SEMBCORP SALALAH POWER & WATER COMPANY SAOG

UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018

Registered office:

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Postal Code 211
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Principal place of business:

Salalah
Sultanate of Oman

SEMBCORP SALALAH POWER & WATER COMPANY SAOG

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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 30 June 2018 and the related unaudited interim statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six months period then ended and a summary of significant accounting policies and other explanatory information (unaudited 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 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'.

PricewaterhouseCoopers

25 July 2018
Muscat, Sultanate of Oman

SEMBCORP SALALAH POWER & WATER COMPANY SAOG

UNAUDITED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018

	Notes	**Unaudited For six months period ended 30 June 2018 RO**	Unaudited For six months period ended 30 June 2017 RO
Revenue	3	**34,773,329**	40,768,668
Cost of sales	4	**(18,386,627)**	(23,545,584)
Gross profit		**16,386,702**	17,223,084
Administrative and general expenses	5	**(314,423)**	(325,912)
Other income		**80,273**	-
Profit before interest and tax		**16,152,552**	16,897,172
Finance income		**146,805**	178,111
Finance costs	6	**(7,541,656)**	(7,906,924)
Profit before income tax		**8,757,701**	9,168,359
Income tax expense	15	**(1,542,895)**	(3,747,619)
Profit after tax for the period		**7,214,806**	5,420,740
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss:			
Effective portion of change in fair value of cash flow hedge (net of income tax)	9	**4,761,035**	800,239
Total comprehensive income for the period		**11,975,841**	6,220,979
Earnings per share:			
Basic earnings per share	21	**0.0076**	0.0057

The notes on pages 6 to 37 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 30 JUNE 2018

	Notes	Unaudited 30 June 2018 RO	Audited 31 December 2017 RO	Unaudited 30 June 2017 RO
Assets				
Non-current assets				
Property, plant and equipment	7	**292,667,535**	297,733,187	302,981,513
Intangible assets	8	**8,208**	11,531	1,413
Total non-current assets		**292,675,743**	297,744,718	302,982,926
Current assets				
Inventory	10	**5,011,016**	4,603,228	4,324,816
Trade and other receivables	11	**18,874,730**	12,641,988	18,578,199
Bank deposits	12	**21,592,694**	15,259,150	21,609,115
Cash and cash equivalents	12	**4,611,568**	14,595,739	5,002,366
Total current assets		**50,090,008**	47,100,105	49,514,496
Total assets		**342,765,751**	344,844,823	352,497,422
Equity and Liabilities				
Equity				
Share capital	13 (a)	**95,457,195**	95,457,195	95,457,195
Legal reserve	13 (b)	**7,130,805**	6,409,324	5,854,521
Retained earnings		**6,587,718**	3,053,566	4,933,254
Shareholders' funds		**109,175,718**	104,920,085	106,244,970
Hedging reserve	9 &13(c)	**(7,487,237)**	(12,248,272)	(15,422,998)
Net equity		**101,688,481**	92,671,813	90,821,972
Liabilities				
Non-current liabilities				
Long term loans	17	**187,095,152**	194,492,233	202,805,475
Asset retirement obligation	18	**586,078**	571,527	553,065
Deferred tax liability	15	**16,826,147**	14,443,070	12,964,489
Derivative financial instruments	9	**6,859,294**	11,417,558	14,633,039
Total non-current liabilities		**211,366,671**	220,924,388	230,956,068
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	**1,949,220**	2,992,173	3,511,665
Trade and other payables	14	**11,132,725**	12,841,772	12,724,696
Total current liabilities		**29,710,599**	31,248,622	30,719,382
Total liabilities		**241,077,270**	252,173,010	261,675,450
Total equity and liabilities		**342,765,751**	344,844,823	352,497,422
Net assets per share	22	**0.114**	0.110	0.111

The unaudited interim financial statements on pages 2 to 37 were approved and authorised for issue in accordance with a resolution of the Board of Directors on 25 July 2018.

Director	Chief Executive Officer	Director

The notes on pages 6 to 37 are an integral part of these unaudited interim financial statements.
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SEMBCORP SALALAH POWER & WATER COMPANY SAOG

UNAUDITED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 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	-	-	5,420,740	-	5,420,740
Other comprehensive income					-
Fair value of cash flow hedge adjustments – gross	-	-	-	(2,300,170)	(2,300,170)
Reclassification to profit or loss - gross (note 6)	-	-	-	2,590,963	2,590,963
Change in tax rate adjustment on change in fair value of cash flow hedge	-	-	-	553,065	553,065
Deferred tax liability on change in fair value of cash flow hedge	-	-	-	(43,619)	(43,619)
Total comprehensive income for the period	-	-	5,420,740	800,239	6,220,979
Transactions with owners of the Company, recognised directly in equity					
Final dividend 2016	-	-	(3,436,459)	-	(3,436,459)
Transfer to legal reserve	-	542,074	(542,074)	-	-
Total transactions with owners of the Company, recognised directly in equity	-	542,074	(3,978,533)	-	(3,436,459)
At 30 June 2017	95,457,195	5,854,521	4,933,254	(15,422,998)	90,821,972
At 1 January 2018	**95,457,195**	**6,409,324**	**3,053,566**	**(12,248,272)**	**92,671,813**
Profit for the period	**-**	**-**	**7,214,806**	-	**7,214,806**
Other comprehensive income					
Fair value of cash flow hedge adjustments – gross	-	-	-	**3,722,040**	**3,722,040**
Reclassification to profit or loss - gross (note 6)	-	-	-	**1,879,177**	**1,879,177**
Deferred tax liability on change in fair value of cash flow hedge	**-**	**-**	**-**	**(840,182)**	**(840,182)**
Total comprehensive income for the period	**-**	**-**	**7,214,806**	**4,761,035**	**11,975,841**
Transactions with owners of the Company, recognised directly in equity					
Final dividend 2017	**-**	**-**	**(2,959,173)**	**-**	**(2,959,173)**
Transfer to legal reserve	**-**	**721,481**	**(721,481)**	**-**	**-**
Total transactions with owners of the Company, recognised directly in equity	**-**	**721,481**	**(3,680,654)**	**-**	**(2,959,173)**
At 30 June 2018	**95,457,195**	**7,130,805**	**6,587,718**	**(7,487,237)**	**101,688,481**

The notes on pages 6 to 37 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 SIX MONTHS PERIOD ENDED 30 JUNE 2018

	Unaudited For six months period ended 30 June 2018 RO	Unaudited For six months period ended 30 June 2017 RO
Operating activities		
Profit before tax	**8,757,701**	9,168,359
Adjustments for:		
Depreciation and amortization	**5,377,161**	5,358,233
Amortisation of deferred financing cost	**451,417**	482,409
Finance costs	**7,089,707**	7,423,424
Finance income	**(146,805)**	(178,111)
Provision for asset retirement obligation	**14,551**	18,462
Changes in working capital:		
Inventory	**(407,788)**	(68,672)
Trade and other receivables	**(6,347,000)**	(9,110,592)
Trade and other payables	**(1,685,290)**	3,805,319
Bank deposits	**(6,333,544)**	(342,049)
	6,770,110	16,556,782
Finance cost paid	**(7,113,464)**	(7,572,919)
Net cash flow generated from operating activities	**(343,354)**	8,983,863
Investing activities		
Acquisition of property, plant and equipment	**(308,186)**	(54,877)
Disposal of property, plant and equipment	**-**	394
Finance income received	**261,063**	154,213
Net cash flow used in investing activities	**(47,123)**	99,730
Financing activities		
Repayment of term loan	**(6,634,521)**	(6,634,522)
Dividend paid	**(2,959,173)**	(3,436,459)
Net cash flow generated from investing activities	**(9,593,694)**	(10,070,981)
Net change in cash and cash equivalents	**(9,984,171)**	(987,388)
Cash and cash equivalents as at 1 January	**14,595,739**	5,989,754
Cash and cash equivalents as at 30 June (note 12)	**4,611,568**	5,002,366

Reconciliation of liabilities arising from financing activities (note 12.1)

The notes on pages 6 to 37 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 SIX MONTHS PERIOD ENDED 30 JUNE 2018 (continued)

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 six months period ended 30 June 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).

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 SIX MONTHS PERIOD ENDED 30 JUNE 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 30 June 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.

The Company has received a further correspondence from OPWP in June 2018, wherein it has proposed to establish a mechanism whereby it would be reimbursing the company for the additional costs incurred by it in respect of withholding tax on a monthly basis.

(c) Insurance claim receivable

The Company had recognised insurance income of RO 6,994,169 during financial year ended 31 December 2017, of which RO 3,043,080 pertained to property damage and the balance amount of RO 3,951,089 pertained 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 30 June 2018. The balance claim of RO 3,122,706 has been recognised as insurance claim receivable in the unaudited interim financial statements for the year ended 30 June 2018.

The Company has also received a confirmation of the final amount of claim from the loss adjusters of insurance company. The amount confirmed is RO 6,974,706 which is expected to be received by 30 September 2018. The company has adjusted the differential amount of RO 19,463 in the current period. Since the difference in amount is not material, no restatement is required in the financial statements.

(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 46% loss given default. As at 30 June 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 8.8 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 SIX MONTHS PERIOD ENDED 30 JUNE 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 is 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 (j).

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.

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 within 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 requires expected lifetime losses to be recognised from initial recognition of the receivables.

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.

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 carring 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 SIX MONTHS PERIOD ENDED 30 JUNE 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.

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.

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.

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 six months period ended 30 June 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 *Leases*	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. 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.	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 SIX MONTHS PERIOD ENDED 30 JUNE 2018 (continued)

3 Revenue

	Unaudited For six month period ended 30 June 2018 RO	Unaudited For six month period ended 30 June 2017 RO
Fixed capacity charge – Power	**18,253,563**	18,531,820
Fixed capacity charge – Water	**7,126,908**	7,797,721
Energy charge	**399,446**	747,122
Water output charge	**440,575**	454,548
Fuel charge	**8,552,837**	13,237,457
	34,773,329	40,768,668

4 Cost of sales

Fuel cost	**8,355,157**	13,037,184
Depreciation and amortisation	**5,360,865**	5,343,548
Operation and maintenance	**3,064,040**	3,074,742
Contractual services maintenance	**1,098,696**	1,546,209
Insurance	**211,439**	247,470
Incentive payment	**165,715**	183,534
Security charges	**52,070**	50,553
License and permits	**41,656**	37,582
Electricity import cost	**19,723**	6,300
Provision for asset retirement obligation	**14,551**	18,462
Other overheads	**2,715**	-
	18,386,627	23,545,584

5 Administrative and general expenses

Staff costs	**85,334**	88,989
Directors' remuneration and sitting fees	**57,000**	43,950
Fee and subscription	**48,273**	48,640
Travelling expenses	**31,660**	40,867
Legal and professional charges	**28,673**	35,920
Charity and donations	**22,200**	36,819
Other admin and general expenses	**18,371**	16,042
Depreciation and amortisation	**16,296**	14,685
Provision for doubtful debts	**6,616**	-
	314,423	325,912

6 Finance costs

Interest expense on project financing	**5,210,530**	4,832,461
Interest expense on interest rate swap	**1,879,177**	2,590,963
Deferred financing cost	**451,417**	482,409
Commission and bank charges	**532**	1,091
	7,541,656	7,906,924

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 SIX MONTHS PERIOD ENDED 30 JUNE 2018 (continued)

7 Property, plant and equipment

Unaudited	**Buildings**	**Roads and pipelines**	**Plant and machinery**	**Office equipment**	**Motor vehicles**	**Computer equipment**	**Capital Work in Progress**	**Total**
Cost	**RO**	**RO**	**RO**	**RO**	**RO**	**RO**	**RO**	**RO**
At 1 January 2018	**48,464,586**	**26,370,631**	**286,291,844**	**186,997**	**268,973**	**276,736**	**-**	**361,859,767**
Additions	**-**	**104,572**	**122,272**	**-**	**6,500**	**7,742**	**67,100**	**308,186**
At 30 June 2018	**48,464,586**	**26,475,203**	**286,414,116**	**186,997**	**275,473**	**284,478**	**67,100**	**362,167,953**
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	**724,191**	**399,623**	**4,210,236**	**5,977**	**21,679**	**12,132**	**-**	**5,373,838**
At 30 June 2018	**9,229,474**	**5,058,431**	**54,625,647**	**178,788**	**172,465**	**235,613**	**-**	**69,500,418**
Carrying amount								
At 30 June 2018	**39,235,112**	**21,416,772**	**231,788,469**	**8,209**	**103,008**	**48,865**	**67,100**	**292,667,535**

Audited	Buildings	Roads and pipelines	Plant and machinery	Office equipment	Motor vehicles	Computer equipment	Capital Work in Progress	Total
Cost	RO	RO	RO	RO	RO	RO	RO	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

Audited	Buildings	Roads and pipelines	Plant and machinery	Office equipment	Motor vehicles	Computer equipment	Capital Work in Progress	Total
Cost	RO	RO	RO	RO	RO	RO	RO	RO
At 1 January 2017	48,461,676	26,281,102	286,147,923	193,648	275,260	242,828	-	361,602,437
Additions	2,350	1,255	43,590	1,222	-	2,809	3,651	54,877
Disposals	-	-	-	(10,746)	-	-	-	(10,746)
At 30 June 2017	48,464,026	26,282,357	286,191,513	184,124	275,260	245,637	3,651	361,646,568
Accumulated depreciation								
At 1 January 2017	7,044,937	3,855,958	41,934,985	155,003	123,635	203,442	-	53,317,960
Charge for the year	724,157	396,840	4,196,264	15,999	15,491	8,696	-	5,357,447
Disposals	-	-	-	(10,352)	-	-	-	(10,352)
At 30 June 2017	7,769,094	4,252,798	46,131,249	160,650	139,126	212,138	-	58,665,055
Carrying amount								
At 30 June 2017	40,694,932	22,029,559	240,060,264	23,474	136,134	33,499	3,651	302,981,513

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018 (continued)

7 Property, plant and equipment (continued)

(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 30 June 2018 RO	Audited 31 December 2017 RO	Unaudited 30 June 2017 RO
Cost of sales (note 4)	**5,360,865**	10,806,063	5,343,548
Administrative expenses (note 5)	**12,973**	28,771	13,899
	5,373,838	10,834,834	5,357,447

8 Intangible assets

	Unaudited 30 June 2018 RO	Audited 31 December 2017 RO	Unaudited 30 June 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)	**(3,323)**	(1,601)	(786)
	(114,331)	(111,008)	(110,193)
Carrying amount	**8,208**	11,531	1,413

Intangible assets mainly represent the purchase of ERP software.

9 Hedging reserve

	Unaudited 30 June 2018 RO	Audited 31 December 2017 RO	Unaudited 30 June 2017 RO
Interest rate swaps:			
SMBC Capital Market Limited	**(1,912,608)**	(3,018,979)	(3,764,573)
Standard Chartered Bank	**(5,240,968)**	(8,759,808)	(11,068,487)
KfW-IPEX	**(1,654,938)**	(2,630,944)	(3,311,644)
Hedging instrument at the end of the period	**(8,808,514)**	(14,409,731)	(18,144,704)
Deferred tax asset (note 15)	**1,321,277**	2,161,459	2,721,706
Hedging reserve at the end of the period (net of tax)	**(7,487,237)**	(12,248,272)	(15,422,998)
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	**4,761,035**	3,974,965	800,239
Hedging instrument classification			
Non-current portion of hedging instrument	**6,859,294**	11,417,558	14,633,039
Current portion of hedging instrument	**1,949,220**	2,992,173	3,511,665
	8,808,514	14,409,731	18,144,704

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

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

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

The corresponding hedged notional amount outstanding as of 30 June 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 30 June 2018 RO	Audited 31 December 2017 RO	Unaudited 30 June 2017 RO
Fuel inventory	**1,093,610**	1,034,624	1,015,754
Spare parts and consumables	**3,917,406**	3,568,604	3,309,062
	5,011,016	4,603,228	4,324,816

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018 (continued)

11 Trade and other receivables

	Unaudited 30 June 2018 RO	Audited 31 December 2017 RO	Unaudited 30 June 2017 RO
Trade receivable	**11,771,771**	6,057,219	15,250,549
Insurance claim receivable *(note 11.1)*	**3,122,706**	4,143,689	-
Advances to vendors	**2,862,754**	1,547,064	2,905,660
Prepayments	**270,469**	169,007	3,496
Withholding tax receivable *(note 11.2)*	**570,626**	385,956	191,869
Other receivable	**271,331**	336,878	226,625
Due from related parties *(note 16)*	**5,073**	2,175	-
	18,874,730	12,641,988	18,578,199

The Company has one customer (OPWP) which accounts for the trade receivables balance as at 30 June 2018 (2017 - one customer).

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

11.1 *Insurance claim receivable*

The Company had recognised insurance income of RO 6,994,169 during financial year ended 31 December 2017, of which RO 3,043,080 pertained to property damage and the balance amount of RO 3,951,089 pertained 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 30 June 2018. The balance claim of RO 3,122,706 has been recognised as insurance claim receivable in the unaudited interim financial statements for the year ended 30 June 2018.

The Company has also received a confirmation of the final amount of claim from the loss adjusters of Insurance Company. The amount confirmed is RO 6,974,706 which is expected to be received by 30 September 2018. The company has adjusted the differential amount of RO 19,463 in the current period. Since the difference in amount is not material, no restatement is required in the financial statements.

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

12 Cash and bank balances

	Unaudited 30 June 2018 RO	Audited 31 December 2017 RO	Unaudited 30 June 2017 RO
Cash in hand	**231**	347	517
Cash at bank	**3,053,535**	13,837,260	5,001,849
Fixed term deposits	**23,150,496**	16,017,282	21,609,115
Cash and bank balances	**26,204,262**	29,854,889	26,611,481
less: fixed term deposits (3 to 6 months) and DSRA	**(21,592,694)**	(15,259,150)	(21,609,115)
Cash and cash equivalents	**4,611,568**	14,595,739	5,002,366

Debt Service Reserve Account (Restricted cash)

As at 30 June 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 21,424,800 (31 December 2017: RO 14,291,586) have a weighted average interest rate of 1.49% (31 December 2017: 1.74% per annum).

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018 (continued)

12 Cash and bank balances (continued)

12.1 Reconciliation of liabilities arising from financing activities

	31 December 2017 RO	**Cash flows RO**	**Non-cash items (unamortised transaction cost) RO**	**30 June 2018 RO**
Long term loans (notes 6 and 17)	209,906,910	**(6,634,521)**	**451,417**	**203,723,806**

13 Equity

(a) Share capital

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

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

Unaudited		**30 June 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**
		954,571,950	**100.00%**	**95,457,195**

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
		954,571,950	100.00%	95,457,195

Unaudited		30 June 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
		954,571,950	100.00%	95,457,195

(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.

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 30 June 2018 RO	Audited 31December 2017 RO	Unaudited 30 June 2017 RO
Interest payable	**3,716,068**	3,739,825	3,790,939
Trade payable	**2,050,278**	3,431,313	2,777,812
Accrued expenses and other payable	**1,806,288**	2,439,945	3,217,236
Due to related parties *(note 16)*	**1,477,974**	1,229,230	1,055,773
Provisions	**1,293,118**	1,526,056	1,792,580
Withholding tax payable	**788,999**	475,403	-
Other creditors	**-**	-	90,356
	11,132,725	12,841,772	12,724,696

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 840,182 (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 For six month period ended 30 June 2018 RO	Unaudited For six month period ended 30 June 2017 RO
a)Recognised in profit or loss		
Deferred tax expense due to change in income tax rate	**-**	2,984,644
Deferred tax expense for the period	**1,542,895**	1,431,369
Deferred tax expense - prior year adjustment	**-**	(668,394)
	1,542,895	3,747,619

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018 (continued)

15 Income tax (continued)

b) Reconciliation

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

	Unaudited For six month period ended 30 June 2018 RO	Unaudited For six month period ended 30 June 2017 RO
b) Reconciliation		
Profit before tax	**8,757,701**	9,168,359
Income tax as per rates mentioned above	**(1,313,655)**	(1,375,254)
Expenses not deductible for tax	**(113)**	(1,647)
Change in recognised temporary differences	**(229,127)**	(54,468)
Prior year adjustment	**-**	668,394
Change in tax rate	**-**	(2,984,644)
Deferred tax expense for the year	**(1,542,895)**	(3,747,619)

c) Deferred tax asset (liability)

Unaudited	**At 1 January**	**Recognised during the period**	**At 30 June**
As at June 2018	**RO**	**RO**	**RO**
Charged to profit or loss			
Property, plant and equipment	**(19,637,095)**	**(1,211,265)**	**(20,848,360)**
Provision for asset retirement obligation	**26,740**	**2,183**	**28,923**
Tax losses	**3,005,826**	**(333,813)**	**2,672,013**
	(16,604,529)	**(1,542,895)**	**(18,147,424)**
Deferred tax recognised in equity		**-**	
Derivative financial instruments	**2,161,459**	**(840,182)**	**1,321,277**
Deferred tax liability (net)	**(14,443,070)**	**(2,383,077)**	**(16,826,147)**

Audited	At 1 January	Recognised during the year	At 31 December
As at December 2017	RO	RO	RO
Charged to profit or loss			
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
	(11,938,575)	(4,665,954)	(16,604,529)
Deferred tax recognised in equity			
Derivative financial instruments	2,212,260	(50,801)	2,161,459
Deferred tax liability (net)	(9,726,315)	(4,716,755)	(14,443,070)

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018 (continued)

15 Income tax (continued)

c) Deferred tax asset (liability) (continued)

Unaudited	At 1 January	Recognised during the period	At 30 June
As at June 2017	RO	RO	RO
Charged to profit or loss			
Property, plant and equipment	(15,015,841)	(4,459,745)	(19,475,586)
Tax losses	3,077,265	688,155	3,765,420
Asset retirement obligation	-	23,971	23,971
	(11,938,576)	(3,747,619)	(15,686,195)
Deferred tax recognised in equity		-	
Derivative financial instruments	2,212,260	509,446	2,721,706
Deferred tax liability (net)	(9,726,316)	(3,238,173)	(12,964,489)

(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 30 June 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 30 June 2018. The cumulative tax losses up to 30 June 2018 in the amount of RO 17,813,420 (30 June 2017 – 25,102,800) 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.

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 (30 June 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 For six month period ended 30 June 2018 RO	Unaudited For six month period ended 30 June 2017 RO
Sembcorp Industries Limited (SIL)		
- Reimbursement of expenses	**36,002**	-
Sembcorp Salalah O&M Services Company LLC (SSOM)		
- Operation and maintenance cost	**3,064,040**	3,074,742
- Incentive payment	**165,715**	183,534
Oman Investment Corporation (OIC)		
- Reimbursement of expenses	**2,400**	5,109
- Sale of furniture & fixtures	**-**	350
Sembcorp Utilities (Chile) SA		
- Reimbursement of expenses	**-**	13,106

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

	Unaudited 30 June 2018 RO	Audited 31 December 2017 RO	Unaudited 30 June 2017 RO
SSOM	**1,463,835**	1,229,230	1,036,875
SIL	**14,139**	-	14,139
OIC	**-**	-	4,759
	1,477,974	1,229,230	1,055,773

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

	Unaudited 30 June 2018 RO	Audited 31 December 2017 RO	Unaudited 30 June 2017 RO
SIL	**5,073**	2,175	-

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 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 accrued to key management personnel for the period ended is as follows:

	Unaudited For six months ended 30 June 2018 RO	Unaudited For six months ended 30 June 2017 RO
Directors' remuneration	**44,750**	32,200
Directors' sitting fees	**12,250**	11,750
Short term employee benefits	**158,372**	158,372
Social security and gratuity	**12,572**	12,572
	227,944	214,894

Compensation of some of the Key Management personnel has been paid through Sembcorp Salalah O&M Services Co. LLC in the amount of RO 128,529 (30 June 2017: RO 115,420).

17 Term loan

	Maturity	**Unaudited 30 June 2018 RO**	Audited 31 December 2017 RO	Unaudited 30 June 2017 RO
Non-current				
Project financing loan (USD)	2012-2026	**171,901,134**	177,393,556	183,890,975
Project financing loan (Rials)	2012-2026	**35,745,300**	36,887,400	38,238,480
		207,646,434	214,280,956	222,129,455
Less: Unamortised transaction cost		**(3,922,628)**	(4,374,046)	(4,840,959)
		203,723,806	209,906,910	217,288,496
Less: Current portion of term loan		**(16,628,654)**	(15,414,677)	(14,483,021)
		187,095,152	194,492,233	202,805,475

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 SIX MONTHS PERIOD ENDED 30 JUNE 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 Sinosure Covered facilities is charged at a floating rate of LIBOR plus margin (3% p.a.). The Company has entered into an interest rate swap to cap its obligation against unfavourable interest rate changes.

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

Period	**Margin (% per annum)**
From financial close to the third anniversary of financial close	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 Sinosure Covered facilities and 0.4% of undrawn Rial Omani facilities. As at 30 June 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.

18 Asset retirement obligation ("ARO")

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

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

	Unaudited 30 June 2018 RO	Audited 31 December 2017 RO	Unaudited 30 June 2017 RO
At 1 January	**571,527**	534,603	534,603
Provision made during the period/ year	**14,551**	36,924	18,462
At 30 June	**586,078**	571,527	553,065

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.

19 Financial risk management (continued)

(a) Market risk (continued)

Interest rate risk

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

	Interest rate	Unaudited 30 June 2018	Audited 31 December 2017	Unaudited 30 June 2017
	%	RO	RO	RO
Financial assets				
Fixed term cash deposit	1.50%	**23,150,496**	16,017,282	21,609,115
Financial liabilities				
Term loan				
- 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)
		(207,646,434)	(214,280,956)	(222,129,455)

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 30 June 2018		Audited 31 December 2017		Unaudited 30 June 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	**7,469,991**	**(7,469,991)**	8,568,816	(8,568,816)	9,607,504	(9,607,504)

Currency risk

The majority of the transactions and balances are in either RO or USD. As the RO is pegged to the USD, balances in USD are not considered to represent significant currency risk. The Company is not exposed to significant currency risk as at 30 June 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:

19 Financial risk management (continued)

(b) Credit risk (continued)

	Unaudited 30 June 2018 RO	Audited 31 December 2017 RO	Unaudited 30 June 2017 RO
Break down of financial assets (at carrying amount)			
Cash and cash equivalents	**4,611,568**	14,595,739	5,002,366
Fixed term cash deposits (3 to 6 months) and DSRA	**21,592,694**	15,259,150	21,609,115
Trade receivable	**11,771,771**	6,057,219	15,250,549
Retention and other receivable	**3,122,706**	4,143,689	-
Other receivables	**841,957**	722,834	418,494
Due from related parties	**5,073**	2,175	-
	41,945,769	40,780,806	42,280,524

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

	Unaudited 30 June 2018		Audited 31 December 2017		Unaudited 30 June 2017	
	RO	**Allowance for impairment**	RO	Allowance for impairment	RO	Allowance for impairment
Not past dues	**15,741,507**	**6,616**	10,922,995	-	15,669,043	-
Past due 0 to 3 months	**-**	**-**	547	-	-	-
Past due 3 to 6 months	**-**	**-**	200	-	-	-
	15,741,507	**6,616**	10,923,742	-	15,669,043	-

(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 SIX MONTHS PERIOD ENDED 30 JUNE 2018 (continued)

19 Financial risk management (continued)

(c) Liquidity risk (continued)

		Cash flows			
	Carrying amount	**Contractual cash flow**	**Less than 1 year**	**More than 1 to 5 years**	**More than 5 years**
30 June 2018 (Unaudited)	**RO**	**RO**	**RO**	**RO**	**RO**
Derivatives					
Interest rate swaps used for hedging	**8,808,514**	**(9,401,278)**	**(1,976,601)**	**(5,728,281)**	**(1,696,396)**
Non-derivative financial liabilities					
Term loan	**203,723,806**	**(263,742,652)**	**(25,139,524)**	**(138,953,767)**	**(99,649,361)**
Trade and other payables	**11,132,725**	**(11,132,725)**	**(11,132,725)**	**-**	**-**
	223,665,045	**(284,276,655)**	**(38,248,850)**	**(144,682,048)**	**(101,345,757)**

		Cash flows			
	Carrying amount	Contractual cash flow	Less than 1 year	More than 1 to 5 years	More than 5 years
	RO	RO	RO	RO	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)
30 June 2017 (Unaudited)					
Derivatives					
Interest rate swaps used for hedging	18,144,704	(18,855,416)	(3,539,533)	(11,736,012)	(3,579,871)
Non-derivative financial liabilities					
Term loan	217,288,496	(282,183,809)	(21,717,581)	(127,412,864)	(133,053,364)
Trade and other payables	12,724,696	(12,724,696)	(12,724,696)	-	-
	248,157,896	(313,763,921)	(37,981,810)	(139,148,876)	(136,633,235)

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

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 30 June 2018 RO	Audited 31 December 2017 RO	Unaudited 30 June 2017 RO
Debt (Long-term loan)	203,723,806	209,906,910	217,288,496
Equity (Shareholders' funds)	109,175,718	104,920,085	106,244,970
Debt to equity ratio (times)	1.87	2.00	2.05

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 SIX MONTHS PERIOD ENDED 30 JUNE 2018 (continued)

19 Financial risk management (continued)

Fair value of financial instruments (continued)

	Carrying amount				Fair value
	Fair value - hedging instrument	**Loans and receivables**	**Other financial liabilities**	**Total**	**Level 2**
30 June 2018	**RO**	**RO**	**RO**	**RO**	**RO**
Financial assets not measured at fair value					
Trade and other receivables	**-**	**18,874,730**	**-**	**18,874,730**	**-**
Cash and bank balances	**-**	**26,204,262**	**-**	**26,204,262**	**-**
	-	**45,078,992**	**-**	**45,078,992**	**-**
Financial liabilities measured at fair value					
Derivative instrument	**(8,808,514)**	**-**	**-**	**(8,808,514)**	**(8,808,514)**
Financial liabilities not measured at fair value					
Term loan	**-**	**-**	**(203,723,806)**	**(203,723,806)**	**(210,823,948)**
Trade and other payables	**-**	**-**	**(11,132,725)**	**(11,132,724)**	**-**
	-	**-**	**(214,856,531)**	**(214,856,530)**	**(210,823,948)**
31 December 2017					
Financial assets not measured at fair value					
Trade and other receivables	-	12,641,988	-	12,641,988	-
Cash and bank balances	-	29,854,889	-	29,854,889	-
	-	42,496,877	-	42,496,877	-
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)
30 June 2017					
Financial assets not measured at fair value					
Trade and other receivables	-	18,578,199	-	18,578,199	-
Cash and bank balances	-	26,611,481	-	26,611,481	-
	-	45,189,680	-	45,189,680	-
Financial liabilities measured at fair value					
Derivative instrument	(18,144,704)	-	-	(18,144,704)	(18,144,704)
Financial liabilities not measured at fair value					
Term loan	-	-	(217,288,496)	(217,288,496)	(233,057,584)
Trade and other payables	-	-	(12,724,696)	(12,724,696)	-
	-	-	(230,013,192)	(230,013,192)	(233,057,584)

20 Guarantees

	Unaudited 30 June 2018 RO	Audited 31 December 2017 RO	Unaudited 30 June 2017 RO
Performance guarantees	1,540,800	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 For six months ended 30 June 2018	Unaudited For six months ended 30 June 2017
Profit for the period (RO)	**7,214,806**	5,420,740
Weighted average number of shares outstanding during the year	**954,571,950**	954,571,950
Earnings per share - Basic and diluted (RO)	**0.0076**	0.0057

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 30 June 2018	Audited 31 December 2017	Unaudited 30 June 2017
Net assets - Shareholders' funds (RO)	**109,175,718**	104,920,085	106,244,970
Number of shares at the end of the year	**954,571,950**	954,571,950	954,571,950
Net assets per share (RO)	**0.114**	0.110	0.111

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 SIX MONTHS PERIOD ENDED 30 JUNE 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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