

Sohar Power Company SAOG

**Unaudited condensed interim financial statements for
the period ended
30 September 2017**

Sohar Power Company SAOG

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Unaudited condensed statement of financial position as at 30 September 2017

		30 September 2017	31 December 2016	30 September 2017	31 December 2016
	Notes	RO'000	RO'000	USD'000	USD'000
ASSETS					
Non-current assets					
Property, plant and equipment	3	132,176	137,171	343,314	356,288
Total non-current assets		<u>132,176</u>	<u>137,171</u>	<u>343,314</u>	<u>356,288</u>
Current assets					
Inventories		744	691	1,932	1,795
Trade and other receivables	4	5,963	5,200	15,489	13,506
Cash and cash equivalents	5	4,463	7,150	11,592	18,571
Total current assets		<u>11,170</u>	<u>13,041</u>	<u>29,013</u>	<u>33,872</u>
Total assets		<u>143,346</u>	<u>150,212</u>	<u>372,327</u>	<u>390,160</u>
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	6	22,101	22,101	57,405	57,405
Legal reserve	7	3,793	3,708	9,854	9,633
Retained earnings		3,965	3,197	10,299	8,309
Shareholders' equity		<u>29,859</u>	<u>29,006</u>	<u>77,558</u>	<u>75,347</u>
Hedging deficit - net of tax	9	(7,851)	(9,356)	(20,392)	(24,301)
Total capital and reserves		<u>22,008</u>	<u>19,650</u>	<u>57,166</u>	<u>51,046</u>
Non-current liabilities					
Hedging deficit	9	9,064	10,632	23,544	27,615
Non-current portion of long-term loans	10	79,636	91,429	206,847	237,478
Provision for decommissioning costs	11	1,462	1,395	3,797	3,624
Deferred tax liability	12	13,315	9,648	34,585	25,060
Total non-current liabilities		<u>103,477</u>	<u>113,104</u>	<u>268,773</u>	<u>293,777</u>
Current liabilities					
Trade and other payables	13	7,547	8,165	19,597	21,199
Amount due to a related party	14	977	286	2,539	743
Current portion of long-term loans	10	9,337	9,007	24,252	23,395
Total current liabilities		<u>17,861</u>	<u>17,458</u>	<u>46,388</u>	<u>45,337</u>
Total equity and liabilities		<u>143,346</u>	<u>150,212</u>	<u>372,327</u>	<u>390,160</u>
Net assets per share	20	<u>0.135</u>	<u>0.131</u>	<u>0.351</u>	<u>0.341</u>

These financial statements, as set out on pages 4 to 15, were approved and authorised for issue by the Board of Directors on 23 October 2017 and signed on their behalf by:

Chairman

Vice - Chairman

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Unaudited condensed statement of profit or loss for the period ended 30 September 2017

		30 September 2017	30 September 2016	30 September 2017	30 September 2016
	Notes	RO'000	RO'000	USD'000	USD'000
Revenue	15	48,002	51,066	124,675	132,639
Cost of revenue	16	(38,214)	(41,483)	(99,256)	(107,748)
Gross profit		<u>9,788</u>	<u>9,583</u>	<u>25,419</u>	<u>24,891</u>
Other income	17	-	403	-	1,048
		<u>9,788</u>	<u>9,986</u>	<u>25,419</u>	<u>25,939</u>
Expenses					
General and administrative expenses	18	(600)	(640)	(1,560)	(1,663)
Finance costs	19	(4,875)	(5,378)	(12,659)	(13,969)
		<u>(5,475)</u>	<u>(6,018)</u>	<u>(14,219)</u>	<u>(15,632)</u>
Profit before tax for the period		4,313	3,968	11,200	10,307
Income tax expense	12	(3,460)	(374)	(8,988)	(971)
Net loss/profit after tax for the period		<u>853</u>	<u>3,594</u>	<u>2,212</u>	<u>9,336</u>
Basic and diluted earnings per share	21	<u>0.004</u>	<u>0.016</u>	<u>0.010</u>	<u>0.042</u>

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Unaudited condensed statement of other comprehensive income for the period ended 30 September

		30 September 2017	30 September 2016	30 September 2017	30 September 2016
	Notes	RO'000	RO'000	USD'000	USD'000
Net profit after tax for the year		853	3,594	2,212	9,336
Other comprehensive income:					
<i>Items that may be reclassified into profit and loss</i>					
Fair value gains on interest rate swaps		1,712	127	4,446	326
Related taxation	12	(207)	(16)	(538)	(42)
Total other comprehensive income for the year		<u>1,505</u>	<u>111</u>	<u>3,908</u>	<u>284</u>
Total comprehensive income for the year		<u><u>2,358</u></u>	<u><u>3,705</u></u>	<u><u>6,120</u></u>	<u><u>9,620</u></u>

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Unaudited condensed statement of changes in shareholders' equity for the period ended 30 September 2017

	Notes	Share capital RO'000	Legal reserve RO'000	Retained earnings RO'000	Hedging deficit RO'000	Total RO'000	Total USD'000
At 1 January 2016		22,101	3,254	1,833	(12,904)	14,284	37,106
Net loss/profit after tax for the period		-	-	3,594	-	3,594	9,336
Other comprehensive loss for the period		-	-	-	111	111	284
Transferred to legal reserve	7	-	359	(359)	-	-	-
Final dividend for the year 2015	8	-	-	(1,812)	-	(1,812)	(4,707)
Interim dividend for the year 2016	8	-	-	(913)	-	(913)	(2,371)
At 30 September 2016		<u>22,101</u>	<u>3,613</u>	<u>2,343</u>	<u>(12,793)</u>	<u>15,264</u>	<u>39,648</u>
At 31 December 2016		<u>22,101</u>	<u>3,708</u>	<u>3,197</u>	<u>(9,356)</u>	<u>19,650</u>	<u>51,046</u>
Net profit after tax for the period		-	-	853	-	853	2,212
Other comprehensive income for the period		-	-	-	1,505	1,505	3,908
Transferred to legal reserve	7	-	85	(85)	-	-	-
At 30 September 2017		<u>22,101</u>	<u>3,793</u>	<u>3,965</u>	<u>(7,851)</u>	<u>22,008</u>	<u>57,166</u>

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Unaudited condensed statement of cash flows for the period ended 30 September 2017

		30 September 2017 RO'000	30 September 2016 RO'000	30 September 2017 USD'000	30 September 2016 USD'000
	Notes				
Operating activities					
Cash receipts from customers		48,617	50,932	126,278	132,291
Cash paid to suppliers and employees		(35,262)	(35,834)	(91,589)	(93,074)
Cash generated from operations		<u>13,355</u>	<u>15,098</u>	<u>34,689</u>	<u>39,217</u>
Interest paid		(4,308)	(5,378)	(11,190)	(13,969)
Net cash provided by operating activities		<u>9,047</u>	<u>9,720</u>	<u>23,499</u>	<u>25,248</u>
Investing activities					
Purchase of property, plant and equipment	3	(62)	(28)	(161)	(73)
Net cash used in investing activities		<u>(62)</u>	<u>(28)</u>	<u>(161)</u>	<u>(73)</u>
Financing activities					
Net movement in long-term loans		(11,672)	(12,036)	(30,317)	(31,262)
Dividends paid	8	-	(2,725)	-	(7,078)
Net cash used in financing activities		<u>(11,672)</u>	<u>(14,761)</u>	<u>(30,317)</u>	<u>(38,340)</u>
Net increase/decrease in cash and cash equivalents		<u>(2,687)</u>	<u>(5,069)</u>	<u>(6,979)</u>	<u>(13,166)</u>
Cash and cash equivalents, beginning of the period		7,150	9,182	18,571	23,849
Cash and cash equivalents, end of the period	5	<u>4,463</u>	<u>4,113</u>	<u>11,592</u>	<u>10,683</u>

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Notes to the unaudited condensed financial statements

1 Legal status and activities

Sohar Power Company SAOG ("the Company") was initially registered as a closed joint stock company in the Sultanate of Oman on 17 July 2004. The Company was incorporated on 22 June 2004. The Company has been established to build and operate a 585 megawatt (MW) electricity generating station and 33 Million Imperial Gallon per day of water desalination plant at Sohar. The commercial operation date ("COD") has been determined to be 28 May 2007. The shareholders in the Extra-ordinary General Meeting held on 23 March 2008 resolved to convert the company from a closed joint stock company into a public joint stock company.

The Company's principal place of business is located at Sohar, Sultanate of Oman.

2 Basis of preparation and significant accounting policies

Basis of preparation

a) Statement of compliance

These condensed interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting, applicable requirements of the Oman Commercial Companies Law of 1974 (as amended) ("CCL") and disclosure requirements of the Capital Market Authority of the Sultanate of Oman ("CMA"). Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the last annual financial statements as at and for the year ended 31 December 2016. The condensed interim financial statements do not include all information required for full annual financial statements prepared in accordance with International Financial Reporting Standards (IFRSs).

(b) Basis of measurement

These condensed interim financial statements are prepared on historical cost basis except for provision for asset retirement obligation and deferred finance costs which are measured at amortised cost and certain financial instruments which are measured at fair value.

(c) Use of estimates and judgements

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

Critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in these condensed interim financial statements are same as those that were applied to the financial statements as at and for the year ended 31 December 2016.

Significant accounting policies

The significant accounting policies applied by the Company in these condensed interim financial statements are consistent with those applied by the Company in its financial statements as at and for the year ended 31 December 2016.

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Notes to the unaudited condensed financial statements

3 Property, plant and equipment

The movement in property, plant and equipment is as set out below:

	Buildings	Plant and machinery	Technical parts	Other assets	Decommissioning assets	Capital work-in-progress	Total	Total
Cost								
1 January 2017	7,027	189,236	4,945	24	777	307	202,316	525,496
Additions during the period	-	-	-	-	-	62	62	161
At 30 September 2017	<u>7,027</u>	<u>189,236</u>	<u>4,945</u>	<u>24</u>	<u>777</u>	<u>369</u>	<u>202,378</u>	<u>525,657</u>
Accumulated depreciation								
1 January 2017	2,294	61,064	1,517	22	248	-	65,145	169,208
Charge for the period	176	4,733	127	2	19	-	5,057	13,135
At 30 September 2017	<u>2,470</u>	<u>65,797</u>	<u>1,644</u>	<u>24</u>	<u>267</u>	<u>-</u>	<u>70,202</u>	<u>182,343</u>
Net book amount								
At 30 September 2017	<u>4,557</u>	<u>123,439</u>	<u>3,301</u>	<u>-</u>	<u>510</u>	<u>369</u>	<u>132,176</u>	<u>343,314</u>
At 31 December 2016	<u>4,733</u>	<u>128,172</u>	<u>3,428</u>	<u>2</u>	<u>529</u>	<u>307</u>	<u>137,171</u>	<u>356,288</u>

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Notes to the unaudited condensed financial statements

4 Trade and other receivables	30 September	31 December	30 September	31 December
	2017	2016	2017	2016
	RO'000	RO'000	USD'000	USD'000
Trade receivables	6,861	6,460	17,821	16,779
Less: allowance for credit losses	(1,392)	(1,392)	(3,616)	(3,616)
	<u>5,469</u>	<u>5,068</u>	<u>14,205</u>	<u>13,163</u>
Advances and prepayments	275	132	714	343
Other advances	219	-	570	-
	<u>5,963</u>	<u>5,200</u>	<u>15,489</u>	<u>13,506</u>
5 Cash and cash equivalents				
Current account balances with banks	<u>4,463</u>	<u>7,150</u>	<u>11,592</u>	<u>18,571</u>
	<u>4,463</u>	<u>7,150</u>	<u>11,592</u>	<u>18,571</u>

The current account balances with banks are non-interest bearing.

6 Share capital

The authorised, issued and fully paid-up share capital of the Company as registered with the Ministry of Commerce and Industry is as follows:

Authorised share capital of 600,000,000 shares of RO 0.100	<u>60,000</u>	<u>60,000</u>	<u>156,000</u>	<u>156,000</u>
Issued and fully paid-up share capital of 221,010,000 shares of RO 0.100	<u>22,101</u>	<u>22,101</u>	<u>57,405</u>	<u>57,405</u>

At the end of the period, shareholders who own 10% or more of the Company's share capital and the number of shares they hold are as follows:

Name of the shareholders	Percentage share holding	Number of shares held	Percentage share holding	No of shares held
	2017	2017	2016	2016
Kahrabel FZE	35%	77,353,500	35%	77,353,500
MENA Sohar 1SPV LTD	20%	44,202,000	20%	44,202,000
Civil Service Employees Pension Fund	15%	33,151,500	15%	33,151,500

7 Legal reserve

In accordance with the provisions of the Commercial Companies Law 1974, as amended, of the Sultanate of Oman, an amount equivalent to 10% of the Company's net profit before appropriations is required to be transferred to a non-distributable reserve until such time as a minimum of one-third of the issued and fully paid-up share capital is set aside.

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Notes to the unaudited condensed financial statements

8 Dividends paid

The long-term loan facilities agreement contain cash sweep prepayments requiring in accelerating the repayment of the term loan. As a consequence there will be no more proposal of dividend distribution to shareholders until the debt is fully repaid or restructured.

9 Hedging deficit

In accordance with 'IAS 39 Financial Instruments: Recognition and Measurement', hedge transactions are tested quarterly for its effectiveness on the basis of clean fair values from the swap banks, and consequently effective and ineffective portions, if any, are recognised in the statement of changes in shareholders' equity and statement of profit or loss, respectively.

10 Long-term loans

	30 September 2017 RO'000	31 December 2016 RO'000	30 September 2017 USD'000	31 December 2016 USD'000
Base facility	75,625	85,414	196,429	221,855
Repayment facility	14,546	16,429	37,782	42,673
Less: Current portion of long-term loans	(9,337)	(9,007)	(24,252)	(23,395)
	<u>80,834</u>	<u>92,836</u>	<u>209,959</u>	<u>241,133</u>
Less: deferred financing costs	(1,198)	(1,407)	(3,112)	(3,655)
Non-current portion of long-term loans	<u>79,636</u>	<u>91,429</u>	<u>206,847</u>	<u>237,478</u>

Syndicated facilities

The Company has syndicated long-term loan facilities ("syndicated facilities") in the aggregate maximum amount of approximately USD 455 million. HSBC Bank plc is the facility agent ("Facility Agent") for administration and monitoring of the overall loan facilities. HSBC Bank USA - National Association and Bank Muscat has respectively been appointed as the off-shore security trustee and on-shore security agent for the secured finance parties.

11 Provision for decommissioning costs

At the beginning of the year	1,395	1,312	3,623	3,408
Unwinding of discount on decommissioning costs (Note 19)	67	83	174	216
At the end of the year	<u>1,462</u>	<u>1,395</u>	<u>3,797</u>	<u>3,624</u>

12 Income tax

The Company is subject to income tax in accordance with the income tax law of the Sultanate of Oman at the tax rate of 15% on taxable profits.

13 Trade and other payables

Trade payables	3,323	3,030	8,632	7,870
Accruals and other payables	4,224	5,135	10,965	13,329
	<u>7,547</u>	<u>8,165</u>	<u>19,597</u>	<u>21,199</u>

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Notes to the unaudited condensed financial statements

14 Related party transactions and balances

The Company, in the ordinary course of business, deals with parties, which fall within the definition of 'related parties' as contained in IAS 24. The management believes that such transactions are not materially different from those that could be obtained from unrelated parties.

Significant transactions during the period with related parties are as follows:	30 September 2017 RO'000	31 December 2016 RO'000	30 September 2017 USD'000	31 December 2016 USD'000
Services provided by Sohar Operations and Maintenance Co. LLC (SOMC)	4,845	4,611	12,584	11,977
Services provided by Power Management Co. LLC				
- Management fees	115	115	300	300
- Other administrative expenses	222	214	577	556
Services provided by Suez -Tractebel S.A.	39	32	101	85
Key management remuneration	190	196	494	509
Directors' remuneration	21	79	55	205
Directors' meeting attendance fees	17	13	44	34
Electrabel S.A. - guarantee fee	51	48	132	125
MENA Sohar 1SPV LTD - LC fee	29	28	75	73
SOGEX Oman LLC - LC fee	7	8	18	20
MOD Pension Fund - LC fee	7	8	18	20

A summary of the related party balances as at 30 September 2017 is as follows:

Amounts due to a related party

Sohar Operations and Maintenance Co. LLC

977	286	2,539	743
<u>977</u>	<u>286</u>	<u>2,539</u>	<u>743</u>

The balances due to related parties are unsecured, bear no interest, have no fixed repayment terms and have been disclosed separately in the statement of financial position.

15 Revenue	30 September 2017 RO'000	30 September 2016 RO'000	30 September 2017 USD'000	30 September 2016 USD'000
Power and water revenue	48,002	51,066	124,675	132,639
	<u>48,002</u>	<u>51,066</u>	<u>124,675</u>	<u>132,639</u>

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Notes to the unaudited condensed financial statements

16 Cost of revenue	30 September	30 September	30 September	30 September
	2017	2016	2017	2016
	RO'000	RO'000	USD'000	USD'000
Fuel gas	27,017	30,328	70,174	78,774
Operations and maintenance costs	4,845	4,611	12,584	11,977
Depreciation	5,056	5,055	13,132	13,130
Repairs and maintenance	-	205	-	532
Seawater extraction	554	544	1,439	1,413
Other operating expenses	742	740	1,927	1,922
	<u>38,214</u>	<u>41,483</u>	<u>99,256</u>	<u>107,748</u>
17 Other income				
Insurance claim	-	387	-	1,006
Claim received against forced outage	-	16	-	42
	<u>-</u>	<u>403</u>	<u>-</u>	<u>1,048</u>
18 General and administrative expenses				
Management fees	115	115	299	300
Directors' meeting attendance fees and remuneration	38	92	99	239
Legal and professional fees	77	75	200	195
Staff costs	34	26	88	68
Depreciation	1	1	3	2
Other administrative expenses	335	331	871	859
	<u>600</u>	<u>640</u>	<u>1,560</u>	<u>1,663</u>
19 Finance costs				
Interest on net settlement of swaps	2,629	3,468	6,829	9,008
Interest on base facility	1,419	1,170	3,685	3,039
Interest on repayment facility	273	228	709	592
Ineffective Portion of hedging	146	-	379	-
Amortisation of deferred financing costs	209	225	543	584
Other financial charges	132	225	339	585
Unwinding of discount on decommissioning costs (note 11)	67	62	174	161
	<u>4,875</u>	<u>5,378</u>	<u>12,658</u>	<u>13,969</u>

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Notes to the unaudited condensed financial statements

20 Net assets per share

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

	30 September 2017	31 December 2016	30 September 2017	31 December 2016
Shareholders' funds (in '000)	<u>29,859</u>	<u>29,006</u>	<u>77,558</u>	<u>75,347</u>
Number of issued and fully paid-up shares at the end of the period (in '000)	<u>221,010</u>	<u>221,010</u>	<u>221,010</u>	<u>221,010</u>
Net assets per share (RO/USD)	<u><u>0.135</u></u>	<u><u>0.131</u></u>	<u><u>0.351</u></u>	<u><u>0.341</u></u>

21 Basic and diluted earnings per share

Basic earnings per share is calculated by dividing the net profit for the year with the weighted average number of shares issued during the period.

	30 September 2017	30 September 2016	30 September 2017	30 September 2016
Net loss/profit for the period (in '000)	<u>853</u>	<u>3,594</u>	<u>2,212</u>	<u>9,336</u>
Weighted average number of shares at the end of the period (in '000)	<u>221,010</u>	<u>221,010</u>	<u>221,010</u>	<u>221,010</u>
Basic and diluted earnings per share (RO/USD)	<u><u>0.004</u></u>	<u><u>0.016</u></u>	<u><u>0.010</u></u>	<u><u>0.042</u></u>

22 Comparative Figures

Certain comparative figures have been reclassified where necessary to conform to the presentation adopted in these condensed interim financial statements.