

**SEMBCORP SALALAH POWER & WATER
COMPANY SAOG**

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2017**

Registered office:

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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 six months period ended 30 June 2017

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**Independent auditor's review report
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) as at 30 June 2017 and the related unaudited condensed interim statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six months 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 matters

- (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 unmodified opinion on those financial statements.
- (ii) The unaudited condensed interim financial statements for the period ended 30 June 2016 were reviewed by another firm of auditors, whose report dated 20 July 2016 expressed an unmodified conclusion report on those unaudited condensed interim financial statements.

PricewaterhouseCoopers LLC Ken Kelama

27 July 2017
Muscat, Sultanate of Oman



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SEMBCORP SALALAH POWER & WATER COMPANY SAOG

**UNAUDITED CONDENSED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE**

	Notes	Unaudited For three months ended 30 June 2017 RO	Unaudited For six months period ended 30 June 2017 RO	Unaudited For three months period ended 30 June 2016 RO	Unaudited For six months period ended 30 June 2016 RO
Revenue	3	22,447,217	40,768,668	21,572,723	39,295,930
Cost of sales	4	<u>(13,114,391)</u>	<u>(23,545,584)</u>	<u>(11,884,082)</u>	<u>(21,548,977)</u>
Gross profit		9,332,826	17,223,084	9,688,641	17,746,953
Administrative and general expenses	5	<u>(182,098)</u>	<u>(325,912)</u>	<u>(172,600)</u>	<u>(378,654)</u>
Profit before interest and tax		9,150,728	16,897,172	9,516,041	17,368,299
Finance income		123,110	178,111	27,049	49,677
Finance costs	6	<u>(3,918,982)</u>	<u>(7,906,924)</u>	<u>(4,160,205)</u>	<u>(8,423,717)</u>
Profit before income tax		5,354,856	9,168,359	5,382,885	8,994,259
Income tax expense	15	<u>(205,498)</u>	<u>(3,747,619)</u>	<u>(646,937)</u>	<u>(1,081,469)</u>
Profit after tax for the period		5,149,358	5,420,740	4,735,948	7,912,790
Other comprehensive income					
<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	<u>(530,595)</u>	<u>800,239</u>	<u>(1,352,032)</u>	<u>(5,358,345)</u>
Total comprehensive income for the period		<u>4,618,763</u>	<u>6,220,979</u>	<u>3,383,916</u>	<u>2,554,445</u>
Earnings per share:					
Basic earnings per share	21	<u>0.0054</u>	<u>0.0057</u>	<u>0.0050</u>	<u>0.0083</u>

The notes on pages 6 to 33 form an integral part of these unaudited condensed interim financial statements.

Independent auditor's review report – page 1.

SEMBCORP SALALAH POWER & WATER COMPANY SAOG

UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 30 June

	Notes	Unaudited 30 June 2017 RO	Audited 31 December 2016 RO	Unaudited 30 June 2016 RO
Assets				
Non-current assets				
Property, plant and equipment	7	302,981,513	308,284,477	313,311,253
Intangible assets	8	1,413	2,199	3,640
Total non-current assets		302,982,926	308,286,676	313,314,893
Current assets				
Inventory	10	4,324,816	4,256,144	4,422,614
Trade and other receivables	11	18,578,199	9,443,709	10,064,491
Cash and bank balances	12	26,611,481	27,256,820	31,755,602
Total current assets		49,514,496	40,956,673	46,242,707
Total assets		352,497,422	349,243,349	359,557,600
Equity and liabilities				
Equity				
Share capital	13 (a)	95,457,195	95,457,195	95,457,195
Legal reserve	13 (b)	5,854,521	5,312,447	4,640,844
Retained earnings		4,933,254	3,491,047	7,278,712
Shareholders' funds		106,244,970	104,260,689	107,376,751
Hedging reserve	9 & 13 (c)	(15,422,998)	(16,223,237)	(27,002,292)
Net equity		90,821,972	88,037,452	80,374,459
Liabilities				
Non-current liabilities				
Long term loan	17	202,805,475	208,957,588	216,308,274
Asset retirement obligation	18	553,065	534,603	517,359
Deferred tax liability	15	12,964,489	9,726,316	7,301,984
Derivative instruments	9	14,633,039	14,599,007	26,089,746
Total non-current liabilities		230,956,068	233,817,514	250,217,363
Current liabilities				
Current portion of long term loan	17	14,483,021	14,483,021	14,398,325
Current portion of derivative instrument	9	3,511,665	3,836,490	4,594,677
Trade and other payables	14	12,724,696	9,068,872	9,972,776
Total current liabilities		30,719,382	27,388,383	28,965,778
Total liabilities		261,675,450	261,205,897	279,183,141
Total equity and liabilities		352,497,422	349,243,349	359,557,600
Net assets per share	22	0.111	0.109	0.112

The unaudited condensed interim financial statements on pages 2 to 33 were approved and authorised for issue in accordance with a resolution of the Board of Directors on 27 July 2017.

Director

Chief Executive Officer

Director

The notes on pages 6 to 33 form an integral part of these unaudited condensed interim financial statements.
Independent auditor's review report – page 1.

SEMBCORP SALALAH POWER & WATER COMPANY SAOG

UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE

	Share capital RO	Legal reserve RO	Retained earnings RO	Hedging reserve RO	Total RO
At 1 January 2016 (Audited)	95,457,195	3,849,565	3,498,203	(21,643,947)	81,161,016
Profit for the period	-	-	7,912,790	-	7,912,790
<i>Other comprehensive income/(loss)</i>					
Fair value of cash flow hedge adjustments - gross	-	-	-	(9,444,947)	(9,444,947)
Reclassification to profit or loss –gross (note 6)	-	-	-	3,355,918	3,355,918
Deferred tax liability on change in fair value of cash flow hedge	-	-	-	730,684	730,684
Total comprehensive income/(loss) for the period	-	-	7,912,790	(5,358,345)	2,554,445
<i>Transactions with owners of the Company, recognised directly in equity</i>					
Final Dividend	-	-	(3,341,002)	-	(3,341,002)
Transfer to legal reserve	-	791,279	(791,279)	-	-
Total transactions with owners of the Company, recognised directly in equity	-	791,279	(4,132,281)	-	(3,341,002)
At 30 June 2016 (Unaudited)	95,457,195	4,640,844	7,278,712	(27,002,292)	80,374,459
At 1 January 2017 (Audited)	95,457,195	5,312,447	3,491,047	(16,223,237)	88,037,452
Profit for the period	-	-	5,420,740	-	5,420,740
<i>Other comprehensive income</i>					
Fair value of cash flow hedge adjustments - gross	-	-	-	(2,300,170)	(2,300,170)
Reclassification to profit or loss –gross (note 6)	-	-	-	2,590,963	2,590,963
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	-	-	-	(43,619)	(43,619)
Total comprehensive income for the period	-	-	5,420,740	800,239	6,220,979
<i>Transactions with owners of the Company, recognised directly in equity</i>					
Dividend	-	-	(3,436,459)	-	(3,436,459)
Transfer to legal reserve	-	542,074	(542,074)	-	-
Total transactions with owners of the Company, recognised directly in equity	-	542,074	(3,978,533)	-	(3,436,459)
At 30 June 2017 (Unaudited)	95,457,195	5,854,521	4,933,254	(15,422,998)	90,821,972

The notes on pages 6 to 33 form an integral part of these condensed financial statements.

Independent auditor's review report – page 1.
SEMBCORP SALALAH POWER & WATER COMPANY SAOG

**UNAUDITED CONDENSED STATEMENT OF CASH FLOWS
 FOR THE SIX MONTHS PERIOD ENDED 30 JUNE**

	Unaudited For six months period ended 30 June 2017 RO	Unaudited For six months period ended 30 June 2016 RO
Operating activities		
Profit before tax for the year	9,168,359	8,994,259
Adjustment for:		
Depreciation and amortisation	5,358,233	5,370,364
Amortisation of deferred financing cost	482,409	512,917
Finance costs	7,423,424	7,910,027
Finance income	(178,111)	(49,677)
Provision for asset retirement obligation	18,462	17,244
<i>Changes in working capital:</i>		
Inventory	(68,672)	134,998
Trade and other receivables	(9,110,592)	(2,533,832)
Trade and other payables	3,812,380	809,051
	<u>16,905,892</u>	<u>21,165,351</u>
Finance cost paid	(7,572,919)	(8,050,488)
Net cash flow generated from operating activities	<u>9,332,973</u>	<u>13,114,863</u>
Investing activities		
Net payment on account of acquisition/disposal of property, plant and equipment	(61,544)	(133,193)
Payment on account of acquisition of intangible assets	-	(3,168)
Investment in fixed term cash deposits	(21,609,115)	(21,354,137)
Proceeds from the maturity of fixed term cash deposits	21,267,066	21,433,891
Finance income received	154,213	51,559
Net cash used in investing activities	<u>(249,380)</u>	<u>(5,048)</u>
Financing activities		
Repayment of term loan	(6,634,522)	(6,352,202)
Dividend paid	(3,436,459)	(3,341,002)
Net cash used in financing activities	<u>(10,070,981)</u>	<u>(9,693,204)</u>
Net change in cash and cash equivalents	(987,388)	3,416,611
Cash and cash equivalents as at 1 January	5,989,754	6,984,854
Cash and cash equivalents as at 30 June	<u>5,002,366</u>	<u>10,401,465</u>

The notes on pages 6 to 33 form an integral part of these condensed financial statements.

Independent auditor's review report – page 1.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE****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.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE****2 Basis of preparation and significant accounting policies****2.1 Basis of preparation***(a) Statement of compliance*

These unaudited condensed interim financial statements for the six months period ended 30 June 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 adopted by the Company in these unaudited condensed interim financial statements are consistent with those applied by the Company in its financial statements for the year ended 31 December 2016. The adoption of new and amended standards are set out in note "t".

(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 financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The areas where accounting assumptions and estimates are significant to the financial statements are disclosed in notes 2.2 and 2.3 below and also in the relevant notes to the financial statements.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

In particular, estimates that involve uncertainties and judgments which have a significant effect on the financial statements include useful lives and residual value of property, effectiveness of hedge relationship and asset retirement obligation.

2.2 Judgements

Management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the unaudited condensed interim financial statements:

(a) Operating Lease

The Company and OPWP, have entered into a PWPA containing a take-or-pay clause favouring the Company. The management has applied the guidance in IFRIC 4, 'Determining whether an arrangement contains a lease'. Based on management's evaluation, the PWPA with OPWP is considered as a lease within the context of IFRIC 4 and has been classified as an operating lease under IAS 17 since significant risks and rewards associated with the ownership of the plant lies with the Company and not with OPWP. The primary basis for this conclusion being that the PWPA is for a term of 15 years while the economic life of the power plant is estimated to be 35 years. The present value of minimum lease payments under the PWPA does not substantially recover the fair value of the plant at the inception of the lease. Further, the residual risk is borne by the Company and not OPWP.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE****2. Basis of preparation and significant accounting policies (continued)****2.3 Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial years are discussed below:

(a) Effectiveness of hedge relationship

At the inception of the hedge, the management documents the hedging strategy and performs hedge effectiveness testing to assess whether the hedge is effective. This exercise is performed at each reporting date to assess whether the hedge will remain effective throughout the term of the hedging instrument. As at the reporting date, the cumulative fair value of the interest rate swaps was RO 18.1 million (2016 - RO 18.4 million).

(b) Useful lives and residual value of property, plant and equipment

Depreciation is charged so as to write-off the cost of assets, less their residual value, over their estimated useful lives. The calculation of useful lives is based on assessment of various factors such as the operating cycles, the maintenance programmes, and normal wear and tear using best estimates. The calculation of the residual value is based on the management's best estimate.

(c) Site restoration costs

Site restoration costs are based on management's technical assessment of the probable future costs to be incurred in respect of the decommissioning of the plant facilities. The significant uncertainty in estimating the provision is the cost that will be incurred and the applicable discount rate. It has been assumed that the site will be restored using technology and material that are currently available.

2.4 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.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE****2. Basis of preparation and significant accounting policies (continued)****2.4 Significant accounting policies (continued)****(b) Financial instruments****(i) Non derivative financial instruments**

Non-derivative financial instruments comprise trade and other receivables, cash at bank, loans and borrowings, and trade and other payables.

Cash at bank comprises bank balances. For the purposes of the statement of cash flows, the Company considers all cash and bank balances with an original maturity of less than three months from the date of placement to be cash and cash equivalents.

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses

(ii) Derivative financial instruments

Derivative financial instruments are recognised at fair value. Subsequent to initial recognition, derivative financial instruments are stated at their fair value. Recognition of any resultant gain or loss depends on the nature of the item being hedged. The fair value of a derivative is the equivalent to the unrealised gain or loss arising from marked to market valuation of the derivative using prevailing market rates or internal pricing models. Derivatives with positive market values (unrealised gains) are included under non-current assets and their current portion in current assets and derivatives with negative market values (unrealised losses) are included under non-current liabilities and their current portion in current liabilities in the statement of financial position.

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised liability, the part of any gain or loss on the derivative financial instrument that qualifies as an effective hedge is recognised directly in equity, net of tax. The ineffective part of any gain or loss is recognised in the statement of profit or loss immediately.

The relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions are documented at the inception of the hedging transaction. The entity also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

Derivative financial instruments are re-measured to fair value at subsequent reporting dates. Changes in the fair value of derivative financial instruments that are designated and effective as cash flow hedges are recognised directly in other comprehensive income and presented in hedging reserve in equity. Any ineffective portion is recognised immediately in profit and loss. Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in profit and loss as they arise.

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.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE**

2. Basis of preparation and significant accounting policies (continued)

2.4 Significant accounting policies (continued)

(b) Financial instruments (continued)

Cash flow hedge continued

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.

(iii) Separable embedded derivatives

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

(c) Interest bearing borrowings

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

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour and any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs. Cost also may include transfers from other comprehensive income of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within other income in profit or loss. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases future economic benefits embodied in the specific asset to which it relates.

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Company. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE**

2. Basis of preparation and significant accounting policies (continued)

2.4 Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(iii) Depreciation

Depreciation is calculated using the straight-line method to allocate the cost less its residual value so as to write off items of property, plant and equipment over their estimated useful lives. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of an item is depreciated separately. The estimated useful lives are as follows:

	Years
Buildings	30 to 35 years
Plant and machinery	20 to 35 years
Tools and equipment	1 to 12 years
Roads and pipelines	10 to 35 years
Computer equipment	3 years
Office equipment	3 to 10 years
Motor vehicles	10 years

Certain items of property, plant and equipment are subject to overhauls at regular intervals. The inherent components of the initial overhaul are determined based on the estimated costs of the next overhaul and are separately depreciated in order to reflect the estimated intervals between two overhauls. The costs of the overhauls subsequently incurred are capitalised as additions and the carrying amounts of the replaced components are written off to the profit or loss.

(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.

(e) 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.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE****2. Basis of preparation and significant accounting policies (continued)****2.4 Significant accounting policies (continued)****(e) Impairment (continued)****(i) Financial assets (continued)**

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.

(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.

(f) 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.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE****2. Basis of preparation and significant accounting policies (continued)****2.4 Significant accounting policies (continued)****(g) Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership. All other leases are classified as operating leases.

Amounts receivable under operating leases, as lessor, are recognised as lease income on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished. In accordance with IFRS, revenue stemming from (substantial) services in connection with the leased asset is not considered as lease revenue and is accounted for separately.

IFRIC 4 deals with the identification of services and take-or-pay sales or purchasing contracts that do not take the legal form of a lease but convey the rights to customers/suppliers to use an asset or a group of assets in return for a payment or a series of fixed payments. Contracts meeting these criteria should be identified as either operating leases or finance leases. This interpretation is applicable to the Company's PWPA.

(h) 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.

(i) 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.

(j) 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.

(k) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time that the assets are substantially ready for their intended use. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the cost of those assets. All other borrowing costs are recognised as expenses in the period in which they are incurred.

(l) Inventories

Inventories are stated at the lower of cost and net realisable value. Costs are those expenses incurred in bringing each product to its present location and condition. The cost of raw materials and consumables and goods for resale is based on weighted average method and consists of direct costs of materials and related overheads.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE****2 Basis of preparation and significant accounting policies (continued)****2.4 Significant accounting policies (continued)****(l) Inventories (continued)**

Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Provision is made where necessary for obsolete, slow moving and defective items, based on management's assessment.

(m) 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 calculated using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary difference when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences 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 benefits will be realised.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different taxable entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

In determining the amount of current and deferred tax, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The assessment regarding adequacy of tax liability for open tax year relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Company to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

(n) Employee benefits

Obligations for contributions to a defined contribution retirement plan, for Omani employees, in accordance with the Omani Social Insurance Scheme, are recognised as an expense in profit and loss as incurred.

The Company's obligation in respect of non-Omani employees' terminal benefits is the amount of future benefit that such employees have earned in return for their service in the current and prior periods having regard to the employee contract and Oman Labour Law 2003, as amended.

In accordance with the provisions of IAS 19, Employee benefits, management carries an exercise to assess the present value of the Company's obligations as of reporting date, using the actuarial techniques, in respect of employees' end of service benefits payable under the Oman aforesaid Labour Law. Under this method, an assessment is made of an employee's expected service life with the Company and the expected basic salary at the date of leaving the service.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE****2 Basis of preparation and significant accounting policies (*continued*)****2.4 Significant accounting policies (*continued*)****(o) Directors' remuneration**

Directors' remunerations are computed in accordance with the Article 101 of the Commercial Companies Law of 1974, as per the requirements of Capital Market Authority and are recognised as an expense in the statement of profit or loss.

(p) Dividend

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

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved.

(q) Earnings and net assets per share

The Group presents earnings per share (EPS) and net assets per share data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

Net assets per share is calculated by dividing the net assets attributable to ordinary shareholders of the Company by the number of ordinary shares outstanding during the year. Net assets for the purpose is defined as total equity less hedging deficit/surplus.

(r) Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer who manages the company on a day-to-day basis, as per the directives given by the board of directors that makes strategic decisions.

(s) Determination of fair values**(i) Trade and other receivables**

The fair value of trade and other receivables including cash and bank balances approximates to their carrying amount due to their short-term maturity.

(ii) Derivatives

The fair value of interest rate swaps is calculated by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date. This calculation is tested for reasonableness through comparison with the valuations received from the parties issuing the instruments.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE**

2 Basis of preparation and significant accounting policies (*continued*)

2.4 Significant accounting policies (*continued*)

(s) Determination of fair values (*continued*)

(iii) *Non-derivative financial liabilities*

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

(t) 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 2018 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>	<p>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.</p> <p>IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.</p>	<p>The Company does not envisage any significant impact on the financial statement of the Company.</p>
IFRS 15 <i>Revenue from Contracts with Customers</i>	<p>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>.</p> <p>IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.</p>	<p>The Company does not envisage any significant impact on the financial statement of the Company.</p>
IFRS 16 <i>Leases</i>	<p>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>.</p> <p>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.</p>	<p>The Company is assessing the potential impact on its financial statements resulting from the application of IFRS 16.</p>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE**

2 Basis of preparation and significant accounting policies (*continued*)

2.4 *Significant accounting policies (continued)*

(i) New standards and interpretation not yet effective (*continued*)

New or amended standards	Summary of the requirements	Possible impact on financial statements
IFRS 17 Insurance contracts	Final standard issued on 18 May 2017, which will come into effect on 1 January 2021. Applicable for all insurance contracts issued by any entity and investment contracts with discretionary participating features issued by insurers.	The Company does not envisage any significant impact on the financial statements of the Company.
IFRIC 22 Foreign currency transactions and advance consideration	Addresses how to determine the date of the transaction when applying IAS 21, where an entity either pays or receives consideration in advance for foreign currency-denominated contracts. Effective date of this interpretation is 1 January 2018.	The Company does not envisage any significant impact on the financial statements of the Company.
IFRIC 23: Uncertainty over income tax treatments	Includes clarifications in respect of uncertain tax treatments. Effective date of this interpretation is 1 January 2019.	The Company does not envisage any significant impact on the financial statements of the Company.

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

- Amendment to IAS 7 on changes in liabilities arising from financing activities
- Amendment to IAS 12 on recognition of deferred tax assets for unrealized losses.
- Amendment to IFRS 2 on classification and measurement of share based payment transactions.
- Amendment to IAS 40 on transfer of investment property.
- Annual Improvements to IFRSs 2014–2016 Cycle – various standards.

3. Revenue

	Unaudited For three months ended 30 June 2017 RO	Unaudited For six months ended 30 June 2017 RO	Unaudited For three months ended 30 June 2016 RO	Unaudited For six months ended 30 June 2016 RO
Fixed capacity charge – Power	10,051,910	18,531,820	10,105,812	18,709,756
Fixed capacity charge – Water	3,922,549	7,797,721	3,924,194	7,854,427
Energy charge	451,410	747,122	410,386	645,774
Water output charge	226,351	454,548	215,926	434,230
Fuel charge	7,794,997	13,237,457	6,916,405	11,651,743
	<u>22,447,217</u>	<u>40,768,668</u>	<u>21,572,723</u>	<u>39,295,930</u>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE**

4. Cost of sales

	Unaudited For three months ended 30 June 2017 RO	Unaudited For six months ended 30 June 2017 RO	Unaudited For three months ended 30 June 2016 RO	Unaudited For six months ended 30 June 2016 RO
Fuel cost	7,681,291	13,037,184	6,820,369	11,477,235
Depreciation and amortisation	2,685,901	5,343,548	2,675,160	5,354,038
Operation and maintenance	1,554,060	3,074,742	1,278,337	2,708,778
Contractual services maintenance	918,561	1,546,209	810,147	1,418,806
Insurance	119,772	247,470	149,394	298,788
Incentive payment	100,827	183,534	97,362	179,503
Security charges	25,277	50,553	24,541	49,081
License and permits	18,791	37,582	16,330	36,604
Provision for asset retirement obligation	9,231	18,462	8,622	17,244
Electricity import cost	680	6,300	3,820	8,900
	<u>13,114,391</u>	<u>23,545,584</u>	<u>11,884,082</u>	<u>21,548,977</u>

5. Administrative and general expenses

	Unaudited For three months ended 30 June 2017 RO	Unaudited For six months ended 30 June 2017 RO	Unaudited For three months ended 30 June 2016 RO	Unaudited For six months ended 30 June 2016 RO
Staff costs	47,467	88,989	38,740	78,378
Fee and subscription	25,480	48,640	25,646	51,405
Travelling expenses	29,427	40,867	26,275	41,160
Directors' remuneration and sitting fees	37,450	43,950	53,250	63,000
Legal and professional charges	19,807	35,920	10,979	20,858
Charity and donations	12,936	36,819	2,000	2,000
Depreciation and amortisation	6,208	14,685	8,235	16,326
Provision for doubtful debts	-	-	-	74,276
Others	3,323	16,042	7,475	31,251
	<u>182,098</u>	<u>325,912</u>	<u>172,600</u>	<u>378,654</u>

6. Finance costs

Interest expense on project financing	2,436,645	4,832,461	2,341,666	4,554,109
Interest expense on interest rate swap	1,243,992	2,590,963	1,565,780	3,355,918
Deferred financing cost	237,655	482,409	252,340	512,917
Commission and bank charges	690	1,091	419	773
	<u>3,918,982</u>	<u>7,906,924</u>	<u>4,160,205</u>	<u>8,423,717</u>

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

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE**

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	43,590	1,222	-	2,809	3,651	54,877
Disposals	-	-	-	(10,746)	-	-	-	(10,746)
At 30 June 2017	48,464,026	26,282,357	286,191,513	184,124	275,260	245,637	3,651	361,646,568
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	724,157	396,840	4,196,264	15,999	15,491	8,696	-	5,357,447
Disposals	-	-	-	(10,352)	-	-	-	(10,352)
At 30 June 2017	7,769,094	4,252,798	46,131,249	160,650	139,126	212,138	-	58,665,055
Carrying amount								
At 30 June 2017	40,694,932	22,029,559	240,060,264	23,474	136,134	33,499	3,651	302,981,513
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	-	1,490	90,116	-	-	8,076	-	99,682
At 30 June 2016	48,445,982	26,010,038	286,038,232	192,654	287,890	221,921	-	361,196,717
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	725,829	392,485	4,207,436	18,901	15,815	6,844	-	5,367,310
At 30 June 2016	6,310,921	3,452,063	37,672,247	137,093	117,567	195,573	-	47,885,464
Carrying amount								
At 30 June 2016	42,135,061	22,557,975	248,365,985	55,561	170,323	26,348	-	313,311,253

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE**

7. Property, plant and equipment (continued)

The depreciation charge has been allocated as set out below:

	Unaudited For three months ended 30 June 2017 RO	Unaudited For six months ended 30 June 2017 RO	Unaudited For three months ended 30 June 2016 RO	Unaudited For six months ended 30 June 2016 RO
Cost of sales (note 4)	2,685,901	5,343,548	2,675,160	5,354,038
Administration expenses (note 5)	5,812	13,899	6,665	13,272
	<u>2,691,713</u>	<u>5,357,447</u>	<u>2,681,825</u>	<u>5,367,310</u>

8 Intangible assets

	Unaudited 30 June 2017 RO	Audited 31 December 2016 RO	Unaudited 30 June 2016 RO
At 1 January	111,606	108,438	108,438
Additions during the period/year	-	3,168	3,168
	<u>111,606</u>	<u>111,606</u>	<u>111,606</u>
Accumulated amortisation			
At 1 January	(109,407)	(104,912)	(104,912)
Charge for the period/year	(786)	(4,495)	(3,054)
	<u>(110,193)</u>	<u>(109,407)</u>	<u>(107,966)</u>
At period/year end	<u>1,413</u>	<u>2,199</u>	<u>3,640</u>

Intangible assets mainly represent the purchase of ERP software.

9 Hedging reserve

	Unaudited 30 June 2017 RO	Audited 31 December 2016 RO	Unaudited 30 June 2016 RO
Interest rate swaps:			
SMBC Capital Market Limited	(3,764,573)	(3,828,118)	(6,272,644)
Standard Chartered Bank	(11,068,487)	(11,267,077)	(18,928,551)
KfW-IPEX	(3,311,644)	(3,340,302)	(5,483,228)
Hedging instrument at the end of the period/year	<u>(18,144,704)</u>	<u>(18,435,497)</u>	<u>(30,684,423)</u>
Deferred tax asset (note 15)	2,721,706	2,212,260	3,682,131
Hedging reserve at the end of the period (net of tax)	<u>(15,422,998)</u>	<u>(16,223,237)</u>	<u>(27,002,292)</u>
Less: Hedging reserve at the beginning of the period	<u>(16,223,237)</u>	<u>(21,643,947)</u>	<u>(21,643,947)</u>
Effective portion of change in fair value of cash flow hedge for the period	<u>800,239</u>	<u>5,420,710</u>	<u>(5,358,345)</u>
Hedging instrument classification			
Non-current portion of hedging instrument	14,633,039	14,599,007	26,089,746
Current portion of hedging instrument	<u>3,511,665</u>	<u>3,836,490</u>	<u>4,594,677</u>
	<u>18,144,704</u>	<u>18,435,497</u>	<u>30,684,423</u>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE**

9 Hedging reserve (continued)

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 30 June 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.

10 Inventory

	Unaudited 30 June 2017 RO	Audited 31 December 2016 RO	Unaudited 30 June 2016 RO
Fuel inventory	1,015,754	1,028,993	1,026,573
Spare parts and consumables	3,309,062	3,227,151	3,396,041
	<u>4,324,816</u>	<u>4,256,144</u>	<u>4,422,614</u>

11 Trade and other receivables

Trade receivable	15,250,549	6,292,328	7,206,105
Advances to vendors	2,905,660	2,794,542	2,740,822
Prepayments	3,496	201,421	13,003
Other receivables	418,494	155,418	104,561
	<u>18,578,199</u>	<u>9,443,709</u>	<u>10,064,491</u>

12 Cash and bank balances

Cash in hand	517	932	939
Cash at bank	5,001,849	5,988,822	10,400,526
Cash and cash equivalent	5,002,366	5,989,754	10,401,465
Fixed term cash deposits (3 to 6 months)	21,609,115	21,267,066	21,354,137
	<u>26,611,481</u>	<u>27,256,820</u>	<u>31,755,602</u>

Cash at bank includes balances in Debt Service Reserve Account in the amount of RO 15,253,505 (31 December 2016: RO 14,219,006, 30 June 2016: RO 15,625,640).

The Company has also made a placement in the amount of RO 21,609,115 at a weighted average interest rate of 1.54% per annum.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE**

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		30 June 2017		Aggregate nominal value of shares held RO
	Nationality	Number of shares held of nominal value 100 baiza each	% of total	
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		Aggregate nominal value of shares held RO
	Nationality	Number of shares held of nominal value 100 baiza each	% of total	
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		30 June 2016		Aggregate nominal value of shares held RO
	Nationality	Number of shares held of nominal value 100 baiza each	% of total	
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>

b) Legal reserve

Article 106 of the Commercial Companies Law of 1974 requires that 10% of a company's net profit be transferred to a non-distributable legal reserve until the amount of legal reserve becomes equal to at least one-third of the company's issued share capital. This reserve is not available for distribution to shareholders.

(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).

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14 Trade and other payables

	Unaudited 30 June 2017 RO	Audited 31 December 2016 RO	Unaudited 30 June 2016 RO
Interest payable	3,790,939	3,940,434	3,979,786
Accrued expenses and other payable	3,217,236	2,445,983	3,050,718
Trade payable	2,777,812	172,630	71,937
Payables to EPC Contractor	1,792,580	1,799,641	1,799,641
Due to related parties (note 16)	1,055,773	572,706	888,299
Others	90,356	137,478	182,395
	<u>12,724,696</u>	<u>9,068,872</u>	<u>9,972,776</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 For three months ended 30 June 2017 RO	Unaudited For six months ended 30 June 2017 RO	Unaudited For three months ended 30 June 2016 RO	Unaudited For six months ended 30 June 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	873,892	1,431,369	646,937	1,081,469
Deferred tax expense - prior year adjustment	(668,394)	(668,394)	-	-
	<u>205,498</u>	<u>3,747,619</u>	<u>646,937</u>	<u>1,081,469</u>

b) Reconciliation

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

Profit before tax	<u>5,354,856</u>	<u>9,168,359</u>	<u>5,382,885</u>	<u>8,994,259</u>
Income tax as per rates mentioned above	(803,229)	(1,375,254)	(645,946)	(1,079,311)
Expenses not deductible for tax	(1,598)	(1,647)	(991)	(2,158)
Change in recognised deductible temporary differences	(69,065)	(54,468)	-	-
Prior year adjustment	668,394	668,394	-	-
Change in tax rate	-	(2,984,644)	-	-
Deferred tax expense for the year	<u>(205,498)</u>	<u>(3,747,619)</u>	<u>(646,937)</u>	<u>(1,081,469)</u>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE**

15 Income tax (continued)

(c) Deferred tax asset (liability)

Unaudited As at June 2017	At 1 January RO	Recognised during the period RO	At 30 June RO
<i>Charged to profit or loss</i>			
Property, plant and equipment	(15,015,841)	(4,459,745)	(19,475,586)
Tax losses	3,077,265	688,155	3,765,420
Asset retirement obligation	-	23,971	23,971
	<u>(11,938,576)</u>	<u>(3,747,619)</u>	<u>(15,686,195)</u>
<i>Deferred tax recognised in equity</i>			
Derivative instrument	2,212,260	509,446	2,721,706
Deferred tax liability (net)	<u>(9,726,316)</u>	<u>(3,238,173)</u>	<u>(12,964,489)</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	3,165,830	(88,565)	3,077,265
	<u>(9,902,647)</u>	<u>(2,035,929)</u>	<u>(11,938,576)</u>
<i>Deferred tax recognised in equity</i>			
Derivative instrument	2,951,447	(739,187)	2,212,260
Deferred tax liability (net)	<u>(6,951,200)</u>	<u>(2,775,116)</u>	<u>(9,726,316)</u>

Unaudited As at June 2016	At 1 January RO	Recognised during the period RO	At 30 June RO
<i>Charged to profit or loss</i>			
Property, plant and equipment	(13,068,477)	(1,034,109)	(14,102,586)
Tax losses	3,165,831	(47,360)	3,118,471
	<u>(9,902,646)</u>	<u>(1,081,469)</u>	<u>(10,984,115)</u>
<i>Deferred tax recognised in equity</i>			
Derivative instrument	2,951,447	730,684	3,682,131
	<u>(6,951,199)</u>	<u>(350,785)</u>	<u>(7,301,984)</u>

(d) Status of prior year returns

The Company's assessment for the tax years 2014 to 2016 have not yet been finalised with the Secretariat General for Taxation at the Ministry of Finance. Management of the Company believe that additional taxes, if any in respect of open tax years, would not be significant to the Company's financial position as at 30 June 2017.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
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16 Related party transactions

Related parties comprise the shareholders, directors, key management personnel and business entities which have the ability to control or exercise significant influence in financial and operating decisions.

The Company maintains balances with these related parties which arise in the normal course of business from the commercial transactions. Outstanding balances at the reporting period end are unsecured and settlement occurs in cash.

No expenses have been recognised in the period for bad or doubtful debts in respect of amounts owed by related parties (2016: nil).

Sembcorp Industries Limited (SIL), Oman Investment Corporation (OIC) and Sembcorp Utilities (Chile) SA are related parties with significant shareholder influence.

The Company had the following significant transactions with related parties during the period:

	Unaudited For three months ended 30 June 2017 RO	Unaudited For six months ended 30 June 2017 RO	Unaudited For three months ended 30 June 2016 RO	Unaudited For six months ended 30 June 2016 RO
<i>Sembcorp Industries Limited (SIL)</i>				
- Reimbursement of expenses	-	-	4,174	4,617
<i>Sembcorp Salalah O&M Services Company LLC (SSOM)</i>				
- Operation and maintenance cost	3,822,866	5,343,548	1,278,337	2,708,778
- Incentive payment	100,827	183,534	97,362	179,503
<i>Oman Investment Corporation (OIC)</i>				
- Reimbursement of expenses	5,109	5,109	-	5,476
- Sale of furniture & fixtures	350	350		
<i>Sembcorp Utilities (Chile) SA</i>				
- Reimbursement of expenses	-	13,106	-	-
		Unaudited 30 June 2017 RO	Audited 31 December 2016 RO	Unaudited 30 June 2016 RO
SSOM		1,036,875	553,064	883,155
SIL		14,139	14,139	5,144
OIC		4,759	5,503	-
		1,055,773	572,706	888,299

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16 Related party transactions (continued)

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 period ended is as follows:

	Unaudited For three months ended 30 June 2017 RO	Unaudited For six months ended 30 June 2017 RO	Unaudited For three months ended 30 June 2016 RO	Unaudited For six months ended 30 June 2016 RO
Directors' remuneration	32,200	32,200	48,000	48,000
Directors' sitting fees	5,250	11,750	5,250	15,000
Short term employee benefits	49,323	158,372	78,686	192,596
Social security and gratuity	6,286	12,572	5,752	19,143
	<u>93,059</u>	<u>214,894</u>	<u>137,688</u>	<u>274,739</u>

Compensation of some of the Key Management personnel has been paid through Sembcorp Salalah O&M Services Co. LLC of RO 115,420 (30 June 2016: RO 145,243) which has been accounted for in operations and maintenance cost of the Company

17 Term loan

	Maturity	Unaudited 30 June 2017 RO	Audited 31 December 2016 RO	Unaudited 30 June 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	<u>38,238,480</u>	<u>39,380,580</u>	<u>40,717,080</u>
		<u>222,129,455</u>	<u>228,763,977</u>	<u>236,527,780</u>
<i>Less:</i>				
<i>Unamortised transaction cost</i>		<u>(4,840,959)</u>	<u>(5,323,368)</u>	<u>(5,821,181)</u>
		<u>217,288,496</u>	<u>223,440,609</u>	<u>230,706,599</u>
<i>Less: Current portion of term loan</i>		<u>(14,483,021)</u>	<u>(14,483,021)</u>	<u>(14,398,325)</u>
		<u>202,805,475</u>	<u>208,957,588</u>	<u>216,308,274</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.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
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17 Term loan (continued)

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)	<u>3.00%</u>
Thereafter up to the sixth anniversary of completion date	<u>2.85%</u>
Thereafter up to the tenth anniversary of completion date	<u>3.20%</u>
Thereafter up to the thirteenth anniversary of completion date	<u>3.55%</u>
Thereafter	<u>3.95%</u>

- (ii) 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.

- (iii) 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	<u>8.00%</u>
From the third anniversary of financial close to the fifth anniversary of financial close	<u>7.00%</u>
From the fifth anniversary of financial close to the eighth anniversary of financial close	<u>4.25%</u>

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 Sinosure Covered facilities and 0.4% of undrawn Rial Omani facilities. As at 30 June 2017, 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.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
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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 and profit margin that third parties would consider to assume the settlement of the obligation. The movement in ARO provision is as follows:

	Unaudited 30 June 2017 RO	Audited 31 December 2016 RO	Unaudited 30 June 2016 RO
At 1 January	534,603	500,115	500,115
Provision made during the period/ year	<u>18,462</u>	<u>34,488</u>	<u>17,244</u>
At period/year end	<u><u>553,065</u></u>	<u><u>534,603</u></u>	<u><u>517,359</u></u>

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.

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.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
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19 Financial risk management (continued)

(a) *Market risk (continued)*

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 30 June 2017 RO	Audited 31 December 2016 RO	Unaudited 30 June 2016 RO
Financial assets				
Bank balances		<u>5,001,849</u>	<u>5,988,822</u>	<u>10,400,526</u>
Fixed term cash deposit (3 to 6 months)	1.54%	<u>21,609,115</u>	<u>21,267,066</u>	<u>21,354,137</u>
Financial liabilities				
<i>Term loan</i>				
- USD variable rate loans	Libor + 3%	<u>(102,136,397)</u>	<u>(105,186,988)</u>	<u>(108,756,829)</u>
- USD variable rate loans	Libor + 2.85%	<u>(81,754,578)</u>	<u>(84,196,409)</u>	<u>(87,053,871)</u>
- RO fixed rate loans	4.25%	<u>(38,238,480)</u>	<u>(39,380,580)</u>	<u>(40,717,080)</u>
		<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 statement of profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Equity					
	Unaudited 30 June 2017		Audited 31 December 2016		Unaudited 30 June 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	<u>9,607,504</u>	<u>(9,607,504)</u>	<u>10,225,643</u>	<u>(10,225,643)</u>	<u>11,488,852</u>	<u>(11,488,852)</u>

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 30 June 2017.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
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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 30 June 2017 RO	Audited 31 December 2016 RO	Unaudited 30 June 2016 RO
Break down of financial assets (at carrying amount)			
Cash and cash equivalents	5,001,849	5,988,822	10,400,526
Fixed term cash deposits (3 to 6 months)	21,609,115	21,267,066	21,354,137
Trade receivable	15,250,549	6,292,328	7,206,105
Other receivables	418,494	155,418	104,561
	<u>42,280,007</u>	<u>33,703,634</u>	<u>39,065,329</u>

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

	Unaudited 30 June 2017		Audited 31 December 2016		Unaudited 30 June 2016	
	RO	Allowance for impairment RO	RO	Allowance for impairment RO	RO	Allowance for impairment RO
Not past dues	15,669,043	-	6,446,862	-	7,310,076	-
Past due 0 to 3 months	-	-	650	-	74,866	74,276
Past due 3 to 6 months	-	-	234	-	-	-
	<u>15,669,043</u>	<u>-</u>	<u>6,447,746</u>	<u>-</u>	<u>7,384,942</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:

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
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19 Financial risk management (continued)

(c) Liquidity risk (continued)

Unaudited 30 June 2017	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
Derivatives					
Interest rate swaps used for hedging	18,144,704	(18,855,416)	(3,539,533)	(11,736,012)	(3,579,871)
Non-derivatives financial liabilities					
Term loan	217,288,496	(282,183,809)	(21,717,581)	(127,412,864)	(133,053,364)
Trade and other payables	12,724,696	(12,724,696)	(12,724,696)	-	-
	<u>248,157,896</u>	<u>(313,763,921)</u>	<u>(37,981,810)</u>	<u>(139,148,876)</u>	<u>(136,633,235)</u>
Audited					
31 December 2016					
Derivatives					
Interest rate swaps used for hedging	18,435,497	(19,527,914)	(3,860,507)	(11,685,599)	(3,981,808)
Non-derivatives 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>
Unaudited					
30 June 2016					
Derivatives					
Interest rate swaps used for hedging	30,684,423	(31,775,320)	(4,615,091)	(18,988,073)	(8,172,156)
Non-derivatives financial liabilities					
Term loan	230,706,599	(299,353,069)	(21,266,797)	(114,059,366)	(164,026,906)
Trade and other payables	9,972,776	(9,972,776)	(9,972,776)	-	-
	<u>271,363,798</u>	<u>(341,101,165)</u>	<u>(35,854,664)</u>	<u>(133,047,439)</u>	<u>(172,199,062)</u>

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

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.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
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19 Financial risk management (continued)

Embedded derivatives (continued)

- (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's objectives when managing capital are to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns to members and benefits to other stakeholders, and to provide an adequate return to members by pricing products and services commensurately with the level of risk.

The Company sets the amount of capital in proportion to risk. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to members, return capital to shareholders, and issue new shares, or sell assets to reduce debt.

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio (net debt to total equity)

	Unaudited 30 June 2017 RO	Audited 31 December 2016 RO	Unaudited 30 June 2016 RO
Debt (Long-term loan)	<u>217,288,496</u>	<u>223,440,609</u>	<u>230,706,599</u>
Equity (Shareholder's funds)	<u>106,244,970</u>	<u>104,260,689</u>	<u>107,376,751</u>
Debt to equity ratio (times)	<u>2.05</u>	<u>2.14</u>	<u>2.15</u>

20 Guarantees

	Unaudited 30 June 2017 RO	Audited 31 December 2016 RO	Unaudited 30 June 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.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
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21 Basic 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	Audited	Unaudited	Unaudited
	For three months ended 30 June 2017	For six months ended 30 June 2017	For three months ended 30 June 2016	For six months ended 30 June 2016
Profit for the period (RO)	<u>5,149,358</u>	<u>5,420,740</u>	<u>4,735,948</u>	<u>7,912,790</u>
Weighted average number of shares outstanding during the year	<u>954,571,950</u>	<u>954,571,950</u>	<u>954,571,950</u>	<u>954,571,950</u>
Earnings per share - Basic and diluted (RO)	<u>0.0054</u>	<u>0.0057</u>	<u>0.0050</u>	<u>0.0083</u>

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

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	Audited	Unaudited
	30 June 2017	31 December 2016	30 June 2016
Shareholders' funds (RO)	<u>106,244,970</u>	<u>104,260,689</u>	<u>107,376,751</u>
Number of shares at the end of the year	<u>954,571,950</u>	<u>954,571,950</u>	<u>954,571,950</u>
Net assets per share (RO)	<u>0.111</u>	<u>0.109</u>	<u>0.112</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.