

SEMBCORP SALALAH POWER & WATER COMPANY SAOG

UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2018

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Principal place of business:

Salalah
Sultanate of Oman

SEMBCORP SALALAH POWER & WATER COMPANY SAOG

UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2018

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Independent auditor's review report**Review report to the shareholders of
Sembcorp Salalah Power & Water Company SAOG****Introduction**

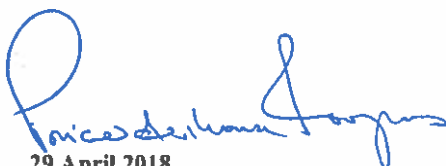
We have reviewed the accompanying unaudited interim statement of financial position of Sembcorp Salalah Power & Water Company SAOG (the Company) as at 31 March 2018 and the related unaudited interim statements of profit or loss and other comprehensive income, changes in equity and cash flows for the three months period then ended and a summary of significant accounting policies and other explanatory information (unaudited interim financial information). Management is responsible for the preparation and presentation of this unaudited interim financial information in accordance with International Accounting Standard IAS 34 – 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this unaudited 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 interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 – 'Interim Financial Reporting'.

**29 April 2018****Muscat, Sultanate of Oman**

SEMBCORP SALALAH POWER & WATER COMPANY SAOG
**UNAUDITED INTERIM STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2018**

	Notes	Unaudited For three months period ended 31 March 2018 RO	Unaudited For three months period ended 31 March 2017 RO
Revenue	3	16,307,195	18,321,451
Cost of sales	4	(8,508,928)	(10,431,193)
Gross profit		7,798,267	7,890,258
Administrative and general expenses	5	(165,268)	(143,814)
Operating profit		7,632,999	7,746,444
Finance income		70,245	55,001
Finance costs	6	(3,723,260)	(3,987,942)
Profit before tax		3,979,984	3,813,503
Income tax expense	15	(599,394)	(3,542,121)
Profit after tax		3,380,590	271,382
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	3,507,972	1,330,834
Total comprehensive income for the period		6,888,562	1,602,216
Earnings per share:			
Basic and diluted earnings per share	21	0.0035	0.0003

The notes on pages 6 to 36 are an integral part of these unaudited interim financial statements.

Independent auditors' review report – page 1.

SEMBCORP SALALAH POWER & WATER COMPANY SAOG

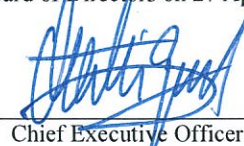
UNAUDITED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2018

	Notes	Unaudited 31 March 2018 RO	Audited 31 December 2017 RO	Unaudited 31 March 2017 RO
Assets				
Non-current assets				
Property, plant and equipment	7	295,170,238	297,733,187	305,646,647
Intangible assets	8	9,792	11,531	1,808
Total non-current assets		295,180,030	297,744,718	305,648,455
Current assets				
Inventory	10	4,897,358	4,603,228	4,208,173
Trade and other receivables	11	11,290,588	12,641,988	9,076,847
Bank deposits	12	15,889,894	15,259,150	14,299,632
Cash and cash equivalents	12	9,507,086	14,595,739	9,797,418
Total current assets		41,584,926	47,100,105	37,382,070
Total assets		336,764,956	344,844,823	343,030,525
Equity and Liabilities				
Equity				
Share capital	13 (a)	95,457,195	95,457,195	95,457,195
Legal reserve	13 (b)	6,747,383	6,409,324	5,339,585
Retained earnings		3,136,924	3,053,566	298,832
Shareholders' funds		105,341,502	104,920,085	101,095,612
Hedging reserve	9 & 13(c)	(8,740,300)	(12,248,272)	(14,892,403)
Net equity		96,601,202	92,671,813	86,203,209
Liabilities				
Non-current liabilities				
Long term loans	17	186,872,992	194,492,233	202,567,820
Asset retirement obligation	18	576,853	571,527	543,834
Deferred tax liability	15	15,661,517	14,443,070	12,852,625
Derivative financial instruments	9	7,539,231	11,417,558	12,878,133
Total non-current liabilities		210,650,593	220,924,388	228,842,412
Current liabilities				
Current portion of long term loan	17	16,628,654	15,414,677	14,483,021
Current portion of derivative financial instruments	9	2,743,475	2,992,173	4,642,341
Trade and other payables	14	10,141,032	12,841,772	8,859,542
Total current liabilities		29,513,161	31,248,622	27,984,904
Total liabilities		240,163,754	252,173,010	256,827,316
Total equity and liabilities		336,764,956	344,844,823	343,030,525
Net assets per share	22	0.110	0.110	0.106

The unaudited interim financial statements on pages 2 to 36 were approved and authorised for issue in accordance with a resolution of the Board of Directors on 27 April 2018.



Director



Chief Executive Officer



Director

The notes on pages 6 to 36 are an integral part of these unaudited interim financial statements.
Independent auditors' review report – page 1.

SEMBICORP SALALAH POWER & WATER COMPANY SAOG
**UNAUDITED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2018**

	Share capital RO	Legal reserve RO	Retained earnings RO	Hedging reserve RO	Total RO
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>					
Final dividend 2016	-	-	(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
At 1 January 2018	95,457,195	6,409,324	3,053,566	(12,248,272)	92,671,813
Profit for the period	-	-	3,380,590	-	3,380,590
<i>Other comprehensive income</i>					
Fair value of cash flow hedge adjustments – gross	-	-	-	2,984,933	2,984,933
Reclassification to profit or loss - gross (note 6)	-	-	-	1,142,092	1,142,092
Deferred tax liability on change in fair value of cash flow hedge	-	-	-	(619,053)	(619,053)
Total comprehensive income for the period	-	-	3,380,590	3,507,972	6,888,562
<i>Transactions with owners of the Company, recognised directly in equity</i>					
Final dividend 2017	-	-	(2,959,173)	-	(2,959,173)
Transfer to legal reserve	-	338,059	(338,059)	-	-
Total transactions with owners of the Company, recognised directly in equity	-	338,059	(3,297,232)	-	(2,959,173)
At 31 March 2018	95,457,195	6,747,383	3,136,924	(8,740,300)	96,601,202

The notes on pages 6 to 36 are an integral part of these unaudited interim financial statements.

Independent auditors' review report – page 1.

SEMBCORP SALALAH POWER & WATER COMPANY SAOG
**UNAUDITED INTERIM STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2018**

	Unaudited For three months period ended 31 March 2018 RO	Unaudited For three months period ended 31 March 2017 RO
Operating activities		
Profit before tax	3,979,984	3,813,503
Adjustments for:		
Depreciation and amortization	2,677,356	2,666,125
Amortisation of deferred financing cost	229,258	244,754
Finance costs	3,493,654	3,742,787
Finance income	(70,245)	(55,001)
Provision for asset retirement obligation	5,326	9,231
<i>Changes in working capital:</i>		
Inventory	(294,130)	47,971
Trade and other receivables	1,164,551	325,665
Trade and other payables	(2,040,103)	184,343
Movement in DSRA current accounts	559,670	(14,299,632)
Investment in fixed term deposits	(15,482,000)	-
Proceeds from the maturity of fixed term deposits	14,291,586	21,267,066
	8,514,907	17,946,812
Finance cost paid	(7,113,464)	(7,572,920)
Net cash generated from operating activities	1,401,443	10,373,892
Investing activities		
Acquisition of property, plant and equipment	(112,668)	(27,946)
Proceeds from disposal of property, plant and equipment	-	42
Finance income received	257,094	96,198
Net cash generated from investing activities	144,426	68,294
Financing activities		
Repayment of term loan	(6,634,522)	(6,634,522)
Net cash generated from investing activities	(6,634,522)	(6,634,522)
Net change in cash and cash equivalents	(5,088,653)	3,807,664
Cash and cash equivalents as at 1 January	14,595,739	5,989,754
Cash and cash equivalents as at 31 March (note 12)	9,507,086	9,797,418

Reconciliation of liabilities arising from financing activities (note 12.1)

The notes on pages 6 to 36 are an integral part of these unaudited interim financial statements.

Independent auditors' review report – page 1.

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2018**

1 Legal status and principal activities

Sembcorp Salalah Power & Water Company SAOG (“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. For current shareholding refer note 13.

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 on the 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) 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
- (vi) 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.

2 Basis of preparation and significant accounting policies

2.1 Basis of preparation

(a) Statement of compliance

These unaudited interim financial statements for the three months period ended 31 March 2018 have been prepared in accordance with International Accounting Standard (IAS) 34, ‘Interim financial reporting’. The 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 2017 which have been prepared in accordance with IFRSs.

The accounting policies adopted by the Company in these unaudited interim financial statements are consistent with those applied by the Company in its financial statements for the year ended 31 December 2017, except for as referred to in 2.4(b) below. The adoption of new and amended standards are set out in note 2.4 (w).

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2018 (continued)**

2 Basis of preparation and significant accounting policies (continued)

2.1 Basis of preparation (continued)

(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, plant and equipment, 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 financial statements:

(a) Operating lease and useful life of assets

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. The estimated useful life of the power plant of 35 years takes into account the Company's right to extend the land lease under a Usufruct Agreement for an additional term of 25 years. However, considering that the contractual terms and conditions relating to the additional term of 25 years are subject to modification, therefore, the additional term of 25 years has not been considered to be part of non-cancellable lease term as defined under International Accounting Standard 17, 'Leases' (IAS 17).

Furthermore, the residual value of the assets will have substantial value at the conclusion of the PWPA and the Company will be able to continue to generate revenue through supply of power and water taking into account the government's future plans to deregulate the power and water sector in Oman.

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2018 (continued)**

2 Basis of preparation and significant accounting policies (continued)

2.2 Judgements (continued)

(b) Receivable from OPWP

The Company and OPWP have entered into a PWPA, which includes a clause for Buyer Risk Event (BRE) which includes occurrence of any change in law. As a result of amendments in tax law, which became effective in 2017, the Company has incurred additional costs relating to withholding tax on interest payments to foreign lenders. The management of the Company has exercised its judgement in view of the correspondence with OPWP in respect of this matter and has decided to recognise a receivable from OPWP, as OPWP, through its letter dated 21 December 2017, has acknowledged the BRE and prescribed the procedure for reimbursement of any additional costs incurred by the Company as a result of this BRE. The Company has submitted the claim to OPWP on 31 March 2018.

The Company consider that the reimbursement mechanism advised by OPWP in its letter does not establish substantive conditions that can introduce uncertainty and conditionality into the reimbursement process. Further, the Company consider that the steps outlined in the letter from OPWP are merely procedural matters and not substantive conditions. Based on this, the Company believe that the letter from OPWP provides sufficient evidence as to certainty of the reimbursement.

(c) Insurance claim receivable

The Company has recognised insurance income of RO 6,994,169 during financial year ended 31 December 2017, of which RO 3,043,080 pertains to property damage and the balance amount of RO 3,951,089 pertains to business interruption including increased cost of working resulting from breakdown of Gas Turbine 5 in the Salalah Plant. The Company has received an interim payment of RO 3,852,000 as at 31 March 2018. The balance claim of RO 3,142,169 has been recognised as insurance claim receivable in the unaudited interim financial statements for the year ended 31 March 2018.

The Company believes that it is virtually certain that the full claim will be accepted and settled by the insurance company based on the insurance policy in place and considering the advice of an experienced loss adjuster appointed to assess the insurance claim. Further, the insurance company has acknowledged the interim insurance claim and have made aforementioned interim payments which provide sufficient evidence as to certainty of the reimbursement of the entire claim made by the Company. The Company expects to receive the balance claim during the quarter ending 30 June 2018.

(d) Impairment of financial assets

The impairment provisions for financial assets are assessed based on the “Expected Credit Loss” model, using assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Company’s past history, existing market conditions as well as forward looking estimates at the end of each reporting period. In determining the required impairment provision the management has used 0.34% as probability of default and 54% loss given default. As at 31 March 2018, the impairment impact is considered to be immaterial.

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 10.3 million (2017 – RO 14.4 million).

(b) Useful lives of property, plant and equipment

Depreciation is charged so as to write off the cost of assets over their estimated useful lives. The calculation of useful lives is based on management’s assessment of various factors such as the operating cycles, the maintenance programs, and normal wear and tear using its best estimates.

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2018 (continued)**

2 Basis of preparation and significant accounting policies (continued)

2.3 Estimates and assumptions (continued)

(c) Asset retirement obligation

Asset retirement obligation is based on management's technical assessment of the probable future costs to be incurred in respect of the decommissioning of the plant and restoration of land. 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 adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of new and amended standards as set out below.

(a) New and amended standards adopted by the Company

A number of new or amended standards became applicable for the current reporting period and the Company changed its accounting policies and made retrospective adjustments with practical expedients as a result of adopting the following standards:

- IFRS 9 *Financial Instruments*, and
- IFRS 15 *Revenue from Contracts with Customers*

The impact of the adoption of these standards and the new accounting policies are disclosed in note 2.4 (b). The other standards did not have any impact on the Company's accounting policies and did not require retrospective adjustments.

(b) Change in accounting policies

(i) IFRS 9 Financial instruments

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, de-recognition of financial instruments, impairment of financial assets and hedge accounting.

The Company has adopted IFRS 9 using the retrospective approach, with the practical expedients permitted under the standards.

The adoption of IFRS 9 *Financial Instruments* from 1 January 2018 resulted in changes in accounting policies in the financial statements. The new accounting policies are set out in note 2.4(d) below. In accordance with the transitional provisions in IFRS 9 (7.2.15) and (7.2.26), comparative figures have not been restated.

The adoption of IFRS 9 has not had a significant impact on the Company's accounting policies related to financial assets, financial liabilities and derivative financial instruments.

(ii) IFRS 15 Revenue from contracts with the customers

IFRS 15 replaces IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

The Company has adopted IFRS 15 using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and that the comparatives will not be restated.

There is no significant impact on the financial statements of the Company due to the application of IFRS 15. Revenue recognition policy in accordance with IFRS 15 is explained in 2.4 (h).

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2018 (continued)**

2 Basis of preparation and significant accounting policies (continued)

2.4 Significant accounting policies (continued)

(c) 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.

(d) Financial instruments

(i) Non derivative financial instruments

Classification

From 1 January 2018, the Company on initial recognition classifies its non-derivative financial instruments in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income (FVOCI), or through profit or loss (FVTPL)), and
- those to be measured at amortised cost.

The classification depends on the entity’s business model for managing the financial instruments and the contractual terms of the cash flows.

Measurement

Non-derivative financial instruments comprise trade and other receivables, cash at bank, loans and borrowings, and trade and other payables. These financial assets and financial liabilities are measured at amortised cost.

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.

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction cost for financial assets carried at FVTPL are expensed in profit or loss.

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2018 (continued)**

2 Basis of preparation and significant accounting policies (continued)

2.4 Significant accounting policies (continued)

(d) Financial instruments (continued)

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on de-recognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

Financial liabilities at amortised cost are subsequently measure at amortised cost using the effective interest method. Interest expense, foreign exchange gains and losses and impairment losses are recognised in profit or loss. Any gain or loss on de-recognition is recognised in profit or loss.

(ii) Derivative financial instruments

All derivatives in scope of IFRS 9, including those linked to unquoted equity investments, are measured at fair value. Value changes are recognised in profit or loss unless the entity has elected to apply hedge accounting by designating the derivative as a hedging instrument in an eligible hedging relationship.

(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

Derivatives embedded in contracts where the host is a financial asset in the scope of the IFRS 9 are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

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

(v) Impairment

From 1 January 2018, the Company assesses on a forward looking basis the expected credit losses associated with its financial instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Company applies the simplified approach permitted by IFRS 9, which require expected lifetime losses to be recognised from initial recognition of the receivables.

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2018 (continued)**

2 Basis of preparation and significant accounting policies (continued)

2.4 Significant accounting policies (continued)

(e) 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.

(f) 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.

(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
Roads and pipelines	10 to 35
Plant and machinery	20 to 35
Office equipment	3 to 10
Motor vehicles	5 to 10
Computer equipment	3

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.

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2018 (continued)**

2 Basis of preparation and significant accounting policies (continued)

2.4 Significant accounting policies (continued)

(f) 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.

(g) Impairment of 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.

(h) 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.

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2018 (continued)**

2 Basis of preparation and significant accounting policies (continued)

2.4 Significant accounting policies (continued)

(h) Leases (continued)

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.

(i) 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.

(j) 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 over time when the customer has accepted the deliveries and the control of utilities have been transferred to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the utilities. 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.

The Company has a long term agreement with OPWP which determines performance obligation, transaction price and allocates the transaction price to each of the separate performance obligations.

Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur.

The Company does not adjust any of the transaction prices for time value of money as the period between the transfer of the promised goods or services to the customer and payment by the customer does not exceed one year and the sales are made with agreed credit terms which is in line with the industry practice.

(k) 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.

(l) 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.

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2018 (continued)**

2 Basis of preparation and significant accounting policies (continued)

2.4 Significant accounting policies (continued)

(m) 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.

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.

(n) 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.

(o) 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 INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2018 (continued)**

2 Basis of preparation and significant accounting policies (continued)

2.4 Significant accounting policies (continued)

(p) 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.

(q) 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.

(r) 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.

(s) 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.

(t) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares and share options are deducted against the share capital account, net of any tax effects. Where the Company's ordinary shares are repurchased (treasury shares), the consideration paid, excluding any directly attributable incremental costs, is deducted from equity attributable to the Company's equity holders and presented as reserve for own shares within equity, until they are cancelled, sold or reissued.

(u) 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 INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2018 (continued)**

2 Basis of preparation and significant accounting policies (continued)

2.4 Significant accounting policies (continued)

(u) 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.

(v) Standards and amendments effective in 2018 and relevant for the Company's operations:

For the three months period ended 31 March 2018, the Company has adopted all of the new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRS IC) of the IASB that are relevant to its operations and effective for periods beginning on 1 January 2018. The adoption of certain standards has resulted in changes to the Company's accounting policies and however, has not affected the amounts reported for the current year materially. The details are referred to in note 2.4(b) above.

(w) New standards and interpretation not yet effective

A number of new standards, amendments and interpretations to existing standards have been published and are mandatory for the annual accounting periods beginning on or after 1 January 2019 or later periods, but the Company has not early applied the following new or amended standards in preparing these unaudited interim financial statements.

New or amended standards	Summary of the requirements	Possible impact on financial statements
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 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.</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 Revenue from Contracts with Customers at or before the date of initial application of IFRS 16.</p>	The Company is assessing the potential impact on its financial statements resulting from the application of IFRS 16.

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

- IFRS 17 Insurance contracts. Effective date of this standard is 1 January 2021.
- Amendment to IAS 19 on Employee benefits. Effective date of the amendment is 1 January 2019.
- IFRIC 23 *Uncertainty over income tax treatment*. Effective date of this interpretation is 1 January 2019.
- Annual Improvements to IFRSs 2015–2017 Cycle – various standards. Effective date of this is 1 January 2019.

There are no other IFRS, amendments or interpretations that are expected to have a material impact on the Company.

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2018 (continued)**

3 Revenue

	Unaudited 31 March 2018 RO	Unaudited 31 March 2017 RO
Fixed capacity charge - Power	8,447,077	8,479,910
Fixed capacity charge - Water	3,884,692	3,875,172
Fuel charge	3,561,532	5,442,460
Water output charge	257,241	228,197
Energy charge	156,653	295,712
	<u>16,307,195</u>	<u>18,321,451</u>

4 Cost of sales

	Unaudited 31 March 2018 RO	Unaudited 31 March 2017 RO
Fuel cost	3,476,708	5,355,893
Depreciation (note 7)	2,668,892	2,657,647
Operation and maintenance cost	1,601,485	1,520,682
Contractual services maintenance cost	508,504	627,648
Insurance cost	106,806	127,698
Incentive payment	81,944	82,707
Security charges	26,035	25,276
License and permits	20,828	18,791
Electricity import cost	12,400	5,620
Provision for asset retirement obligation (note 18)	5,326	9,231
	<u>8,508,928</u>	<u>10,431,193</u>

5 Administrative and general expenses

	Unaudited 31 March 2018 RO	Unaudited 31 March 2017 RO
Staff costs	42,719	41,522
Directors' remuneration and sitting fees	27,050	6,500
Fee and subscription	22,955	23,160
Legal and professional charges	25,403	16,113
Charity and Donations	17,950	23,883
Depreciation and amortisation (notes 7 and 8)	8,464	8,478
Travelling expenses	7,358	11,440
Others	13,369	12,718
	<u>165,268</u>	<u>143,814</u>

6 Finance costs

	Unaudited 31 March 2018 RO	Unaudited 31 March 2017 RO
Interest expense on project financing	2,351,562	2,395,816
Interest expense on interest rate swap	1,142,092	1,346,971
Unamortised transaction cost	229,258	244,754
Commission and bank charges	348	401
	<u>3,723,260</u>	<u>3,987,942</u>

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

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2018 (continued)**

7 Property, plant and equipment

Unaudited Cost	Buildings RO	Roads and pipelines RO	Plant and machinery RO	Office equipment RO	Motor vehicles RO	Computer equipment RO	Capital Work in Progress RO	Total RO
At 1 January 2018	48,464,586	26,370,631	286,291,844	186,997	268,973	276,736	-	361,859,767
Additions	-	3,375	31,690	-	6,500	7,742	63,361	112,668
At 31 March 2018	48,464,586	26,374,006	286,323,534	186,997	275,473	284,478	63,361	361,972,435
Accumulated depreciation								
At 1 January 2018	8,505,283	4,658,808	50,415,411	172,811	150,786	223,481	-	64,126,580
Charge for the period	360,095	198,092	2,093,897	3,379	14,048	6,106	-	2,675,617
At 31 March 2018	8,865,378	4,856,900	52,509,308	176,190	164,834	229,587	-	66,802,197
Carrying amount								
At 31 March 2018	39,599,208	21,517,106	233,814,226	10,807	110,639	54,891	63,361	295,170,238

Audited Cost	Buildings RO	Roads and pipelines RO	Plant and machinery RO	Office equipment RO	Motor vehicles RO	Computer equipment RO	Capital Work in Progress RO	Total RO
At 1 January 2017	48,461,676	26,281,102	286,147,923	193,648	275,260	242,828	-	361,602,437
Additions	2,910	89,529	6,331,349	4,095	-	33,908	-	6,461,791
Write off	-	-	(6,127,432)	-	-	-	-	(6,127,432)
Disposals	-	-	(59,996)	(10,746)	(6,287)	-	-	(77,029)
At 31 December 2017	48,464,586	26,370,631	286,291,844	186,997	268,973	276,736	-	361,859,767
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 year	1,460,346	802,850	8,492,425	28,160	31,014	20,039	-	10,834,834
Disposals	-	-	(11,999)	(10,352)	(3,863)	-	-	(26,214)
At 31 December 2017	8,505,283	4,658,808	50,415,411	172,811	150,786	223,481	-	64,126,580
Carrying amount								
At 31 December 2017	39,959,303	21,711,823	235,876,433	14,186	118,187	53,255	-	297,733,187

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2018 (continued)**

7 Property, plant and equipment (continued)

Unaudited	Buildings RO	Roads and pipelines RO	Plant and machinery RO	Office equipment RO	Motor vehicles RO	Computer equipment RO	Capital Work in Progress RO	Total RO
Cost								
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	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	7,405,008	4,053,276	44,021,980	162,950	131,338	208,322	-	55,982,874
Carrying amount								
At 31 March	41,059,018	22,229,081	242,146,414	29,836	143,922	36,835	1,541	305,646,647
2017								

(a) Leased land

Land on which the plant is constructed has been leased by Government of Sultanate of Oman to the Company for a period of 25 years expiring on 23 November 2034 under the term of the Usufruct Agreement, which can be extended for an additional 25 years. Lease rental for 25 years has already been paid.

(b) Security

The Company's property, plant and equipment are pledged as security against the term loans (note 17).

The depreciation charge has been allocated as set out below:

	Unaudited 31 March 2018 RO	Audited 31 December 2017 RO	Unaudited 31 March 2017 RO
Cost of sales (note 4)	2,668,892	10,806,063	2,657,647
Administrative expenses (note 5)	6,725	28,771	8,087
	2,675,617	10,834,834	2,665,734
8 Intangible assets			
	Unaudited 31 March 2018 RO	Audited 31 December 2017 RO	Unaudited 31 March 2017 RO
At 1 January	122,539	111,606	111,606
Additions during the period/year	-	10,933	-
	122,539	122,539	111,606
Accumulated amortisation			
At 1 January	(111,008)	(109,407)	(109,407)
Charge for the period/year (note 5)	(1,739)	(1,601)	(391)
	(112,747)	(111,008)	(109,798)
Carrying amount	9,792	11,531	1,808

Intangible assets mainly represent the purchase of ERP software.

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2018 (continued)**

9 Hedging reserve

	Unaudited 31 March 2018 RO	Audited 31 December 2017 RO	Unaudited 31 March 2017 RO
<u>Interest rate swaps:</u>			
SMBC Capital Market Limited	(2,196,751)	(3,018,979)	(3,670,607)
Standard Chartered Bank	(6,162,519)	(8,759,808)	(10,662,255)
KfW-IPEX	(1,923,436)	(2,630,944)	(3,187,612)
Hedging instrument at the end of the period	(10,282,706)	(14,409,731)	(17,520,474)
Deferred tax asset (note 15)	1,542,406	2,161,459	2,628,071
Hedging reserve at the end of the period (net of tax)	(8,740,300)	(12,248,272)	(14,892,403)
Less: Hedging reserve at the beginning of the period	(12,248,272)	(16,223,237)	(16,223,237)
Effective portion of change in fair value of cash flow hedge for the period	3,507,972	3,974,965	1,330,834
Hedging instrument classification			
Non-current portion of hedging instrument	7,539,231	11,417,558	12,878,133
Current portion of hedging instrument	2,743,475	2,992,173	4,642,341
	10,282,706	14,409,731	17,520,474

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 2018 is approximately RO 130 million (USD 337 million) and approximately RO 34 million (USD 88 million) respectively, at a fixed interest rate of 4.345% and 3.8% per annum respectively.

10 Inventory

	Unaudited 31 March 2018 RO	Audited 31 December 2017 RO	Unaudited 31 March 2017 RO
Fuel inventory	1,055,065	1,034,624	1,041,051
Spare parts and consumables	3,842,293	3,568,604	3,167,122
	4,897,358	4,603,228	4,208,173

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2018 (continued)**

11 Trade and other receivables

	Unaudited 31 March 2018 RO	Audited 31 December 2017 RO	Unaudited 31 March 2017 RO
Trade receivable	5,828,938	6,057,219	6,622,788
Insurance claim receivable (note 11.1)	3,142,169	4,143,689	-
Advances to vendors	1,458,692	1,547,064	2,199,259
Withholding tax receivable (note 11.2)	576,451	385,956	-
Other receivables	201,212	336,878	160,884
Prepayments	80,951	169,007	93,916
Due from related parties (note 16)	2,175	2,175	-
	11,290,588	12,641,988	9,076,847

The Company has one customer (OPWP) which accounts for the trade receivables balance as at 31 March 2018 (2017 - one customer).

The ageing of trade receivables at the reporting date disclosed in (note 19).

11.1 Insurance claim receivable

The Company has recognised insurance income of RO 6,994,169 during 2017, of which RO 3,043,080 pertain to property damage and balance amount of RO 3,951,089 pertains to business interruption including increased cost of working resulting from breakdown of Gas Turbine 5 in the Salalah Plant. The Company has received an interim payment of RO 3,852,000 as at 31 March 2018. The balance claim of RO 3,142,169 has been recognised as insurance claim receivable in the unaudited interim financial statements for the year ended 31 March 2018, since the loss incurred as a result of the breakdown can be measured reliably and it is probable that the future economic benefits will flow to the Company.

11.2 Withholding tax receivable represents withholding tax on interest payments recoverable from OPWP.

12 Cash and bank balances

	Unaudited 31 March 2018 RO	Audited 31 December 2017 RO	Unaudited 31 March 2017 RO
Cash in hand	999	347	1,000
Cash at bank	8,188,285	13,837,260	22,375,516
Fixed term deposits	17,207,696	16,017,282	1,720,534
Cash and bank balances	25,396,980	29,854,889	24,097,050
Less: fixed term deposits (3 to 6 months) and DSRA	(15,889,894)	(15,259,150)	(14,299,632)
Cash and cash equivalents	9,507,086	14,595,739	9,797,418

Debt Service Reserve Account (Restricted cash)

As at 31 March 2018, the Company has placed funds in the fixed term deposits (3 to 6 months) and current accounts to meet the Debt Service Reserve Account (DSRA) minimum balance requirement of RO 15,966,170 (31 December 2017: RO 13,747,851) [note 17]. The fixed term deposits of RO 15,482,000 (31 December 2017: RO 14,291,586) have a weighted average interest rate of 1.56% per annum (31 December 2017: 1.74% per annum). The Company has transferred RO 310,000 subsequent to the reporting period, on 1 April 2018, in the DSRA current account to meet the remaining DSRA minimum balance requirement.

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2018 (continued)**

12 Cash and bank balances (continued)

12.1 Reconciliation of liabilities arising from financing activities

	31 December 2017	Cash flows	Non-cash items (unamortised transaction cost)	31 March 2018
	RO	RO	RO	RO
Long term loans (notes 6 and 17)	214,280,956	(6,634,522)	229,258	207,646,434

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 2018		
	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	125,431,511	13.14%	12,543,151
Public		447,311,659	46.86%	44,731,166
		<u>954,571,950</u>	<u>100.00%</u>	<u>95,457,195</u>

Audited		31 December 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	125,431,511	13.14%	12,543,151
Public		447,311,659	46.86%	44,731,166
		<u>954,571,950</u>	<u>100.00%</u>	<u>95,457,195</u>

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>

(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.

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2018 (continued)**

13 Equity (continued)

(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 2018 RO	Audited 31 December 2017 RO	Unaudited 31 March 2017 RO
Dividend payable	2,959,173	-	3,436,459
Accrued expenses and other payable	1,921,944	2,439,945	2,709,171
Due to related parties (note 16)	1,909,715	1,229,230	611,775
Provisions	1,363,892	1,526,056	1,799,641
Trade payable	1,200,395	3,431,313	192,194
Withholding tax payable (note 14.1)	665,898	475,403	-
Interest payable	120,015	3,739,825	110,302
	<u>10,141,032</u>	<u>12,841,772</u>	<u>8,859,542</u>

14.1 Withholding tax payable represents withholding tax on interest payments to foreign lenders.

15 Income tax

During the financial year ended 31-December-2017, the tax law in Oman was amended through a royal decree 2017/9 issued on 19 February 2017 which was published in the official gazette on 26 February 2017. The effective date of the implementation of the new tax law was 26 February 2017. Therefore, for the financial year ended 2017 and onwards the Company is liable to income tax, in accordance with the amended income tax laws of Sultanate of Oman, at the rate of 15% of taxable income.

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 of RO 1,542,406 (31 December 2017: RO 2,161,459) has been recognised directly in equity in respect of the changes in fair values of interest rate swaps (note 9).

	Unaudited 31 March 2018 RO	Unaudited 31 March 2017 RO
<i>a) Recognised in profit or loss</i>		
Deferred tax expense due to change in income tax rate	-	2,984,644
Deferred tax expense for the period	<u>599,394</u>	<u>557,477</u>
	<u>599,394</u>	<u>3,542,121</u>
<i>b) Reconciliation</i>		

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

	Unaudited 31 March 2018 RO	Unaudited 31 March 2017 RO
Profit before tax	% age 3,979,984	% age 3,813,503
Income tax as per rates mentioned above	15.00 (596,998)	15.00 (572,025)
Expenses not deductible for tax purposes	0.06 (2,396)	0.00 (49)
Change in recognised temporary differences	- -	-0.39 14,597
Change in tax rate	- -	78.27 (2,984,644)
Deferred tax expense for the year	<u>15.06 (599,394)</u>	<u>92.88 (3,542,121)</u>

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2018 (continued)**

15 Income tax (continued)

c) Deferred tax asset (liability)

Unaudited As at March 2018	At 1 January RO	Recognised during the period RO	At 31 March RO
<i>Charged to profit or loss</i>			
Property, plant and equipment	(19,637,095)	(426,870)	(20,063,965)
Provision for asset retirement obligation	26,740	799	27,539
Tax losses	3,005,826	(173,323)	2,832,503
	<u>(16,604,529)</u>	<u>(599,394)</u>	<u>(17,203,923)</u>
<i>Deferred tax recognised in equity</i>			
Derivative financial instruments	2,161,459	(619,053)	1,542,406
Deferred tax liability (net)	<u>(14,443,070)</u>	<u>(1,218,447)</u>	<u>(15,661,517)</u>

Audited As at December 2017	At 1 January RO	Recognised during the year RO	At 31 December RO
<i>Charged to profit or loss</i>			
Property, plant and equipment	(15,015,841)	(4,621,254)	(19,637,095)
Tax losses	3,077,266	(71,440)	3,005,826
Provision for asset retirement obligation	-	26,740	26,740
	<u>(11,938,575)</u>	<u>(4,665,954)</u>	<u>(16,604,529)</u>
<i>Deferred tax recognised in equity</i>			
Derivative financial instruments	2,212,260	(50,801)	2,161,459
Deferred tax liability (net)	<u>(9,726,315)</u>	<u>(4,716,755)</u>	<u>(14,443,070)</u>

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
Provision for 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 financial instruments	2,212,259	415,812	2,628,071
	<u>(9,726,316)</u>	<u>(3,126,309)</u>	<u>(12,852,625)</u>

d) Status of prior year returns

The Company's assessment for the tax years 2014 to 2017 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 31 March 2018.

(e) No provision for taxation has been made in these financial statements in view of cumulative taxable losses incurred by the Company as at 31 March 2018. The cumulative tax losses up to 31 March 2018 in the amount of RO 20,038,840 (31 March 2017 - RO 24,669,853) are available for set-off against future profits earned within a period of five years from the year in which the loss was incurred and therefore deferred tax asset on these tax losses has been recognised in these financial statements, as the Company expects to have sufficient taxable profits in the future years against which such tax losses will be adjusted.

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2018 (continued)**

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 (31 March 2017: Nil).

Sembcorp Industries Limited (SIL), Oman Investment Corporation (OIC), Sembcorp Oman First Investment Holding Co Ltd, Sembcorp Salalah O&M Services Company LLC (SSOM) 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 31 March 2018 RO	Unaudited 31 March 2017 RO
Sembcorp Salalah O & M Services Company LLC (SSOM)		
- Operation and maintenance cost	1,601,485	1,520,682
- Incentive payment	81,944	82,707

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

	Unaudited 31 March 2018 RO	Audited 31 December 2017 RO	Unaudited 31 March 2017 RO
SSOM	1,909,715	1,229,230	597,636
SIL	-	-	14,139
	1,909,715	1,229,230	611,775
Balances due from related parties at the period/year end comprised:			
SIL	2,175	2,175	-

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2018 (continued)**

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 31 March 2018 RO	Unaudited 31 March 2017 RO
Directors' remuneration	20,050	-
Directors' sitting fees	7,000	6,500
Short term employee benefits	126,428	109,049
Social security and gratuity	9,724	6,286
	163,202	121,835

Compensation of some of the Key Management personnel has been paid through Sembcorp Salalah O&M Services Co. LLC in the amount of RO 85,772 (31 March 2017: RO 91,215).

17 Term loan

	Unaudited 31 March 2018 RO	Audited 31 December 2017 RO	Unaudited 31 March 2017 RO
Non-current			
Project financing loan (USD)	171,901,134	177,393,556	183,890,975
Project financing loan (Rials)	35,745,300	36,887,400	38,238,480
	207,646,434	214,280,956	222,129,455
Less: Unamortised transaction cost	(4,144,788)	(4,374,046)	(5,078,614)
	203,501,646	209,906,910	217,050,841
Less: Current portion of term loan	(16,628,654)	(15,414,677)	(14,483,021)
	186,872,992	194,492,233	202,567,820

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 31 December 2012, with the final instalment being due on 31 December 2026.

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2018 (continued)**

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 unfavorable 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	3.95%

- (ii) Interest on Sinasure 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	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 sixth anniversary of financial close	4.25%
From the sixth anniversary of financial close to the seventh anniversary of financial close	5.75%

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 March 2018, there were no undrawn loans.

Securities

The term loan and the debt reserve account facility are secured, under the security documents as a whole, by the following collateral:

- a charge on all project assets through commercial/legal mortgage;
- an assignment of its insurance/reinsurance;
- a security over Company's shares (apart from those held by public);
- a charge overall project accounts; and
- direct agreements.

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.

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2018 (continued)**

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 31 March 2018 RO	Audited 31 December 2017 RO	Unaudited 31 March 2017 RO
At 1 January	571,527	534,603	534,603
Provision made during the period/ year	5,326	36,924	9,231
At 31 March	576,853	571,527	543,834

Because of the long term nature of the liability, there is significant uncertainty in estimating the cost that will be incurred. It has been assumed that the site will be retired using technology and material that are currently available. The provision has been calculated using a discount rate of 6.5%.

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 INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2018 (continued)**

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 31 March 2018 RO	Audited 31 December 2017 RO	Unaudited 31 March 2017 RO
Financial assets				
Fixed term cash deposit	1.50%	<u>17,207,696</u>	16,017,282	1,720,534
Financial liabilities				
<i>Term loan</i>				
- USD variable rate loans	Libor + 3%	(95,477,020)	(98,527,612)	(102,136,397)
- USD variable rate loans	Libor + 2.85%	(76,424,114)	(78,865,944)	(81,754,578)
- RO fixed rate loans	5.75%	(35,745,300)	(36,887,400)	(38,238,480)
		<u>(207,646,434)</u>	<u>(214,280,956)</u>	<u>(222,129,455)</u>

Fair value sensitivity analysis for fixed rate instruments

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 2018		Audited 31 December 2017		Unaudited 31 March 2017	
	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>7,330,780</u>	<u>(7,330,780)</u>	<u>8,568,816</u>	<u>(8,568,816)</u>	<u>9,313,866</u>	<u>(9,313,866)</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 31 March 2018.

(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:

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2018 (continued)**

19 Financial risk management (continued)

(b) Credit risk (continued)

	Unaudited 31 March 2018 RO	Audited 31 December 2017 RO	Unaudited 31 March 2017 RO
Classified as loans and receivables			
Cash at bank	9,506,087	14,595,392	9,796,418
Fixed term cash deposits (3 to 6 months) and DSRA	15,889,894	15,259,150	14,299,632
Trade receivable	5,828,938	6,057,219	6,622,788
Insurance claim receivable	3,142,169	4,143,689	-
Withholding tax receivable	576,451	385,956	-
Other receivables	201,212	336,878	160,884
Due from related parties	2,175	2,175	-
	35,146,926	40,780,459	30,879,722

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

	Unaudited 31 March 2018		Audited 31 December 2017		Unaudited 31 March 2017	
	RO	Allowance for impairment	RO	Allowance for impairment	RO	Allowance for impairment
Not past dues	9,748,770	-	10,922,995	-	6,783,672	-
Past due 0 to 3 months	-	-	547	-	-	-
Past due 3 to 6 months	-	-	200	-	-	-
	9,748,770	-	10,923,742	-	6,783,672	-

(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 INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2018 (continued)**

19 Financial risk management (continued)

(c) Liquidity risk (continued)

	Carrying amount RO	Cash flows			
		Contractual cash flow RO	Less than 1 year RO	More than 1 to 5 years RO	More than 5 years RO
31 March 2018 (Unaudited)					
Derivatives					
Interest rate swaps used for hedging	10,282,706	(11,111,170)	(2,791,600)	(6,456,617)	(1,862,953)
Non-derivative financial liabilities					
Term loan	203,501,646	(265,631,699)	(27,966,611)	(138,190,741)	(99,474,347)
Trade and other payables	10,141,032	(10,141,032)	(10,141,032)	-	-
	223,925,384	(286,883,901)	(40, 899,243)	(144,647,358)	(101,337,300)
	Carrying amount RO	Cash flows			
		Contractual cash flow RO	Less than 1 year RO	More than 1 to 5 years RO	More than 5 years RO
31 December 2017 (Audited)					
Derivatives					
Interest rate swaps used for hedging	14,409,731	(15,384,856)	(3,022,554)	(9,406,350)	(2,955,952)
Non-derivative financial liabilities					
Term loan	209,906,910	(271,389,899)	(23,141,780)	(132,814,504)	(115,433,615)
Trade and other payables	12,841,772	(12,841,772)	(12,841,772)	-	-
	237,158,413	(299,616,527)	(39,006,106)	(142,220,854)	(118,389,567)
31 March 2017 (Unaudited)					
Derivatives					
Interest rate swaps used for hedging	17,520,475	(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	(8,859,542)	(8,859,542)	-	-
	243,430,858	(314,127,334)	(37,828,260)	(139,576,741)	(136,722,333)

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

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2018 (continued)**

19 Financial risk management (continued)

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 (debt to equity)

	Unaudited 31 March 2018 RO	Audited 31 December 2017 RO	Unaudited 31 March 2017 RO
Debt (Long-term loan)	<u>203,501,646</u>	209,906,910	217,050,841
Equity (Shareholders' funds)	<u>105,341,502</u>	104,920,085	101,095,612
Debt to equity ratio (times)	<u>1.93</u>	2.00	2.15

Fair value of financial instruments

The management believes that the fair value of the financial assets and liabilities are not significantly different from their carrying amounts as shown in the financial statements at the reporting date.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2018 (continued)**

19 Financial risk management (continued)

Fair value of financial instruments (continued)

	Carrying amount				Fair value
	Fair value - hedging instrument RO	Loans and receivables RO	Other financial liabilities RO	Total RO	Level 2 RO
31 March 2018					
Financial assets not measured at fair value					
Trade and other receivables	-	9,750,945	-	9,750,945	-
Cash and cash equivalents	-	25,396,980	-	25,396,980	-
	-	35,147,925	-	35,147,925	-
Financial liabilities measured at fair value					
Derivative instrument	(10,282,706)	-	-	(10,282,706)	(10,282,706)
Financial liabilities not measured at fair value					
Term loan	-	-	(203,501,646)	(203,501,646)	(208,879,916)
Trade and other payables	-	-	(10,141,032)	(10,141,032)	-
	-	-	(213,642,678)	(213,642,678)	(208,879,916)
31 December 2017					
Financial assets not measured at fair value					
Trade and other receivables	-	10,925,917	-	10,925,917	-
Cash and cash equivalents	-	29,854,889	-	29,854,889	-
	-	40,780,806	-	40,780,806	-
Financial liabilities measured at fair value					
Derivative instrument	(14,409,731)	-	-	(14,409,731)	(14,409,731)
Financial liabilities not measured at fair value					
Term loan	-	-	(209,906,910)	(209,906,910)	(220,715,725)
Trade and other payables	-	-	(12,841,772)	(12,841,772)	-
	-	-	(222,748,682)	(222,748,682)	(220,715,725)
31 March 2017					
Financial assets not measured at fair value					
Trade and other receivables	-	6,783,672	-	6,783,672	-
Cash and cash equivalents	-	24,097,050	-	24,097,050	-
	-	30,880,722	-	30,880,722	-
Financial liabilities measured at fair value					
Derivative instrument	(17,520,475)	-	-	(17,520,475)	(17,520,475)
Financial liabilities not measured at fair value					
Term loan	-	-	(217,050,841)	(217,050,841)	(232,866,047)
Trade and other payables	-	-	(8,859,540)	(8,859,540)	-
	-	-	(225,910,381)	(225,910,381)	(232,866,047)

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2018 (continued)**

20 Guarantees

	Unaudited 31 March 2018 RO	Audited 31 December 2017 RO	Unaudited 31 March 2017 RO
Performance guarantees	<u>1,540,800</u>	1,540,800	1,540,800

The Company has taken bank guarantees from Bank Muscat for the amount of USD 4,000,000 and provided 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 2018	Unaudited 31 March 2017
Profit for the period (RO)	<u>3,380,590</u>	271,382
Weighted average number of shares outstanding during the year	<u>954,571,950</u>	954,571,950
Earnings per share - Basic and diluted (RO)	<u>0.0035</u>	0.0003

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 31 March 2018	Audited 31 December 2017	Unaudited 31 March 2017
Net assets - Shareholders' funds (RO)	<u>105,341,502</u>	104,920,085	101,095,612
Number of shares at the end of the year	<u>954,571,950</u>	954,571,950	954,571,950
Net assets per share (RO)	<u>0.110</u>	0.110	0.106

23 Segmental reporting

The Company has only one segment in accordance with IFRS 8. Segment information is, accordingly, presented in respect of the Company's business segments. The primary format, business segments, is based on the Company's management and internal reporting structure. The requirements of IFRS 8, paragraphs 31 to 34 relating to entity wide disclosures has been covered under statements of financial position, profit and loss and other comprehensive income and also in notes 1, 2 and 4 to these financial statements.

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2018 (continued)**

24 Dividend

On 8 March 2018, in an Annual General Meeting, shareholders approved Baizas 3.1 per share (3.1% of the issued share capital) as final cash dividend for the year 2017. Together with the interim dividend of Baizas 7.2 per share distributed in November 2017, the total dividend for the company for the year 2017 amounts to Baizas 10.3 per share.

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.

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