Sohar Power Company SAOG

Unaudited Financial statements for the period ended 31 March 2017

Sohar Power Company SAOG

Unaudited Statement of financial position as at 31 March 2017

	Notes	31 March 2017 RO'000	31 December 2016 RO'000	31 March 2017 USD'000	31 December 2016 USD'000
ASSETS					
Non-current assets					
Property, plant and equipment	5	135,485	137,171	351,909	356,288
Total non-current assets		135,485	137,171	351,909	356,288
Current assets					
Inventories		750	691	1,948	1,795
Trade and other receivables	6	6,078	5,200	15,787	13,506
Bank balances	7	2,782	7,150	7,226	18,571
Total current assets		9,610	13,041	24,961	33,872
Total assets		145,095	150,212	376,870	390,160
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	8	22,101	22,101	57,405	57,405
Legal reserve	9	3,708	3,708	9,633	9,633
Retained earnings		1,228	3,197	3,194	8,309
Shareholders' equity		27,037	29,006	70,232	75,347
Hedging deficit - net of tax	11	(8,709)	(9,356)	(22,620)	(24,301)
Total capital and reserves		18,328	19,650	47,612	51,046
Non-current liabilities					
Hedging deficit	11	9,895	10,632	25,701	27,615
Non-current portion of long-term loans	12	86,767	91,429	225,370	237,478
Provision for decommissioning costs	13	1,417	1,395	3,680	3,624
Deferred tax liability	14	12,661	9,648	32,886	25,060
Total non-current liabilities		110,740	113,104	287,637	293,777
Current liabilities					
Trade and other payables	15	6,513	8,165	16,910	21,199
Amount due to a related party	16	240	286	623	743
Current portion of long-term loans	12	9,274	9,007	24,088	23,395
Total current liabilities		16,027	17,458	41,621	45,337
Total equity and liabilities		145,095	150,212	376,870	390,160
Net assets per share	21	0.122	0.131	0.318	0.320

These financial statements, as set out on pages 2 to 33, were approved and authorised for issue by the Board of Directors on _____________ and signed on their behalf by:

Chairman   Vice - Chairman

Sohar Power Company SAOG
Unaudited Statement of profit or loss for the period ended 31 March 2017

	Notes	31 March 2017 RO'000	31 March 2016 RO'000	31 March 2017 USD'000	31 March 2016 USD'000
Revenue	17	14,868	16,309	38,618	42,361
Cost of revenue	18	(12,131)	(13,574)	(31,508)	(35,258)
Gross profit		2,737	2,735	7,110	7,103
Expenses					
General and administrative expenses	19	(195)	(218)	(508)	(566)
Finance costs	20	(1,588)	(1,831)	(4,124)	(4,757)
		(1,783)	(2,049)	(4,632)	(5,323)
Profit before tax for the period		954	686	2,478	1,780
Income tax expense	14	(2,923)	(176)	(7,596)	(455)
Net profit after tax for the period		(1,969)	510	(5,118)	1,325
Basic and diluted earnings per share	22	-0.009	0.002	-0.023	0.006

Sohar Power Company SAOG

Unaudited Statement of other comprehensive income for the period ended 31 March 2017

	Notes	31 March 2017 RO'000	31 March 2016 RO'000	31 March 2017 USD'000	31 March 2016 USD'000
Net profit after tax for the period		(1,969)	510	(5,118)	1,325
Other comprehensive income:					
Items that may be reclassified into profit and loss					
Fair value gains on interest rate swaps		737	(1,809)	1,911	(4,704)
Related taxation	14	(90)	216	(230)	562
Total other comprehensive income for the period		647	(1,593)	1,681	(4,142)
Total comprehensive income for the period		(1,322)	(1,083)	(3,437)	(2,817)

Sohar Power Company SAOG

Unaudited Statement of changes in shareholders' equity for the period ended 31 March 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 31 December 2015		22,101	3,254	1,833	(12,904)	14,284	37,106
Net profit after tax for the period		-	-	510	-	510	1,326
Other comprehensive income for the period		-	-	-	(1,593)	(1,593)	(4,134)
Transferred to legal reserve	9	-	51	(51)	-	-	-
Final dividend for the year 2015	10	-	-	(1,812)	-	(1,812)	(4,706)
At 31 March 2016		22,101	3,305	480	(14,497)	11,389	29,592
At 31December 2016		22,101	3,708	3,197	(9,356)	19,650	51,046
Net profit after tax for the period		-	-	(1,969)	-	(1,969)	(5,114)
Other comprehensive income for the period		-	-	-	647	647	1,680
Transferred to legal reserve	9	-	-	-	-	-	-
At 31 March 2017		22,101	3,708	1,228	(8,709)	18,328	47,612

Sohar Power Company SAOG
Unaudited Statement of cash flows for the period ended 31 March 2017

	Notes	31 March 2017 RO'000	31 March 2016 RO'000	31 March 2017 USD'000	31 March 2016 USD'000
Operating activities					
Cash receipts from customers		14,215	11,860	36,922	30,805
Cash paid to suppliers and employees		(11,041)	(11,619)	(28,677)	(30,180)
Operating profit		3,174	241	8,245	625
Interest paid		(3,076)	(3,434)	(7,990)	(8,920)
Net cash provided by operating activities		98	(3,193)	255	(8,295)
Investing activities					
Purchase of property, plant and equipment	5	-	-	-	-
Net cash used in investing activities		-	-	-	-
Financing activities					
Net movement in long-term loans		(4,466)	(5,348)	(11,600)	(13,891)
Short term borrowings		-	2,887	-	7,499
Dividends paid	10	-	(1,812)	-	(4,707)
Net cash used in financing activities		(4,466)	(4,273)	(11,600)	(11,099)
Net decrease in cash and cash equivalents		(4,368)	(7,466)	(11,345)	(19,394)
Cash and cash equivalents, beginning of the period		7,150	9,181	18,571	23,847
Cash and cash equivalents, end of the period	7	2,782	1,715	7,226	4,453

Sohar Power Company SAOG

Notes to the unaudited financial statements for the period ended 31 March 2017

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.

The financial statements were approved for issue by the Board of Directors on 24 April 2017.

2 Significant agreements

The Company has entered into the following significant agreements:

(i) Power and Water Purchase Agreement ("PWPA") with the Government of the Sultanate of Oman ("the Government") granting the Company the right to generate electricity and produce water at Sohar and; (i) to make available to the Government the Guaranteed Contracted Power Capacity and the Guaranteed Contracted Water Capacity and (ii) to sell to the Government the Electrical Energy and Potable Water associated with the Guaranteed Contracted Power Capacity and the Guaranteed Contracted Water Capacity. The Company has entered into a long-term power and water supply agreement with the Ministry of Housing, Electricity and Water ("MHEW") of the Government for a period of fifteen years commencing from the scheduled COD of 28 May 2007. On 1 May 2005, the PWPA was novated to Oman Power and Water Procurement Co. SAOC ("OPWP"), a closed joint stock company owned by the Government. All the financial commitments of OPWP are guaranteed by the Government.

(ii) Natural Gas Sales Agreement with the Ministry of Oil and Gas ("MOG") for the purchase of natural gas from MOG. The Natural Gas Sale Agreement is co-terminus with the PWPA.

(iii) Sub-usufruct agreement with Sohar Industrial Port Company SAOC for grant of usufruct rights over the project site for 15 years, with the option possibility of extension of 15 years.

(iv) Seawater Extraction Agreement with the Ministry of National Economy of the Government, to provide seawater inlet and reject facilities for the plant. The Seawater Extraction Agreement is co-terminus with the PWPA.

(v) Operation and Maintenance Agreement ("O&M" Agreement) with Sohar Operation and Maintenance Company LLC, a related party, for operations and maintenance of the plant for a period of 15 years from the COD or the date of termination of the PWPA, whichever is earlier.

(vi) Financing agreements with lenders for long-term loan facilities.

(vi) Management Company Agreement with Power Management Company LLC, a related party, for providing management services.

3 Basis of preparation

Statement of compliance

The financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as promulgated by the International Accounting Standards Board ("IASB"), interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"), the requirements of the Commercial Companies Law 1974, as amended, of the Sultanate of Oman and the relevant disclosure requirements for licensed companies issued by the Capital Market Authority.

Basis of presentation

The financial statements are prepared under the historical cost convention and going concern assumption, except for certain financial assets and financial liabilities which are carried at their fair values. The preparation of financial statements is in conformity with IFRS that requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Company's accounting policies.

Functional currency

The financial statements are presented in Omani Rials and United States Dollars (rounded off to the nearest thousand).

Improvements/amendments to IFRS/IAS 2012/2014 cycle

Improvements/amendments to IFRS/IAS issued in 2012/2014 cycle contained numerous amendments to IFRS that the IASB considers non-urgent but necessary. 'Improvements to IFRS' comprise amendments that result in accounting changes to presentation, recognition or measurement purposes, as well as terminology or editorial amendments related to a variety of individual IFRS standards. The amendments are effective for the Company's annual audited financial statements beginning on or after 1 January 2016 and subsequent periods with earlier adoption permitted. No material changes to accounting policies are expected as a result of these amendments.

Standards, amendments and interpretations issued but not yet effective in the year 2017

The following new/amended accounting standards and interpretations have been issued, but are not mandatory for the year ended 31 December 2017. They have not been adopted in preparing the financial statements for the period ended 31 March 2017. In all cases, the Company intends to apply these standards from the application date as indicated in the table below.

Standard or Interpretation	Title	Effective for annual periods beginning on or after
IFRS 9	Financial Instruments	1 January 2018
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 16	Leases	1 January 2019

3 Basis of preparation (continued)

Standards, amendments and interpretations issued but not yet effective in the year 2017 (continued)

IFRS 9, 'Financial Instruments' has an effective date for accounting periods beginning on or after 1 January 2018 now that it has been finalised. IFRS 9 outlines the recognition, measurement and derecognition of financial assets and financial liabilities, the impairment of financial assets and hedge accounting. Financial assets are to be measured at amortised cost, fair value through profit and loss or fair value through other comprehensive income, with an irrevocable option on initial recognition to recognise some equity financial assets at fair value through other comprehensive income. The impairment model in IFRS 9 moves to one that is based on expected credit losses rather than the IAS 39 incurred loss model. The derecognition principles of IAS 39, 'Financial Instruments: Recognition and Measurement' have been transferred to IFRS 9. The hedge accounting requirements have been liberalised from that allowed previously. The requirements are based on whether an economic hedge is in existence, with less restriction about proving whether a relationship will be effective than current requirements.

IFRS 15, 'Revenue from Contracts with Customers' issued in May 2014 establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. IFRS 15 supersedes IAS 11 'Construction Contracts', IAS 18 'Revenue' and related IFRICs 13, 15 and 18, and SIC-31. IFRS 15 is applicable for annual periods beginning on or after 1 January 2018. The standard is based on a 5 step approach to recognise revenue and also provides specific principles to apply, when there is a contract modification, accounting for contract costs and accounting for refunds and warranties. On application of the standard, the disclosures are likely to increase.

IFRS 16 issued in January 2016 provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with lessor accounting substantially unchanged from IAS 17. IFRS 16 is effective from 1 January 2019.

The Company is assessing the impact on the operational results of the Company for the year ending 31 December 2017 had the Company early adopted any of the above standards applicable to the Company.

Early adoption of amendments or standards in the year 2017

The Company did not early-adopt any new or amended standards in the period ended 31 March 2017.

4 Summary of significant accounting policies

Power and Water Purchase Agreement

The Power Capacity Investment charge rate and Water Capacity Investment charge rate in the PWPA has been structured in such a way that the investment tariff rates are reducing at a constant rate each year over the term of the agreement.

4 Summary of significant accounting policies (continued)

Power and Water Purchase Agreement (continued)

In 2005, IFRIC 4 ("Determining whether an arrangement contains a lease") was issued and it became effective from 1 January 2006. The Company at that time considered the applicability of IFRIC 4, which provides guidance for determining whether an arrangement is, or contains, a lease that should be accounted for in accordance with IAS 17. If such an assessment results in an operating lease; then lease income from such an operating lease would be recognised in income on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern of the user's benefit.

The management has reviewed the applicability of IFRIC 4 and concluded that the PWPA conveys a right of use of the Company's plant consistent with an operating lease arrangement.

The management believes that the gradually decreasing lease payments reflect the fair value of the consideration for the Company's availability with respect to Electrical Energy Generating Capacity and Water Output Desalination Capacity in the respective years and represents a more systematic basis of benefit derived, evidenced by:

- The off-taker's acceptance of the decreasing tariff, recognising that the expense incurred by the Company to make available capacity to generate the energy and the desalinated water also follows a decreasing pattern. This pattern is driven by the importance of the debt service costs;
- The PWPA explicitly mentioning that the (frontloaded) lease payments compensate for the Company's debt service costs that are significantly higher in the earlier years and lower in the later years; and
- The absence of any explicit claw-back provisions for the off-taker with respect to the initially higher amounts of Investment Charge paid, in case of a breach of contract by the Company.

A summary of the significant accounting policies adopted in the preparation of these financial statements is set out below. These policies have been adopted for all the years presented, unless stated otherwise.

(a) **Property, plant and equipment**

Property, plant and equipment are stated at historical cost less accumulated depreciation and any impairment in value. Cost includes all costs directly attributable to bringing the asset to working condition for their intended use.

Depreciation is calculated by the straight-line method to write-off the cost of each asset to its estimated residual value over its expected useful economic life.

The estimated useful economic lives are as follows:

Description	**Years**
Buildings	30
Plant and machinery	30
Technical parts	30
Other assets	4
Decommissioning assets	30

4 Summary of significant accounting policies (continued)

(a) **Property, plant and equipment (continued)**

Items of property, plant and equipment are derecognised upon disposal or when no future economic benefit is expected to arise from the continued use of the asset. Any gain or loss arising on de-recognition of asset is included in the statement of profit or loss in the year the item is derecognised.

Repairs are charged to the statement of profit or loss and other comprehensive income when the expenditure is incurred.

(b) **Capital work-in-progress**

Capital work-in-progress is stated at cost including capital advances incurred upto the date of the statement of financial position and is not depreciated. Depreciation on capital work-in-progress commences when the assets are ready for their intended use.

(c) **Impairment of assets**

Financial assets

At the end of each reporting period, the management assesses if there is any objective evidence indicating impairment of financial assets carried at cost or non-collectability of receivables. An impairment loss, if any, arrived at as a difference between the carrying amount and the recoverable amount, is recognised in the statement of profit or loss. The recoverable amount represents the present value of expected future cash flows discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted.

Non-financial assets

At the end of each reporting period, the management assesses if there is any indication of impairment of non-financial assets. If an indication exists, the management estimates the recoverable amount of the asset and recognises an impairment loss in the statement of profit or loss. The management also assesses if there is any indication that an impairment loss recognised in prior years no longer exists or has reduced. The resultant impairment loss or reversals are recognised immediately in the statement of profit and loss.

(d) **Dividends**

Dividends are recognised as a liability in the period in which they are approved by the shareholders. The Board of Directors recommends to the shareholders the dividend to be paid out of the Company's net profits. The Directors take into account appropriate parameters including the requirements of the Commercial Companies Law 1974, as amended, while recommending dividend. As the company is currently under cash sweep, no more dividends can be paid. Refer Note 10 for more details.

(e) **Inventories**

Inventories comprise of fuel oil and gas are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The cost of inventories is accounted on the first-in first-out basis and includes expenditure incurred in acquiring the inventories and includes an appropriate share of fixed and variable overheads.

4 Summary of significant accounting policies (continued)

(f) **Trade and other receivables**

Trade and other receivables originated by the Company are measured at cost. An allowance for credit losses of trade and other receivables is established when there is objective evidence that the Company will not be able to collect the amounts due. When a trade or other receivable is uncollectible, it is written-off against the allowance account for credit losses. The carrying value of trade and other receivables approximate their fair values due to the short-term nature of those receivables.

(g) **Cash and cash equivalents**

For the purposes of statement of cash flows, cash and cash equivalents consist of bank balances and cash and short-term fixed deposits with original maturities of three months or less from the date of placement.

(h) **Trade payables**

Trade payables are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

(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.

Provision for decommissioning costs

A provision for future decommissioning costs is recognised, when there is a present obligation as a result of activities undertaken, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of provision can be measured reliably. The estimated future obligations include the costs of removing the facilities and restoring the affected areas.

The provision for future decommissioning costs is the best estimate of the present value of the expenditure required to settle the decommissioning obligation at the reporting date based on the current requirements in accordance with the sub-usufruct agreement. Future decommissioning costs is reviewed annually and any changes in the estimate are reflected in the present value of the decommissioning provision at each reporting date.

The initial estimate of the decommissioning provision is capitalised into the cost of the asset and depreciated on the same basis as the related asset. Changes in the estimate of the provision for decommissioning costs is treated in the same manner, except that the unwinding of the discount is recognised as a finance cost rather than being capitalised into the cost of the related asset.

(j) **Employees' terminal benefits**

In respect of Omani employees, contributions are made in accordance with the Oman Social Insurance Law issued under Royal Decree number 72/91 (as amended) and recognised as an expense in the statement of profit or loss as incurred.

For non-Omani employees, provision is made for amounts payable under the Oman Labour Law issued under Royal Decree number 35/2003 based on the employees' accumulated periods of service at the statement of financial position date. This provision is classified as a non-current liability.

4 Summary of significant accounting policies (continued)

(k) Revenue

Revenue comprises tariffs for power capacity, electrical energy, water capacity and water output charges. Tariffs are calculated in accordance with the PWPA. The operating revenue is recognised by the Company on the accruals basis of accounting. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due and associated costs.

(l) Other income

Other income is accounted for on accruals basis, unless collectibility is in doubt.

(m) Operating leases

Operating lease is an agreement whereby the lessor retains substantially all the risks and rewards incidental to ownership of an asset. Lease payments are recognised as an expense to the lessor in the statement of profit or loss on a straight-line basis over the lease term, unless another systematic basis is representative of the time pattern of the benefit.

(n) Foreign currency transactions

Transactions denominated in foreign currencies are translated to Omani Rial at the foreign exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are translated to Omani Rial at the foreign exchange rates prevailing at that date. Foreign exchange differences arising on translation are recognised in the statement of profit and loss.

(o) Bank borrowings

Bank borrowings are recognised initially at fair value, net of transaction costs incurred. Bank borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of profit or loss over the period of the bank borrowings using the effective interest rate method.

(p) Borrowings costs

Borrowing costs comprise interest payable on bank borrowings. Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets (assets that necessarily take a substantial period of time to get ready for their intended use or sale) are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. 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.

(q) Income tax

Taxation for the year comprises current and deferred tax.

Current tax is the expected tax payable on the taxable income for the period, using tax-rates enacted or substantially enacted at the end of the reporting period.

4 Summary of significant accounting policies (continued)

(q) **Income tax (continued)**

Deferred tax is calculated using the 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. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax-rates enacted or substantially enacted at the end of the reporting period.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Current and deferred tax are recognised as an expense or income in the statement of profit or loss, except when they relate to items that are recognised in statement of other comprehensive income, in which case the tax is also recognised in the statement of profit or loss. Refer to Note 14 for more details.

(r) **Deferred financing costs**

The cost of obtaining long-term financing is deferred and amortised over the term of the long-term loan using the effective interest rate method. Deferred financing costs less accumulated amortisation are offset against the drawn amount of long-term loans. The amortisation of deferred financing costs is capitalised as part of the cost of the plant during construction. Subsequent to plant completion, the element of amortisation of deferred financing costs is charged to the statement of profit or loss.

(s) **Financial liabilities**

All the financial liabilities are initially measured at fair value and are subsequently measured at amortised cost.

(t) **Derivative financial instruments**

The Company holds derivative financial instruments to hedge its interest rate risk exposures. Derivatives are initially recognised at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period on a recurring basis. The resulting gains or losses are recognised in the statement of profit and loss immediately, unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the statement of profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset; a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

4 Summary of significant accounting policies (continued)

(t) Derivative financial instruments (continued)

Hedge accounting

The Company designates the hedging instrument as cash flow hedges. At the inception of the hedge relationship, the Company documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an on-going basis, the Company documents whether the hedging instrument is highly effective in off-setting changes in fair values or cash flows of the hedged item.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the statement of other comprehensive income. The gains or losses relating to the ineffective portion is recognised immediately in the statement of profit or loss.

Amounts previously recognised in and accumulated in statement of other comprehensive income are reclassified to statement of profit of loss in the periods when the hedged item is recognised.

Hedge accounting is discontinued when the Company revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting.

(u) Directors' remuneration

The Company follows the Commercial Companies Law 1974, as amended, and other latest relevant directives issued by the Capital Markets Authority, in regard to determination of the amount to be paid as directors' remuneration. Directors' remuneration is charged to the statement of profit or loss in the year to which they relate.

(v) Critical accounting judgments and key source of estimation uncertainity

Preparation of financial statements in accordance with IFRS requires the Company's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. The determination of estimates requires judgments which are based on historical experience, current and expected economic conditions, and all other available information. Actual results could differ from those estimates.

The most significant areas requiring the use of management estimates and assumptions in the financial statements relate to:

Economic useful lives of property, plant and equipment

The Company's property, plant and equipment are depreciated on a straight-line basis over their economic useful lives. Economic useful lives of property, plant and equipment are reviewed by management periodically. The review is based on the current condition of the assets and the estimated period during which they will continue to bring economic benefit to the Company.

4 Summary of significant accounting policies (continued)

(v) Critical accounting judgments and key source of estimation uncertainity (continued)

Provisions

An assessment is made at each statement of financial position date to determine whether there is objective evidence that specific financial assets may be impaired. An estimate of the collectible amount of trade receivables is made when the collection of the full amount is no longer probable. For individually significant amounts, this estimate is performed on an individual basis. Amounts which are not significant, but which are past due, are individually assessed collectively and a provision is applied according to the length of time the receivable is past due, based on historical recovery rates. Any difference between the amount actually collected in future periods and the amounts expected will be recognised in the statement of profit or loss.

The Company also creates a provision for obsolete and slow-moving inventories. Estimates of net realisable value of inventories are based on the most reliable evidence available at the time the estimates are made. These estimates take into consideration fluctuations of price or cost directly relating to events occurring subsequent to the statement of financial position date to the extent that such events confirm conditions existing at the end of the reporting period.

Going concern

The management of the Company reviews the financial position of the Company on a periodical basis and assesses the requirement of any additional funding to meet the working capital requirements and estimated funds required to meet the liabilities as and when they become due. In addition, the shareholders of the Company ensure that they provide adequate financial support to funding the requirements to the Company to ensure the going concern status of the Company.

Contingencies

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of such contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

5 Property, plant and equipment

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

March 2017	Buildings	Plant and machinery	Technical parts	Other assets	Decommissioning assets	Capital work-in-progress	Total RO'000	Total USD'000
Cost								
1 January 2017	7,027	189,236	4,945	24	777	307	202,316	525,496
Additions during the period	-	-	-		-	-	-	-
At 31 March 2017	7,027	189,236	4,945	24	777	307	202,316	525,496
Accumulated depreciation								
1 January 2017	2,294	61,064	1,517	22	248	-	65,145	169,208
Charge for the period	59	1,578	42	-	7		1,686	4,379
At 31 March 2017	2,353	62,642	1,559	22	255	-	66,831	173,587
Net book amount								
At 31 March 2017	4,674	126,594	3,386	2	522	307	135,485	351,909

(b) Land on which the power station, building and auxiliaries are constructed has been sub-leased from the Sohar Industrial Port Company SAOC for a period of 15 years from the COD. The sub-lease is further extendable for another 15 years. Lease rent is paid at the rate of approximately RO 61,600 (USD 160,000) per annum.

(c) Property, plant and equipment are mortgaged against long-term loan facilities (Note 12) availed by the Company.

5 Property, plant and equipment (continued)

December 2016	Buildings	Plant and machinery	Technical parts	Other assets	Decommissioning assets	Capital work-in-progress	Total RO'000	Total USD'000
Cost								
At 31 December 2015	7,027	189,234	4,901	24	777	326	202,289	525,426
Additions during the year	-	38	44	-	-	62	144	374
Disposals during the year	-	(36)	-	-	-	-	(36)	(94)
Transferred from capital work-in-progress during the year	-	-	-	-	-	(81)	(81)	(210)
At 31 December 2016	7,027	189,236	4,945	24	777	307	202,316	525,496
Accumulated depreciation								
At 31 December 2015	2,059	54,753	1,348	21	222	-	58,403	151,696
Charge for the year	235	6,311	169	1	26	-	6,742	17,512
At 31 December 2016	2,294	61,064	1,517	22	248	-	65,145	169,208
Net book amount								
At 31 December 2016	4,733	128,172	3,428	2	529	307	137,171	356,288

6 Trade and other receivables

	31 March 2017 RO'000	31 December 2016 RO'000	31 March 2017 USD'000	31 December 2016 USD'000
Trade receivables	5,832	6,460	15,148	16,779
Less: allowance for credit losses	(1,392)	(1,392)	(3,616)	(3,616)
	4,440	5,068	11,532	13,163
Advances and prepayments	120	132	312	343
Other advances	1,518	-	3,943	-
	6,078	5,200	15,787	13,506

Trade receivables are generally on 25 days credit terms.

The ageing analysis of unimpaired trade receivables is as follows:	31 March 2017 RO'000	31 December 2016 RO'000	31 March 2017 USD'000	31 December 2016 USD'000
Up to 3 months	4,440	5,068	11,531	13,163

Trade receivables are from Oman Power and Water Procurement Co. SAOC, the only customer of the Company (2016: OPWP).

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above.

The carrying amounts of the Company's trade receivables are denominated in Omani Rial.

7 Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following:	31 March 2017 RO'000	31 December 2016 RO'000	31 March 2017 USD'000	31 December 2016 USD'000
Current account balances with banks	2,782	7,150	7,226	18,571
	2,782	7,150	7,226	18,571

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

8 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:

	31 March 2017 RO'000	31 December 2016 RO'000	31 March 2017 USD'000	31 December 2016 USD'000
Authorised share capital of 600,000,000 shares of RO 0.100	60,000	60,000	156,000	156,000
Issued and fully paid-up share capital of 221,010,000 shares of RO 0.100	22,101	22,101	57,405	57,405

At the end of the year, 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 2017	Number of shares held 2017	Percentage share holding 2016	No of shares held 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

9 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. As the Company recorded a loss during the period ended 31 March 2017, no transfer was made to the legal reserve (2016: Rial 454 thousand).

10 Dividends paid and proposed

As explained in Note 12 and, in line with the facilities agreement entered into with its lenders, there will be no more proposal of dividend distribution to shareholders until the debt is fully repaid or restructured.

11 Hedging deficit

Interest rate swap

The long-term loan facilities of the Company bear interest at US LIBOR plus applicable margins (refer note 12). In accordance with the term loan agreement, the Company has fixed the rate of interest through Interest Rate Swap Agreements ("IRS") to hedge the risk of variation in US LIBOR for 95% of its loan facility till 31 March 2022. The corresponding maximum hedged notional amount of the swaps at 31 March 2017 is approximately RO 96 million (USD 249 million) [31 December 2016: RO 100 million (USD 260 million)] bearing fixed interest rates of 7.89%, 4.50%, 5.70%, 4.36% and 4.36% per annum (31 December 2016: 7.89%, 4.50%, 5.70%, 4.36% and 4.36% per annum) excluding applicable margin.

At 31 March 2017, the USD LIBOR was 1.42489% per annum, (31 December 2016 - 1.2336% per annum) whereas the Company has fixed interest on its borrowings as described above.

	31 March 2017 RO'000	31 December 2016 RO'000	31 March 2017 USD'000	31 December 2016 USD'000
HSBC Bank plc	(1,733)	(1,935)	(4,501)	(5,026)
Standard Chartered Bank	(1,093)	(1,233)	(2,839)	(3,203)
HSBC Bank plc	(1,087)	(1,102)	(2,823)	(2,862)
Standard Chartered Bank	(2,991)	(3,181)	(7,769)	(8,262)
Credit Agricole Corporate & Investment Bank	(2,991)	(3,181)	(7,769)	(8,262)
Hedging instrument at the end of the year	(9,895)	(10,632)	(25,701)	(27,615)
Deferred tax (Note 14)	1,186	1,276	3,081	3,314
Hedging reserve at the end of the year (net of tax)	(8,709)	(9,356)	(22,620)	(24,301)
Less: Hedging reserve at the beginning of the year	(9,356)	(12,904)	(24,301)	(33,513)
Effective portion of change in the fair value of cash flow hedge for the year	(647)	(3,548)	(1,681)	(9,212)

In case, the Company terminates the IRS at 31 March 2017, it may incur losses to the extent of approximately RO 9.89 million (USD 25.70 million) [31 December 2016: RO 11.64 million (USD 30.23 million)]. However, under the terms of the loan agreements, the Company is not permitted to terminate the interest rate swap agreements.

In accordance with 'IAS 39 Financial Instruments: Recognition and Measurement', the hedge is 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.

12 **Long-term loans**	**31 March 2017 RO'000**	**31 December 2016 RO'000**	**31 March 2017 USD'000**	**31 December 2016 USD'000**
Base facility	81,668	85,414	212,125	221,855
Repayment facility	15,709	16,429	40,803	42,673
Less: Current portion of long-term loans	(9,274)	(9,007)	(24,088)	(23,395)
	88,103	92,836	228,840	241,133
Less: deferred financing costs	(1,336)	(1,407)	(3,470)	(3,655)
Non-current portion of long-term loans	86,767	91,429	225,370	237,478

Syndicated facilities

The Company has syndicated long-term loan facilities ("syndicated facilities") in the aggregate maximum amount of apparently 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.

Base facility

The Company has obtained the term loan under base facility in an aggregate amount of USD 382.50 million. The aggregate amount of base facility is repayable in 34 (thirty four) semi-annual installments, of which 28 installments are ranging between USD 6.5 million and USD 13.2 million. The last 6, post concession, installments shall be of USD 18.8 million each. Repayments under the revised Base facility commenced from 30 September 2007.

Repayment facility

The Company has obtained the term loan under repayment facility in an aggregate amount of USD 72 million. The aggregate amount of repayment facility is repayable in 34 (thirty four) semi-annual installments, of which 28 installments are ranging between USD 1.2 million and USD 2.5 million. The last 6, post concession, installments shall be of USD 3.5 million each. Repayments under the repayment facility commenced from 30 September 2008.

Interest

The facilities bear interest at USD LIBOR rates plus applicable margins. The margins vary depending upon the outstanding facilities.

Commitment and other fees

Under the terms of the loan facilities, the Company is required to pay commitment fees, performance bond fee, front end fee for the facilities, agency fee and all other bank fees.

Security

The facilities are secured by comprehensive legal and commercial mortgages on all the assets of the Company.

12 Long-term loans (continued)

Covenants

The facilities agreements contain certain covenants pertaining to, amongst other things, project finance ratios, entering into material new agreements, negative pledge, change of business, loan and guarantee, etc.

Cash sweep

The long-term loan facilities agreement contain cash sweep prepayments which have started from the 17th repayment date i.e. 30 September 2015, requiring in accelerating the repayment of the term loan during the duration of the contract with our customer. The cash sweep prepayment amount equals to 100% of all amounts standing to the credit of the operating revenues account but limited to certain conditions. As a consequence, aside from the interim dividend of RO 0.913 million already paid in August 2016, no further amount will be available for distribution as dividends to the shareholders until the full repayment of the loan.

13 Provision for decommissioning costs

The provision for decommissioning costs represents the present value of management's best estimate of the future sacrifice of the economic benefits that will be required to remove the facilities and restore the affected area at the Company's sites. The movement in provision for decommissioning costs is a follows:

	31 March 2017 RO'000	31 December 2016 RO'000	31 March 2017 USD'000	31 December 2016 USD'000
At the beginning of the year	1,395	1,312	3,623	3,408
Unwinding of discount on decommissioning costs (Note 20)	22	83	57	216
At the end of the period	1,417	1,395	3,680	3,624

14 Income tax

(a) Current tax

Provision for income tax has been made after giving due consideration to adjustments for potential allowances and disallowances.

	31 March 2017 RO'000	31 March 2016 RO'000	31 March 2017 USD'000	31 March 2016 USD'000
Statement of profit or loss				
Deferred tax charge (net)				
- Current period	2,923	176	7,596	455
Statement of other comprehensive income				
Taxation (credit)/charge relating to interest rate swap	90	216	230	562
The following further notes apply:				
Statement of financial position				
Deferred tax liability	12,661	9,648	32,886	25,060

14 Income tax (continued)

(b) Status of tax assessments

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. The Company's assessments have been agreed with the Oman Tax Authorities upto the tax year 2011. The management considers that the amount of additional taxes, if any, that may become payable in relation to the tax years for which assessments are pending would not be material to the Company's financial position as at 31 March 2017.

(c) Deferred tax

The deferred tax liability and the deferred tax charge (net) in the statement of comprehensive income and statement of other comprehensive income are attributable to the following items:

	At 2016 31 December RO'000	Recognised in the statement of profit or loss RO'000	Recognised in the statement of other comprehensive income RO'000	At 2017 31 March RO'000
Provisions	247	5	-	252
Tax losses	266	(2)	-	264
Fair value of hedging instrument	1,276	-	(90)	1,186
Depreciation	(11,437)	(2,926)	-	(14,363)
	(9,648)	(2,923)	(90)	(12,661)

	At 2016 31 December USD'000	Recognised in the statement of profit or loss USD'000	Recognised in the statement of other comprehensive income USD'000	At 2017 31 March USD'000
Provisions	639	9	-	648
Tax losses	689	(5)	-	684
Fair value of hedging instrument	3,318	-	(230)	3,088
Depreciation	(29,706)	(7,600)	-	(37,306)
	(25,060)	(7,596)	(230)	(32,886)

The impact of the reassessment of the deferred tax liability due to the incease in Income tax rate from 12% to 15% is RO 2.8 million (USD 7.4 million).

15 Trade and other payables

	31 March 2017 RO'000	31 December 2016 RO'000	31 March 2017 USD'000	31 December 2016 USD'000
Trade payables	3,048	3,030	7,918	7,870
Accruals and other payables	3,465	5,135	8,992	13,329
	6,513	8,165	16,910	21,199

Trade payables are generally settled within 30 to 60 days of the suppliers' invoice date.

The contractual maturity date for trade payables is due within 12 months from the statement of financial position date.

16 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 International Accounting Standard Number 24. The management believes that such transactions are not materially different from those that could be obtained from unrelated parties.

Significant transactions during the year with related parties are as follows:	31 March 2017 RO'000	31 March 2016 RO'000	31 March 2017 USD'000	31 March 2016 USD'000
Services provided by Sohar Operations and Maintenance Co. LLC (SOMC)	1,654	1,663	4,295	16,380
Services provided by Power Management Co. LLC				
- Management fees	39	38	101	99
- Other administrative expenses	62	69	161	179
Services provided by Suez –Tractebel S.A.	13	13	34	34
Key management remuneration	36	35	94	91
Directors’ remuneration	21	25	55	258
Directors’ meeting attendance fees	6	5	16	50
Electrabel S.A. – guarantee fee	17	14	44	36
MENA Sohar 1SPV LTD – LC fee	10	8	26	21
SOGEX Oman LLC – LC fee	2	2	5	5
MOD Pension Fund – LC fee	2	2	5	5

16 Related party transactions and balances (continued)

A summary of the related party balances as at 31 March 2017 is as follows:

Amounts due to a related party	**31 March 2017 RO'000**	**31 December 2016 RO'000**	**31 March 2017 USD'000**	**31 December 2016 USD'000**
Sohar Operations and Maintenance Co. LLC	240	286	623	743
	240	286	623	743

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

17 Revenue

	31 March 2017 RO'000	**31 March 2016 RO'000**	**31 March 2017 USD'000**	**31 March 2016 USD'000**
Power and water revenue	14,868	16,309	38,618	42,361
	14,868	16,309	38,618	42,361

18 Cost of revenue

	31 March 2017 RO'000	**31 March 2016 RO'000**	**31 March 2017 USD'000**	**31 March 2016 USD'000**
Fuel gas	8,357	9,816	21,706	25,496
Operations and maintenance costs	1,654	1,663	4,295	4,319
Depreciation (Note 5)	1,686	1,685	4,379	4,377
Seawater extraction	185	181	481	471
Other operating expenses	249	229	647	595
	12,131	13,574	31,508	35,258

19 General and administrative expenses

	31 March 2017 RO'000	**31 March 2016 RO'000**	**31 March 2017 USD'000**	**31 March 2016 USD'000**
Management fees	39	38	101	99
Directors' meeting attendance fees and remuneration	27	30	70	78
Legal and professional fees	21	22	55	57
Staff costs	6	6	16	16
Other administrative expenses	102	122	266	316
	195	218	508	566

20 Finance costs

	31 March 2017 RO'000	31 March 2016 RO'000	31 March 2017 USD'000	31 March 2016 USD'000
Interest on net settlement of swaps	909	1,235	2,361	3,208
Interest on base facility	454	347	1,179	901
Interest on repayment facility	87	67	226	174
Amortisation of deferred financing costs	71	76	184	198
Other financial charges	45	85	117	221
Unwinding of discount on decommissioning costs (note 13)	22	21	57	55
	1,588	1,831	4,124	4,757

21 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 year.

	31 March 2017	31 December 2016	31 March 2017	31 December 2016
Shareholders' funds (in '000)	27,037	29,006	70,226	70,619
Number of issued and fully paid-up shares at the end of the year (in '000)	221,010	221,010	221,010	221,010
Net assets per share (RO/USD)	0.122	0.131	0.318	0.320

22 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 year.

	31 March 2017	31 March 2016	31 March 2017	31 March 2016
Net profit for the period (in '000)	(1,969)	510	(5,118)	1,325
Weighted average number of shares at the end of the period (in '000)	221,010	221,010	221,010	221,010
Basic and diluted earnings per share (RO/USD)	(0.009)	0.002	(0.023)	0.006

23 Lease commitments

Land on which the Sohar Power and Water Plant is constructed, has been leased from Sohar Industrial Port Company SAOC for a 15 year period. At the end of the year, future minimum lease commitments under non-cancellable operating leases are as follows:

	31 March 2017 RO'000	31 December 2016 RO'000	31 March 2017 USD'000	31 December 2016 USD'000
Within 1 year	63	63	164	164
Between 1 and 5 years	251	251	652	652
After 5 years	16	31	42	81
	330	345	858	897

24 Contingent liabilities

and Vanes. The Company is currently in discussion with the Insurers to quantify the impact of the covereage. There were no continget liabilities outstanding as at 31 December 2016.

25 Capital risk management

The capital is managed by the Company in a way that it is able to continue to operate as a going concern while maximising profitability of the company.

The capital structure of the Company consists of share capital, reserves and retained earnings. The Company manages its capital by making adjustments in dividend payments and bringing in additional capital in light of changes in business conditions. No changes were made in the objectives, policies and processes during the period ended 31 March 2017 and 2016.

26 Financial assets and liabilities and risk management

(a) Financial assets and liabilities

Financial assets and liabilities carried on the statement of financial position include cash and bank balances, trade and other receivables, due to related parties, long-term loans and trade and other payables. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

(b) Risk management

Risk management is carried out by the Finance Department of the Company under the guidance of the senior management and Board of Directors. The senior management and Board of Directors provide significant guidance for overall risk management covering specific areas such as credit risk, interest rate risk, foreign exchange risk and investment of excess liquidity.

(c) Capital management

The primary objective if the Company's capital management is to ensure that it maintains a healthy capital ratio in order to support its business and maximise shareholders' value.

The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Company includes within net debt, trade and other payables, due to related parties and long-term loans less cash and bank balances. Capital includes share capital, reserves and retained earnings.

26 Financial assets and liabilities and risk management (continued)

(c) Capital management (continued)

The Company has complied with externally imposed capital requirements as stipulated in the Commercial Companies Law, 1974 (as amended) and by the Capital Market Authority.

	March 2017 RO'000	December 2016 RO'000	March 2017 USD'000	December 2016 USD'000
Trade and other payables	6,513	8,165	16,910	21,199
Amount due to a related party	240	286	623	743
Long-term loans	96,041	100,436	249,458	260,873
Less: cash and bank balances	(2,782)	(7,150)	(7,226)	(18,571)
Net debt	100,012	101,737	259,765	264,244
Share capital	22,101	22,101	57,405	57,405
Legal reserve	3,708	3,708	9,633	9,633
Retained earnings	1,228	3,197	3,194	8,309
Shareholders' equity	27,037	29,006	70,232	75,347
Total capital and net debt	127,049	130,743	329,997	339,591
Gearing ratio	78.72%	77.81%	78.72%	77.81%

In addition, the Company's activities expose it to a variety of financial risks: market risk (including currency rate risk, interest rate risk and price risk), credit risk and liquidity risk.

(d) Market risk

(i) Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company is exposed to currency risk on bank borrowings that are denominated in a currency other than the functional currency of the Company. The currency in which these transactions are denominated is USD. In respect of the Company's transactions denominated in USD, the management believes that the Company is not exposed to currency risk as the RO is effectively pegged to the USD and as the revenues of the Company are protected against foregin exchange fluctuation, by a provision under the PWPA. At the end of the reporting period, the Company had bank balances denominated in USD amounting to RO 0.06 million (31 December 2016: RO 0.20 million).

26 Financial assets and liabilities and risk management (continued)

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates.

The Company's interest rate risk arises from long-term loans availed by the Company. The Company has entered into an interest rate swap to hedge its interest rate risk exposure. Under the interest rate swap contracts, the Company agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Company to mitigate the risk of changing interest rates on the fair value of issued fixed rate debt and the cash flow exposures on the issued variable rate debt. All interest rate swap contracts exchanging floating rate interest amounts for fixed rate interest amounts are designated as cash flow hedges in order to reduce the Company's cash flow exposure resulting from variable interest rates on bank borrowings. The interest rate swaps and the interest payments on the loan occur simultaneously.

(iii) Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

As the Company has no exposure to investments, it does not have the risk of fluctuation in prices. Management considers that sensitivity analysis is not necessary due to the Company's limited exposure to price risk.

(e) 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 trade receivables. At the end of the year, the entire accounts receivable was from a government owned company (OPWP). The management considers the credit risk associated with the trade receivables to be very low because the receivables are from the Government. Furthermore, the cash is placed in reputable banks, with good credit ratings, which minimize the credit risk.

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

	31 March 2017		31 December 2016	
	RO'000	Provision RO'000	RO'000	Provision RO'000
Not past due	4,440	-	5,068	-
More than one year	1,392	1,392	1,392	1,392
	5,832	1,392	6,460	1,392

26 Financial assets and liabilities and risk management (continued)

(e) Credit risk (continued)

	31 March 2017 USD'000	31 March 2017 Provision USD'000	31 December 2016 USD'000	31 December 2016 Provision USD'00
Not past due	11,531	-	14,282	-
More than one year	3,616	3,616	3,616	3,616
	15,147	3,616	17,898	3,616

(f) 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 maintains sufficient bank balances and cash to meet the Company's obligations as they fall due for payment.

31 March 2017	Carrying value RO'000	Contractual cash flow RO'000	6 months or less RO'000	6 to12 months RO'000	1 to 2 years RO'000	2 to 5 years RO'000	More than 5 years RO'000
Non-derivative financial liabilities (A)							
Secured bank loans	96,041	94,705	5,350	3,924	9,420	27,080	48,931
Accounts and related party payable	6,753	6,753	6,753	-	-	-	-
Derivative financial liabilities (B)							
Interest rate swaps used for hedging	9,895	10,525	1,254	1,399	2,695	2,952	2,225
Total (A+B)	112,689	111,983	13,357	5,324	12,115	30,032	51,156

	Carrying value USD'000	Contractual cash flow USD'000	6 months or less USD'000	6 to12 months USD'000	1 to 2 years USD'000	2 to 5 years USD'000	More than 5 years USD'000
Non-derivative financial liabilities (A)							
Secured bank loans	249,458	245,988	13,896	10,193	24,468	70,338	127,093
Accounts and related party payable	17,540	17,540	17,540	-	-	-	-
Derivative financial liabilities (B)							
Interest rate swaps used for hedging	25,701	27,340	3,258	3,635	7,001	7,667	5,779
Total (A+B)	292,699	290,868	34,694	13,828	31,469	78,005	132,872

26 Financial assets and liabilities and risk management (continued)

(f) Liquidity risk (continued)

31 December 2016	Carrying value RO'000	Contractual cash flow RO'000	6 months or less RO'000	6 to12 months RO'000	1 to 2 years RO'000	2 to 5 years RO'000	More than 5 years RO'000
Non-derivative financial liabilities (A)							
Secured bank loans	100,436	101,843	3,658	5,350	9,337	27,695	55,803
Accounts and related party payable	8,676	8,676	8,676	-	-	-	-
Derivative financial liabilities (B)							
Interest rate swaps used for hedging	11,639	12,496	3,451	3,025	2,524	1,634	1,862
Total (A+B)	120,751	123,015	15,785	8,375	11,861	29,329	57,665
	USD'000	**USD'000**	**USD'000**	**USD'000**	**USD'000**	**USD'000**	**USD'000**
Non-derivative financial liabilities (A)							
Secured bank loans	260,873	264,528	9,500	13,896	24,253	71,935	144,944
Accounts and related party payable	22,535	22,535	22,535	-	-	-	-
Derivative financial liabilities (B)							
Interest rate swaps used for hedging	30,230	32,459	8,964	7,857	6,557	4,245	4,836
Total (A+B)	313,638	319,522	40,999	21,753	30,810	76,180	149,780

27 Fair values of financial instruments

The management believes that the fair values of financial assets and liabilities are not significantly different from their carrying amounts at the end of the year. The fair value hierarchy has the following levels:

The fair value of derivative financial liabilities (interest rate swaps) with a carrying value of RO 10.63 million (USD 27.62 million) [31 December 2016: RO 10.63 million (USD 27.62 million)] is calculated as the present value of the estimated future cash flows based on observable yield curves.

28 Capital commitments

Outstanding capital commitments as at 31 March 2017 amounted to RO Nil (31 December 2016: RO Nil).

29 Subsequent events

There were no events occurring subsequent to 31 March 2017 and before the date of the report that are expected to have a significant impact on these financial statements.