March 2017	41,059,018	22,229,081	242,146,414	29,836	143,922	36,835	1,541	305,646,647
Audited								
Cost								
At 1 January 2016	48,445,982	26,008,548	285,948,116	192,654	287,890	213,845	-	361,097,035
Additions	15,694	272,554	243,415	994	7,150	28,983	-	568,790
Disposals	-	-	(43,608)	-	(19,780)	-	-	(63,388)
At 31 December 2016	48,461,676	26,281,102	286,147,923	193,648	275,260	242,828	-	361,602,437
Accumulated depreciation								
At 1 January 2016	5,585,092	3,059,578	33,464,811	118,192	101,752	188,730	-	42,518,155
Charge for the year	1,459,845	796,380	8,476,064	36,811	31,465	14,712	-	10,815,277
Disposals	-	-	(5,890)	-	(9,582)	-	-	(15,472)
At 31 December 2016	7,044,937	3,855,958	41,934,985	155,003	123,635	203,442	-	53,317,960
Carrying amount								
At 31 December 2016	41,416,739	22,425,144	244,212,938	38,645	151,625	39,386	-	308,284,477
Unaudited								
Cost								
At 1 January 2016	48,445,982	26,008,548	285,948,116	192,654	287,890	213,845	-	361,097,035
Additions	-	-	52,808	-	-	190	-	52,998
At 31 March 2016	48,445,982	26,008,548	286,000,924	192,654	287,890	214,035	-	361,150,033
Accumulated depreciation								
At 1 January 2016	5,585,092	3,059,578	33,464,811	118,192	101,752	188,729	-	42,518,154
Charge for the period	362,915	196,241	2,105,008	10,021	7,907	3,393	-	2,685,485
At 31 March 2016	5,948,007	3,255,819	35,569,819	128,213	109,659	192,122	-	45,203,639
Carrying amount								
At 31 March 2016	42,497,975	22,752,729	250,431,105	64,441	178,231	21,913	-	315,946,394

SEMBCORP SALALAH POWER & WATER COMPANY SAOG

Notes to the unaudited condensed interim financial statements

for the period ended 31 March

8 Intangible assets

	Unaudited 31 March 2017 RO	Audited 31 December 2016 RO	Unaudited 31 March 2016 RO
At 1 January 2017	111,606	108,438	108,438
Additions during the period	-	3,168	-
	<u>111,606</u>	<u>111,606</u>	<u>108,438</u>
Accumulated amortisation			
At 1 January 2017	(109,407)	(104,912)	(104,912)
Charge for the period	(391)	(4,495)	(1,484)
	<u>(109,798)</u>	<u>(109,407)</u>	<u>(106,396)</u>
Carrying amount	<u>1,808</u>	<u>2,199</u>	<u>2,042</u>

Intangible assets mainly represent the purchase of ERP software.

9 Hedging reserve

	Unaudited 31 March 2017 RO	Audited 31 December 2016 RO	Unaudited 31 March 2016 RO
<u>Interest rate swaps:</u>			
SMBC Capital Market Limited	(3,670,607)	(3,828,118)	(6,028,772)
Standard Chartered Bank	(10,662,255)	(11,267,077)	(17,882,838)
KfW-IPEX	(3,187,612)	(3,340,302)	(5,236,413)
Hedging instrument at the end of the period	<u>(17,520,474)</u>	<u>(18,435,497)</u>	<u>(29,148,023)</u>
Deferred tax asset (note 15)	2,628,071	2,212,260	3,497,763
Hedging reserve at the end of the period (net of tax)	<u>(14,892,403)</u>	<u>(16,223,237)</u>	<u>(25,650,260)</u>
Less: Hedging reserve at the beginning of the period	(16,223,237)	(21,643,947)	(21,643,947)
Effective portion of change in fair value of cash flow hedge for the period	<u>1,330,834</u>	<u>5,420,710</u>	<u>(4,006,313)</u>
 Hedging instrument classification			
Non-current portion of hedging instrument	12,878,133	14,599,007	23,088,091
Current portion of hedging instrument	4,642,341	3,836,490	6,059,932
	<u>17,520,474</u>	<u>18,435,497</u>	<u>29,148,023</u>

On 19 November 2009, the Company entered into a Common Terms Agreement ("CTA"), for credit facilities with a consortium of international and local banks with Standard Chartered Bank as the Dollar Commercial Facility Agent, Bank Muscat SAOG as the Rial Commercial Facility Agent and Bank of China, Shan dong Branch as the Sinosure Facility Agent.

The Dollar Commercial Facility and the Sinosure Facility bear interest at USD LIBOR plus applicable margins.

In accordance with the CTA, the Company has fixed the rate of interest through an Interest Rate Swap Agreements ("IRS") entered into with SMBC Capital Market Limited, KfW IPEX Bank GmbH and Standard Chartered Bank dated 20 November 2009, 23 March 2010 and 8 April 2010 respectively, for 95.32% of its USD loan facility.

The corresponding hedged notional amount outstanding as of 31 March 2017 is approximately RO 139 million (USD 361 million) and approximately RO 36 million (USD 94 million) respectively, at a fixed interest rate of 4.345% and 3.8% per annum respectively.

SEMBCORP SALALAH POWER & WATER COMPANY SAOG

Notes to the unaudited condensed interim financial statements for the period ended 31 March

10 Inventory

	Unaudited 31 March 2017 RO	Audited 31 December 2016 RO	Unaudited 31 March 2016 RO
Fuel inventory	1,041,051	1,028,993	998,913
Spare parts and consumables	3,167,122	3,227,151	3,322,609
	<u>4,208,173</u>	<u>4,256,144</u>	<u>4,321,522</u>

11 Trade and other receivables

Trade receivable	6,622,788	6,292,328	11,937,824
Advances to vendors	2,199,259	2,794,542	1,375,844
Prepayments	93,916	201,421	106,241
Other receivable	160,884	155,418	93,173
	<u>9,076,847</u>	<u>9,443,709</u>	<u>13,513,082</u>

12 Cash and bank balances

Cash in hand	1,000	932	1,000
Cash at bank	24,096,050	5,988,822	20,697,985
Cash and cash equivalent	24,097,050	5,989,754	20,698,985
Fixed term cash deposits (3 to 6 months)	-	21,267,066	-
	<u>24,097,050</u>	<u>27,256,820</u>	<u>20,698,985</u>

Cash at bank includes balances in Debt Service Reserve Account in the amount of RO 15,253,505 (2016: RO 15,625,640).

SEBMCORP SALALAH POWER & WATER COMPANY SAOG

Notes to the unaudited condensed interim financial statements

for the period ended 31 March

13 Equity

(a) Share capital

The Company's registered capital (issued and fully paid) comprises 954,571,950 shares of 100 Baisas each.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

The details of Shareholders are as follows:

Unaudited		31 March 2017		
	Nationality	Number of shares held of nominal value 100 baiza each	% of total	Aggregate nominal value of shares held RO
(SOFIH)	British Virgin Island	381,828,780	40.00%	38,182,878
(IPWC)	Oman	154,067,913	16.14%	15,406,791
Public		418,675,257	43.86%	41,867,526
		<u>954,571,950</u>	<u>100.00%</u>	<u>95,457,195</u>
Audited		31 December 2016		
	Nationality	Number of shares held of nominal value 100 baiza each	% of total	Aggregate nominal value of shares held RO
(SOFIH)	British Virgin Island	381,828,780	40.00%	38,182,878
(IPWC)	Oman	181,368,670	19.00%	18,136,867
Public		391,374,500	41.00%	39,137,450
		<u>954,571,950</u>	<u>100.00%</u>	<u>95,457,195</u>
Unaudited		31 March 2016		
	Nationality	Number of shares held of nominal value 100 baiza each	% of total	Aggregate nominal value of shares held RO
(SOFIH)	British Virgin Island	381,828,780	40.00%	38,182,878
(IPWC)	Oman	181,368,670	19.00%	18,136,867
Public		391,374,500	41.00%	39,137,450
		<u>954,571,950</u>	<u>100.00%</u>	<u>95,457,195</u>

SEMBCORP SALALAH POWER & WATER COMPANY SAOG

Notes to the unaudited condensed interim financial statements

for the period ended 31 March

13 Equity (continued)

(b) Legal reserve

In accordance with the Commercial Companies Law of 1974 (as amended), 10% of the Company's net profits after the deduction of taxes will be transferred to a non-distributable legal reserve each year until the amount of such legal reserve has reached a minimum one-third of the Company's issued share capital. This reserve is not available for distribution to shareholders as dividends.

(c) Hedging reserve

Hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred (note 9).

14 Trade and other payables

	Unaudited 31 March 2017 RO	Audited 31 December 2016 RO	Unaudited 31 March 2016 RO
Dividend payable	3,436,459	-	3,341,002
Accrued expenses and other payable	2,587,957	2,445,983	2,472,056
Payables to EPC contractor	1,799,641	1,799,641	1,799,641
Due to related parties (note 16)	611,775	572,706	1,222,937
Trade payable	192,194	172,630	1,482,157
Interest payable	110,302	3,940,434	72,340
Others	121,214	137,478	150,915
	<u>8,859,542</u>	<u>9,068,872</u>	<u>10,541,048</u>

15 Income tax

The Company is liable to income tax, in accordance with the income tax laws of Sultanate of Oman, at the rate of 15% of taxable income. For the year 2016, applicable income tax rate was 12% of taxable income in addition of RO 30,000.

Income tax expense is recognised based on Management's best estimate of the weighted average annual income tax rate expected for the full financial year applied to the pre-tax income of the interim period.

A deferred tax asset has been recognised directly in equity in respect of the changes in fair values of interest rate swaps (note 9).

	Unaudited 31 March 2017 RO	Unaudited 31 March 2016 RO
a) Recognised in profit or loss		
Deferred tax expense due to change in income tax rate	2,984,644	-
Deferred tax expense for the period	<u>557,477</u>	<u>434,532</u>
	<u>3,542,121</u>	<u>434,532</u>

b) Reconciliation

The following is the tax reconciliation of income taxes calculated at the applicable tax rate with the income tax expenses.

	Unaudited 31 March 2017 RO	Unaudited 31 March 2016 RO
Profit before tax	<u>3,813,503</u>	<u>3,611,374</u>
	%	%
Income tax as per rates mentioned above	15.00 (572,025)	12.00 (433,365)
Expenses not deductible for tax purposes	0.00 (49)	0.03 (1,167)
Change in recognised deductible temporary differences	-0.39 14,597	0.19 -
Change in tax rate	78.27 (2,984,644)	- -
Deferred tax expense for the year	<u>92.88 (3,542,121)</u>	<u>12.22 (434,532)</u>

SEBMBORP SALALAH POWER & WATER COMPANY SAOG

Notes to the unaudited condensed interim financial statements

for the period ended 31 March

15 Income tax (continued)

c) Deferred tax asset (liability)

Unaudited As at March 2017	At 1 January RO	Recognised during the period RO	At 31 March RO
<i>Charged to profit or loss</i>			
Property, plant and equipment	(15,015,841)	(4,187,920)	(19,203,761)
Tax losses	3,077,266	623,212	3,700,478
Asset retirement obligation	-	22,587	22,587
	<u>(11,938,575)</u>	<u>(3,542,121)</u>	<u>(15,480,696)</u>
<i>Deferred tax recognised in equity</i>			
Derivative instrument	2,212,259	415,812	2,628,071
Deferred tax liability (net)	<u>(9,726,316)</u>	<u>(3,126,309)</u>	<u>(12,852,625)</u>
 Audited As at December 2016	 At 1 January RO	 Recognised during the year RO	 At 31 December RO
<i>Charged to profit or loss</i>			
Property, plant and equipment	(13,068,477)	(1,947,364)	(15,015,841)
Tax losses	3,165,831	(88,565)	3,077,266
	<u>(9,902,646)</u>	<u>(2,035,929)</u>	<u>(11,938,575)</u>
<i>Deferred tax recognised in equity</i>			
Derivative instrument	2,951,447	(739,187)	2,212,260
Deferred tax liability (net)	<u>(6,951,199)</u>	<u>(2,775,117)</u>	<u>(9,726,316)</u>
 	 At 1 January 2016 RO	 Recognised during the period RO	 At 31 March 2016 RO
<i>Charged to profit or loss</i>			
Property, plant and equipment	(13,068,477)	(414,135)	(13,482,612)
Tax losses	3,165,831	(20,397)	3,145,434
	<u>(9,902,646)</u>	<u>(434,532)</u>	<u>(10,337,178)</u>
<i>Deferred tax recognised in equity</i>			
Derivative instrument	2,951,447	546,316	3,497,763
	<u>(6,951,199)</u>	<u>111,784</u>	<u>(6,839,415)</u>

d) Status of prior year returns

The Company's assessment for the tax years 2011 to 2016 have not yet been finalised with the Secretariat General for Taxation at the Ministry of Finance. Management of the Company believes that additional taxes, if any, in respect of open tax years, would not be significant to the Company's financial position as at 31 March 2017.

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16 Related party transactions

The Company has a related party relationship with entities over which certain shareholders are able to exercise significant influence. In the ordinary course of business, such related parties provide goods and render services to the Company. Prices and terms for these transactions, which are entered into in the normal course of business, are on mutually agreed terms and conditions. The Company had the following significant transactions with related parties during the period:

	Unaudited 31 March 2017 RO	Unaudited 31 March 2016 RO
Sembcorp Industries Limited		
- Reimbursement of expenses	-	443
SEMBCORP Salalah O & M Services Company LLC (SSOM)		
- Operation and maintenance cost	1,520,682	1,430,441
- Incentive payment	82,707	82,141
Oman Investment Corporation		
- Reimbursement of expenses	-	5,476

Balances due to related parties at the period end/year end comprised:

	Unaudited 31 March 2017 RO	Audited 31 December 2016 RO	Unaudited 31 March 2016 RO
SEMBCORP Salalah O & M Services Company LLC (SSOM)	597,636	553,064	1,221,967
Sembcorp Industries Ltd	14,139	14,139	970
OIC	-	5,503	-
	<u>611,775</u>	<u>572,706</u>	<u>1,222,937</u>

Key Management benefits

Key Management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director (whether executive or otherwise). Total compensation paid to key management personnel for the year ended is as follows:

	Unaudited 31 March 2017 RO	Unaudited 31 March 2016 RO
Directors' sitting fees	6,500	9,750
Short term employee benefits	109,049	113,910
Social security and gratuity	6,286	13,391
	<u>121,835</u>	<u>137,051</u>

Compensation of some of the Key Management personnel has been paid through Sembcorp Salalah O&M Services Co. LLC in the amount of RO 91,215 (31 March 2016: RO 86,135) which has been accounted for in operation and maintenance cost of the Company.

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17 Term loan

	Maturity	Unaudited 31 March 2017 RO	Audited 31 December 2016 RO	Unaudited 31 March 2016 RO
Non-current				
Project financing loan (USD)	2012-2026	183,890,975	189,383,397	195,810,700
Project financing loan (Rials)	2012-2026	38,238,480	39,380,580	40,717,080
		<u>222,129,455</u>	<u>228,763,977</u>	<u>236,527,780</u>
Less: Unamortised transaction cost		(5,078,614)	(5,323,368)	(6,073,521)
		<u>217,050,841</u>	<u>223,440,609</u>	<u>230,454,259</u>
Less: Current portion of term loan		(14,483,021)	(14,483,021)	(14,398,325)
		<u>202,567,820</u>	<u>208,957,588</u>	<u>216,055,934</u>

On 19 November 2009, the Company entered into a Common Terms Agreement ("CTA"), for credit facilities with a consortium of international and local banks with Standard Chartered Bank as the Dollar Commercial Facility Agent, Bank Muscat SAOG as the Rial Commercial Facility Agent and Bank of China, Shondong Branch as Sinosure Facility Agent, collectively "the Mandated Lead Arranger".

Repayments

The aggregate amount of drawdowns under the above facilities is repayable in full by 29 half yearly instalments commencing from 30 September 2012, with the final instalment being due on 30 September 2026.

Interest

- (i) Interest on Dollar Commercial facilities is charged at a floating rate of LIBOR plus margin. The Company has entered into an interest rate swap to cap its obligation against unfavourable interest rate changes.

The margins are indicated below:

	Margin (% per annum)
Prior to completion date (as defined in the CTA)	3.00%
Thereafter up to the sixth anniversary of completion date	2.85%
Thereafter up to the tenth anniversary of completion date	3.20%
Thereafter up to the thirteenth anniversary of completion date	3.55%
Thereafter	<u>3.95%</u>

Interest on Sinosure Covered facilities is charged at a floating rate of LIBOR plus margin (3% p.a.). The Company has entered into an interest rate swap to cap its obligation against unfavourable interest rate changes.

- (ii) Interest under the Rial Commercial Facilities Agreement is charged at a fixed rate, as shown in the table below:

Period	Margin (% per annum)
From financial close to the third anniversary of financial close	8.00%
From the third anniversary of financial close to the fifth anniversary of financial close	7.00%
From the fifth anniversary of financial close to the eighth anniversary of financial close	<u>4.25%</u>

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Notes to the unaudited condensed interim financial statements

for the period ended 31 March

17 Term loan (continued)

Other fees

The Company was required to pay front end fees to the Mandated Lead Arranger. In addition, the Company paid commitment fees at 1.3% of undrawn Dollar Commercial facilities and Sinasure Covered facilities and 0.4% of undrawn Rial Omani facilities. As at 31 December 2016, there were no undrawn loans.

Securities

The term loans are secured by a mortgage over the Company's property, plant and equipment and current assets of the Company, including a lien on the balances in the sales collection accounts of the Company.

Covenants

The term loan facilities contain certain covenants pertaining to, amongst other things, liquidation and merger, entering into material new agreements, negative pledge, disposal of assets, granting of loans and guarantees, acquisition of capital assets, debt service coverage ratio, change of business, hedging agreements, etc, with which the Company is required to comply. The Company is in compliance with the covenants attached with the term loans.

18 Asset retirement obligation ("ARO")

Under the Usufruct Agreement, the Company has a legal obligation to remove the Plant at the end of its useful life and restore the land. The Company shall at its sole cost and expense dismantle, demobilise, safeguard and transport the assets, eliminate soil and ground water contamination, fill all excavation and return the surface to grade of the designated areas.

The fair value of the ARO provision has been calculated using an expected present value technique. This technique reflects assumptions such as costs, plant useful life, inflation 3%, discount rate 6.8% and profit margin that third parties would consider to assume the settlement of the obligation. The movement in ARO provision is as follows:

	Unaudited 31 March 2017 RO	Audited 31 December 2016 RO	Unaudited 31 March 2016 RO
At 1 January	534,603	500,115	500,115
Provision made during the period/ year	9,231	34,488	8,622
At 31 March	543,834	534,603	508,737

19 Financial risk management

The Company has exposure to the following risks from its use of financial instruments:

- Market risk
- Credit risk
- Liquidity risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

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19 Financial risk management (continued)

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has entrusted the Management with the responsibility of developing and monitoring the Company's risk management policies and procedures and its compliance with them.

(a) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Interest rate risk

At the reporting date, the interest rate profile of the Company's interest-bearing financial assets and liabilities is:

	Interest rate	Unaudited 31 March 2017 RO	Audited 31 December 2016 RO	Unaudited 31 March 2016 RO
Financial assets				
Bank balances		24,096,050	5,988,822	20,697,985
Fixed term cash deposit	0.92%		21,267,066	
Financial liabilities				
<i>Term loan</i>				
- USD variable rate loans	Libor + 3%	(102,136,397)	(105,186,988)	(108,756,829)
- USD variable rate loans	Libor + 2.85%	(81,754,578)	(84,196,409)	(87,053,871)
- RO fixed rate loans	7%	(38,238,480)	(39,380,580)	(40,717,080)
		<u>(222,129,455)</u>	<u>(228,763,977)</u>	<u>(236,527,780)</u>

The Company does not account for any fixed rate financial liabilities at fair value through profit or loss and the Company does not designate hedging instruments under a fair value hedge accounting model. Therefore a change in interest rate at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) equity and income statement by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Equity					
	Unaudited 31 March 2017		Unaudited 31 December 2016		Unaudited 31 March 2016	
	100 bps Increase RO	100 bps Decrease RO	100 bps Increase RO	100 bps Decrease RO	100 bps Increase RO	100 bps Decrease RO
Interest rate swap	9,313,866	(9,313,866)	10,225,643	(10,225,643)	11,720,035	(11,720,035)

Currency risk

The majority of the transactions and balances are in either RO or USD. As the RO is pegged to the USD, balances in USD are not considered to represent significant currency risk. The Company is not exposed to significant currency risk as at 31 March 2017.

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19 Financial risk management (continued)

(b) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and cash balances held with banks. Under the terms of the PWPA, the Company's sales are billed wholly to OPWP. The Company manages its credit risk with OPWP by monitoring its credit rating and obtaining credit enhancements. The Company limits its credit risk with regard to bank deposits by only dealing with reputable banks and financial institutions with strong credit ratings. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Unaudited 31 March 2017 RO	Audited 31 December 2016 RO	Unaudited 31 March 2016 RO
Break down of financial assets (at carrying amount)			
Cash and cash equivalents	24,096,050	5,988,822	20,697,985
Fixed term cash deposits (3 to 6 months)	-	21,267,066	-
Trade receivable	6,622,788	6,292,328	11,937,824
Retention and other receivable	160,884	155,418	93,173
	<u>30,879,722</u>	<u>33,703,634</u>	<u>32,728,982</u>

Age analysis of current trade and other receivable is as follows:

	Unaudited 31 March 2017		Audited 31 December 2016		Unaudited 31 March 2016	
	RO	Allowance for impairment	RO	Allowance for impairment	RO	Allowance for impairment
Not past dues	6,783,672	-	6,446,862	-	12,104,662	74,276
Past due 0 to 3 months	-	-	650	-	-	-
Past due 3 to 6 months	-	-	234	-	-	-
Past due 6 to 12 months	-	-	-	-	611	-
	<u>6,783,672</u>	<u>-</u>	<u>6,447,746</u>	<u>-</u>	<u>12,105,273</u>	<u>74,276</u>

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company limits its liquidity risk by ensuring bank facilities and shareholders' advances are available, where required. Liquidity requirements are monitored on a monthly basis and management ensures that sufficient liquid funds are available to meet any commitments as they arise. The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements:

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Notes to the unaudited condensed interim financial statements for the period ended 31 March

19 Financial risk management (continued)

(c) Liquidity risk (continued)

	Carrying amount RO	Contractual cash flow RO	Cash flows		
			Less than 1 year RO	More than 1 to 5 years RO	More than 5 years RO
31 March 2017 (Unaudited)					
Derivatives					
Interest rate swaps used for hedging	17,520,474	(18,608,373)	(4,687,533)	(10,668,409)	(3,252,431)
Non-derivative financial liabilities					
Term loan	217,050,841	(286,659,419)	(24,281,185)	(128,908,332)	(133,469,902)
Trade and other payables	8,859,542	(8,859,541)	(8,859,541)	-	-
	<u>243,430,857</u>	<u>(314,127,333)</u>	<u>(37,828,259)</u>	<u>(139,576,741)</u>	<u>(136,722,333)</u>
31 December 2016 (Audited)					
Derivatives					
Interest rate swaps used for hedging	18,435,497	(19,527,914)	(3,860,507)	(11,685,599)	(3,981,808)
Non-derivative financial liabilities					
Term loan	223,440,609	(295,662,555)	(21,752,923)	(124,316,710)	(149,592,922)
Trade and other payables	9,068,872	(9,068,872)	(9,068,872)	-	-
	<u>250,944,978</u>	<u>(324,259,341)</u>	<u>(34,682,302)</u>	<u>(136,002,309)</u>	<u>(153,574,730)</u>
31 March 2016 (Unaudited)					
Derivatives					
Interest rate swaps used for hedging	29,119,946	(30,584,966)	(6,092,292)	(17,582,622)	(6,910,052)
Non-derivative financial liabilities					
Term loan	230,454,259	(302,917,145)	(23,726,613)	(114,574,696)	(164,615,836)
Trade and other payables	10,541,048	(10,541,048)	(10,541,048)	-	-
	<u>270,115,253</u>	<u>(344,043,159)</u>	<u>(40,359,953)</u>	<u>(132,157,318)</u>	<u>(171,525,888)</u>

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at a significantly different amount.

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19 Financial risk management (continued)

Embedded derivatives

The following agreements contain embedded derivatives:

- (i) The PWPA between the Company and OPWP contains embedded derivatives in pricing the investment charge rate and the fixed operation and maintenance charge rate for each of the power facility and the desalination facility. Percentages of the fixed operation and maintenance charge rate for each of power facility and the desalination facility will be adjusted to reflect changes in the US price index and the Omani Consumer price index.
- (ii) The O & M agreement between the Company and SSOM contains embedded derivatives in pricing the fixed operator fee. Percentages of the fixed operator fee will be adjusted to reflect changes in fixed inflation rate.
- (iii) The LTSA between the Company and GEIL contains embedded derivatives in pricing the fixed monthly fee and variable monthly fee for provision of long term maintenance services. Percentages of the fixed monthly fee and variable monthly fee will be adjusted to reflect changes in US price index.

These embedded derivatives are not separated from the host contract, and accounted for as a standalone derivative under IAS 39, as the management believes that the economic characteristics and risk associated with the embedded derivatives are closely related to those of the host contract.

Capital management

The Company aims to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development and growth of its businesses, while at the same time maintaining an appropriate dividend policy to reward shareholders.

20 Guarantees

	Unaudited 31 March 2017 RO	Audited 31 December 2016 RO	Unaudited 31 March 2016 RO
Performance guarantees	<u>1,540,800</u>	<u>1,540,800</u>	<u>1,540,800</u>

The Company has taken bank guarantees from Bank Muscat for the amount of USD 4,000,000 to Oman Electricity Transmission Company SAOG under the electrical connection agreement.

21 Basic and diluted earnings per share

Basic earnings per share are calculated by dividing the profit for the period by the weighted average number of shares outstanding during the period as follows:

	Unaudited 31 March 2017	Unaudited 31 March 2016
Profit for the period (RO)	271,382	3,176,842
Weighted average number of shares outstanding during the year	954,571,950	954,571,950
Earnings per share - Basic and diluted (RO)	<u>0.0003</u>	<u>0.0033</u>

Since the Company has no potentially dilutive instruments, the basic and dilutive earnings per share are same.

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22 Net assets per share

Net assets per share are calculated by dividing the shareholders' funds by the number of shares at the end of the reporting period.

	Unaudited 31 March 2017	Audited 31 December 2016	Unaudited 31 March 2016
Net assets - Shareholders' funds (RO)	101,095,612	104,260,689	102,640,803
Number of shares at the end of the year	954,571,950	954,571,950	954,571,950
Net assets per share (RO)	<u>0.106</u>	<u>0.109</u>	<u>0.108</u>

23 Dividend

On 14 March 2017, in an Annual General Meeting, shareholders approved Baizas 3.6 per share (3.6% of the issued share capital) as final cash dividend for the year 2016. Together with the interim dividend of Baizas 10.3 per share distributed in November 2016, the total dividend for the company for the year 2016 amounts to Baizas 13.9 per share.