ANNUAL REPORT 2017

Energizing Oman's Future

الباطنة للطاقة

AL BATINAH POWER

البطانة

His Majesty Sultan Qaboos bin Said

CONTENTS

BOARD OF DIRECTORS AND KEY EXECUTIVE OFFICERS

Board of Directors	Position	Representing
Mrs. Catherine Lorgere Chouteau	Chairperson	Kahrabel FZE
Mr. Padmanabhan Ananthan	Deputy Chairperson	
Mr. David Joseph Orford	Director	
Mr. Guillaume Baudet	Director	
Mr. Hachiman Yokoi	Director	Blue Horizon Sohar Power B.V.
Mr. Hadi Said Humaid Al-Harthy	Director	Public Authority for Social Insurance
Mr. Khalifa Mubarak Al Hinai	Director	
Mr. Mohamed Amur Mohamed Al-Mamari	Director	Civil Service Employees Pension Fund
Mr. Mohammad Ribhi Izzat AlHusseini	Director	Ministry of Defence Pension Fund
Mr. Takahito Iima	Director	SEP International Netherlands B.V.
Mr. Vinayendra Prasad	Director	Multitech LLC

Key Executive Officers	Position
Mr. Ya'qoub Harbi Salim Al Harthi	Chief Executive Officer
Mr. So Murakami	Chief Financial Officer

BOARD OF DIRECTORS’ REPORT

Dear Shareholders,

On behalf of the Board of Directors of Al Batinah Power Company SAOG (the “Company”), I have the pleasure to present the Annual Report of the Company for the year ended 31 December 2017.

Corporate Governance

During the year, the Company made substantial progress on the implementation of the new Code of Corporate Governance that came into force in July 2016. After further clarifications from Capital Market Authority (“CMA”) that was published in December 2016, the company policies and procedures have been updated to ensure due compliance with the code. As the Code requires, the board appraisal has been conducted by a third party who was appointed by Shareholders in the AGM and as per the approved evaluation criteria.

Operational Highlights

2017 was a successful year for the Company. The plant underwent two main planned inspections, major maintenance on gas turbines 11 and enhanced medium inspection on Steam Turbine, which were completed in November 2017. Despite these two inspections, the plant generated around 4,329 GWh of electricity, which is 67% of the full plant capacity; only 2.3% less as compared to last year, with a reliability of 98.85%.

The plant fuel margin showed 0.35% more negative as compared to last year, which is a repercussion of dispatching the plant at a high load. Going forward, as the plant has successfully implemented an efficiency improvement project during the year, the fuel margin is expected to show a good improvement.

This excellent performance was achieved with zero lost time accidents to any of our staff, thereby clocking 2,370 lost time accident free days since inception, which is reflective of our continued focus on health, safety and environment ("HSE"). The RoSPA (Royal Society for Prevention of Accidents – UK), for two consecutive years, recognized the extraordinary occupational health and safety performance of our operations and maintenance team, Suez-Tractebel Operation and Maintenance Oman ("STOMO"), through a gold award in July 2017.

The Company has duly complied with the new regulations introduced in respect of cyber security for the plant by the Authority for Electricity Regulation. Along with its Operations & Maintenance Contractor (STOMO), the Company has ensured a robust cyber security at the plant.

Financial Results

	Year ended 31 December 2017 RO'000	Year ended 31 December 2016 RO'000	Percentage change
Revenues	**70,643**	**71,052**	**-0.6%**
Direct costs	(50,297)	(49,603)	
Gross profit	**20,346**	**21,449**	**-5.1%**
Other income	25	115	
General and administrative expenses	(783)	(789)	
Profit before interest and tax	**19,588**	**20,775**	**-5.7%**
Finance costs (net)	(10,562)	(11,012)	
Profit before tax	**9,026**	**9,763**	**-7.5%**
Tax expense	(4,470)	(1,468)	
Net profit	**4,556**	**8,295**	**-45.1%**

The revenue has seen slight reduction as compared to last year mainly due to lower plant load. The US Producer Price Index (USPPI) reduction of 3%, major planned maintenance related cost and the lower fuel margin of the plant attribute to the higher direct cost and hence a decline in gross profit by about 5%.

The amended tax law has increased the income tax rate from 12% to 15% starting from year 2017. This has necessitated setting aside a large sum as deferred tax provision and as such, the net profit has steeply reduced by 45.1% to RO 4.5 million as compared to year 2016. The Company has utilised the protection under PPA and invoked a Buyer Risk Notice to OPWP which shall nullify, to great extent, future cash impact of this rate increase.

The Company paid a dividend of 7.29 Baizas per share in 2017, 15% lower than in 2016, (8.85 Baizas per share) mainly due to higher cost incurred as explained above.

The share price ended the year at 139 Baizas.

Corporate Social Responsibility

The company has continued to support the local community. The focus during the year was on educational sector. The Company provided six 88" interactive boards to two schools that will enhance the student comprehension and grasp of the subject matter. More than 1,000 sqr. meters of land were prepared and covered by artificial grass to form a safe ground for sport and educational activities in two other schools, Al Rabea bin Habeeb and Al Fateh School.

Medium term Outlook

All reasonable measures are taken by the management to maintain the high reliability levels in 2018. Any change in the power supply and demand landscape in the Sultanate has no substantial impact on the financial performance of the Company since its net profit is mainly derived from its plant reliability.

The Company continues to monitor developments in the financial markets and should these show significant improvement, the refinancing exercise will be revived.

As Chairperson of the Board, I would like to thank our shareholders, not only for their confidence, but also for their continued support and for the expertise they bring into the Company. The Board of Directors expresses its gratitude to OPWP, the Authority for Electricity Regulation (AER), the Capital Market Authority (CMA) and other governmental and non-governmental bodies for their guidance and support. I also thank all operations and maintenance staff in the power plant as well as the staff members of the Company for their loyalty and dedication. Thanks to their day-to-day work, the Company was able to achieve its goals and objectives.

Finally, on behalf of the Board of Directors, I would like to extend our deep appreciation and gratitude to His Majesty Sultan Qaboos Bin Said and His Government for their continued support and encouragement to the private sector by creating an environment that allows us to participate effectively in the growth of the Sultanate's economy and to dedicate our achievements to the building of a strong nation.

Catherine Lorgere Chouteau
Chairperson of the Board

PROFILE OF MAJOR SHAREHOLDERS

Kahrabel FZE

Kahrabel FZE oversees and manages the development, construction and operation of the electricity and water production business of ENGIE group in MENA region. It is an entity 100% owned directly by International Power S.A., which is ultimately owned indirectly by ENGIE group. ENGIE is a global energy player and an expert operator in the three businesses of electricity, natural gas and energy services. ENGIE places responsible growth at the heart of its activities (electricity, natural gas, energy services) to meet the major challenges of the energy transition towards a low-carbon economy: access to sustainable energy, mitigation and adaptation to climate change and responsible use of resources. The group develops high-performing and innovative energy solutions to individuals, cities and businesses by particularly relying on its expertise in four key sectors: renewable energy, energy efficiency, liquefied natural gas and digital technology. ENGIE has 154,950 employees worldwide, with sales of EUR66.6 billion in 2016. Quoted in Brussels and Paris, the group is represented on the leading international indices: CAC 40, BEL 20, DJ Euro Stoxx 50, Euronext 100, FTSE Eurotop 100, MSCI Europe, DJSI World, DJSI Europe and Euronext Vigeo (Eurozone 120, Europe 120 and France 20).

Multitech LLC

Multitech LLC belongs to Bahwan Holding (BH), which is one of the foremost business houses in the Sultanate of Oman, and is under the management and control of Bahwan Engineering Company LLC (BEC).

Multitech's activities include trading in electrical products, welding products, water treatment, oilfield chemicals and cranes.

In addition, Multitech acts as the investment arm for BH's participation in the power and water privatization projects in Oman and is the founding shareholder in the following companies:

1. Al Suwadi Power Company SAOG (Barka 3 IPP - 745 MW Power Project).
2. Al Batinah Power Company SAOG (Sohar 2 IPP - 745 MW Power Project).
3. Phoenix Power Company SAOG (Sur IPP - 2000 MW Power Project).

Civil Service Employees Pension Fund (CSEPF)

The Civil Service Employees Pension Fund (CSEPF) was established simultaneously with the introduction of the Law of Pensions and End of Service Benefits for Omani Nationals employed in the Government sector in the beginning of 1986.

The Fund is an independent government unit which has a juristic personality, an administrative and financial independence.

Further information about CSEPF is available at: www.civilpension.gov.om

SEP International Netherlands B.V. (SEPI)

SEPI is a wholly owned subsidiary of Shikoku Electric Power Co., Inc. (Yonden) for investing and managing IPP/IWPP projects outside Japan, which holds shares in Barka-3 IPP (744MW, CCGT) & Sohar-2 (744MW, CCGT) in Oman, and Ras Laffan C IWPP (2,730MW, CCGT & 63 MIGD) in Qatar.

Ras Laffan C IWPP, one of the world's largest and most complex independent water and power projects, achieved COD as scheduled in 2011 and is continuing efficient & stable operation since then.

Yonden, listed on the Tokyo Stock Exchange, is an electric power utility and carries out the integrated process of generating, transmitting, distributing, and selling electricity to 4 million people in the Shikoku region, Japan. Yonden employs more than 4,600 people and has achieved consolidated operating revenues of USD 6.1 billion from the electricity sales of 30.4 billion kWh in the fiscal year ended March 31, 2017. Since its establishment in 1951, Yonden has contributed to regional development through the stable supply of low-cost, high-quality electricity by establishing a balanced energy mix that combines nuclear, coal, oil, gas, hydro, and solar power, totaling approximately 6,340MW (net and gross) in generating capacity at 64 power stations.

Especially in the thermal power field, over 400 engineers engage in engineering, construction, operation and maintenance of thermal power plants whose generating capacity is approximately 3,700MW with their comprehensive experiences, skills and know-how obtained for more than 60 years. Yonden owns two CCGT units (296MW and 289MW at its Sakaide Power Station).

Further information about Yonden is available at: www.yonden.co.jp/english/index.html

Blue Horizon Sohar Power B.V. (BHSP)

Blue Horizon Sohar Power B.V. (BHSP) is a wholly owned subsidiary of Sojitz for investing in the Sohar-2 IPP. Sojitz is an investment and trading corporation based in Tokyo, Japan, and listed on the Tokyo Stock Exchange.

Sojitz employs more than 17,000 people worldwide (as of September 2017) and achieved revenues of JPY 3.7 trillion in the fiscal year ended in March 2017.

Sojitz was established through the merger of Nichimen Corporation (established in 1892) and Nissho Iwai Corporation (established in 1896) in 2004. Sojitz conducts its operations in around 50 countries through over 400 consolidated subsidiaries and affiliated companies in Japan and overseas. Sojitz's business activities are wide-ranging, covering machinery, energy and metal, chemicals and consumer lifestyle. Sojitz's strength lies not only in developing financial schemes, but also in conducting accurate analysis of markets through its overseas networks and determining the commercial viability of businesses using accumulated expertise in various fields. Sojitz has used these skills to pursue opportunities in IPP businesses as a developer, investor, finance arranger and/or project coordinator. Sojitz has been involved in IPP projects worldwide including Oman, Saudi Arabia, Vietnam, Mexico, China, Trinidad & Tobago, Sri Lanka and Japan.
Sojitz, a direct shareholder of BHBP, is a global investment and trading company actively involved in project developments for power and energy sector around the world. Specifically in the Gulf region, Sojitz has long been involved in power and water projects including EPC desalination projects such as Ghubra Phase 1, 2, 3/4 and 5, Muhut and IPP projects such as PP11 IPP (1,729 MW) in Saudi Arabia and Barka-3 (744 MW, CCGT) / Sohar-2 (744MW, CCGT) in Oman.

Further information about Sojitz is available at: http://www.sojitz.com/en/

Public Authority for Social Insurance (PASI)

PASI is a public authority established in Oman enjoying administrative and financial independence pursuant to Royal Decree 72/91 issued on 2nd July 1991. PASI manages a defined benefit pension scheme for Omani nationals employed in the private sector through prudent, wise and long-term investment strategies. Currently, the scheme members exceed 203,000 active participants.

PASI invests actively in the local and international capital markets. Locally, PASI has been a pioneer in participating in power, utility companies and major real estate projects. Internationally, PASI's investments cover both traditional (such as bonds and equities) and alternative assets (such as private equity, infrastructure & real estate).

Further information about PASI is available at: www.pasi.gov.om

Ministry of Defence Pension Fund (MODPF)

The Ministry of Defence Pension Fund is a public legal entity in the Sultanate of Oman duly organized under, and registered pursuant to, Sultani Decree 87/93 issued on 29th December 1993. The Ministry of Defence Pension Fund is one of the largest pension funds in Oman and is a major investor in the local capital markets, both in equities and bonds. It is also a major participant in project investments and Real Estate investments. The Fund is represented on the boards of several prominent Corporates in Oman.

Al Batinah Power Company SAOG (the "Company") takes its role as a responsible corporate citizen seriously. Guided by its CSR policy focusing on local initiatives in the areas of education, sports, health, safety and environment, the Company realized 4 projects at local schools near the plant.

Project Description	Amount (RO)
3x88" interactive boards for class rooms at Al Zuhoor Basic School, Sohar	3,450
3x88" interactive boards for class rooms at Al Muthabra Basic School, Sohar	3,450
Artificial grass for football playground at Imam Rabee bin Habeeb School, Sohar	6,950
Artificial grass for children's field & park at Al Fatih Basic School, Sohar	5,949
Total	**19,799**

The first and second projects were completed in first quarter of the year at Al Zuhoor Basic School and Al Muthabra Basic School, Sohar. The Company has procured three 88" interactive boards for each school. These interactive boards are very versatile and enable more students, in both the schools, to follow intricate mathematics, graphical presentations as also scientific study/teaching material. Information is displayed in a way that appeals to the eyes of the young students.

The third project was to provide an artificial grass for football playground at Imam Al Rabee bin Habeeb School, Sohar that was completed in last quarter of the year. This project serves more than 760 students who are studying in Grade 10-12. They would perform the sport activities in a safer manner compared to previous playground and increase the level of engagement of the students. The school plans to rent the playground after the school hours, which will be a source of income for the school.

The fourth project was also completed in the last quarter of the year at Al Fatih Basic School, Sohar. More than 1,000 square meters of artificial grass was laid down inside the school. Around 750 students now perform their educational activities in open area instead of closed rooms. This should encourage and motivate them to participate in such activities and consequently grasp the idea behind those activities.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

The management of Al Batinah Power Company SAOG (the "Company") is pleased to present its report on the Company's business structure, opportunities and threats, operational and financial performance, risks and concerns, outlook and other matters of importance to the shareholders.

Industry structure and development

In 2004, the 'Sector Law' came into force which provides the framework for the industry structure of electricity and related water in Oman. It led to the installation an independent regulatory authority, the Authority for Electricity Regulation (AER), a single procurement company, Oman Power and Water Procurement Company SAOC (OPWP) and a holding company, Electricity Holding Company SAOC (EHC).
OPWP is responsible for ensuring that there is sufficient electricity and water production capacity available at the lowest cost to meet growing demands in Oman. OPWP undertakes long-term generation planning and identifies new projects to be developed by private sector entities, in order to meet the future power generation and water desalination requirements of Oman.

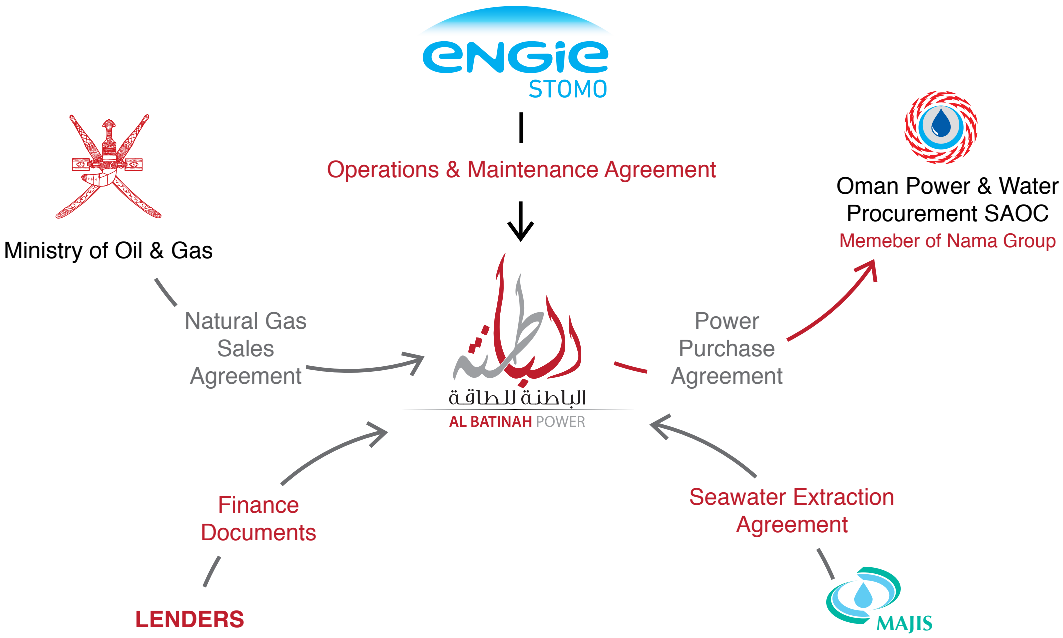
Oman's electricity sector is partly government-owned and partly privatized. OPWP's portfolio of contracted power capacity comprises of long-term contracts with fifteen power and/or deslination plants in operation.

The Company is closely following OPWP's "spot market" arrangements for the future procurement of power from independent power producers. Although the Company has a Power Purchase Agreement (PPA) with OPWP which expires in 2028, the proposal in this respect, presently discussed by OPWP, will require the Company to participate, on a daily basis, in the 'spot market' process albeit with no risk to its revenue arrangements agreed within the existing PPA. With the proposed arrangement, OPWP is aiming to enhance dispatch efficiency by increasing transparency, achieving fuel efficiency, efficient asset utilization and clarity in respect of post PPA term revenue opportunities for generators thereby enhancing transparency of the treatment of expiring PPAs. OPWP would continue to retain its role as the single buyer of all wholesale electricity in the country.

Opportunities and Threats

The Company has a well-established contractual framework ensuring stable and predictable cash flows.

Contractual Framework



The Power Purchase Agreement (PPA) with OPWP is resilient to potential shocks in gas prices and power demand until 2028. OPWP is the sole purchaser of all electricity output from the power plant (the "Plant") and the Company is fully dependent on timely payments by OPWP. OPWP is an entity with a high credit rating and a good track record of timely payments.

The Natural Gas Sales Agreement (NGSA) executed with the Ministry of Oil and Gas (MOG) secures the availability of fuel (natural gas) back to back with the PPA term. In January 2015, the gas price was revised with annual escalation of minimum 3% as per the NGSA. However, as the gas cost is a pass-through element under the PPA, the Company has virtually no impact from the increase in the gas price.

The Seawater Extraction Agreement executed with Majis Industrial Services SAOC (Majis) secures the availability of chlorinated seawater which the Company uses mainly for cooling purpose for different equipment of the Plant.

The Company has entered into financing agreements with a consortium of international banks and export credit agencies. The interest rates volatility is adequately hedged through entering into interest rate swap agreements thus improving the predictability of cash flows available to shareholders.

The technological risk is considered low as the Plant uses proven technology from renowned international suppliers (mainly Siemens).

Suez-Tractebel Operation and Maintenance Oman LLC (STOMO -ENGIE)is contracted to operate and maintain the Plant for the term of the PPA. STOMO is an experienced and skilled operator with largest O&M expertise in Oman. The operations and maintenance standards of the Plant are based on international best practices, in accordance with ENGIE's policies and principles which in turn are derived from its experience in operating numerous power generation plants worldwide.

Finally, the Company continues to benefit from the extensive experience of its main shareholders in ownership and operation of power projects in the country and worldwide.

Discussion on operational performance

Health and Safety

Health and safety performance is given utmost importance within the Company and also encompasses STOMO, various contractors and sub-contractors, in order to achieve the goal set by the top management: zero harm and zero environmental incidents.

The overall HSE performance in 2017 was excellent with no lost time accident (LTA) reported. The Company takes pride to inform that the Plant has completed more than 2,370 days without an LTA.

The Plant holds major certifications like ISO 14001 and OHSAS 18001 as a testimony for safe and high quality Plant operations. The Plant was also awarded, for two consecutive years, the 'RoSPA Gold Award for Health and Safety' in July 2017 by The Royal Society for the Prevention of Accidents (RoSPA). Many other proactive actions undertaken by the Company and STOMO have led to such excellent accomplishment of HSE objectives:

- Frequent management reviews and safety walks
- Proactive key performance indicators (KPI)
- Behavioral based program called "fresh eyes"

- Implementation of INTELEX – a safety incidents management system
- Behavioral Attitude Recommendation Standards (BARS) is a corporate initiative introduced by Engie as part of wider loss control and risk management approach.
- All the O&M managers and HSE staff are NEBOSH certified

Every small incident or near miss is taken very seriously, analyzed and actions are proactively implemented and shared internally and with board members so as to benefit from their experience and network to ensure best practice.

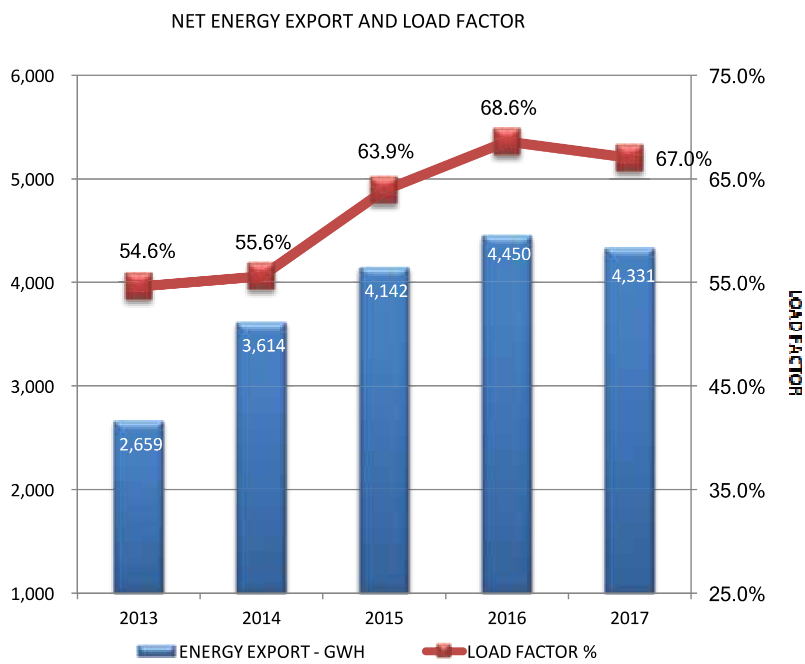
Human Resources – training and career development

Training values at the plant are established by the STOMO. These are primarily aimed to ensure that all of their employees perform their tasks in the most efficient and safe manner. The Company and STOMO are committed to empower qualified Omani Nationals to acquire better-quality engineering and related skills and take up higher responsibilities in operating and maintaining the Plant. To this end, since inception, the strategy of the Company and STOMO has been to train and develop qualified Omani staff to take up additional responsibilities in the due course. Annual performance review of each employee includes assessment of their career growth. STOMO has been successful in identifying candidates, especially young Omani graduates, with high potentials to take them through a higher level of specialized training and peer guidance to scale the echelons of senior management, reaching the highest position in a power company.

The Company too has established processes and has implemented its human resource policy that maps career graph for young Omani Nationals to achieve their potentials and grow professionally and take up senior positions.

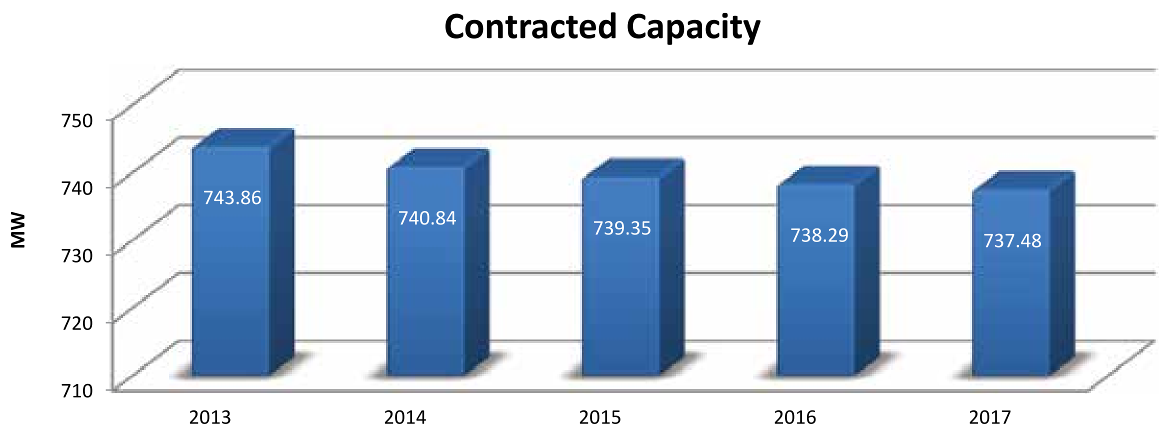
Net energy export and load factor

The net energy export and load factor have witnessed an increasing trend since commercial operation of the Plant in April 2013, reaching a year average of 68.6% in 2016 and have seen slight reduction in 2017 to 67.0% due to planned inspections in Q4 of the year.



Capacity

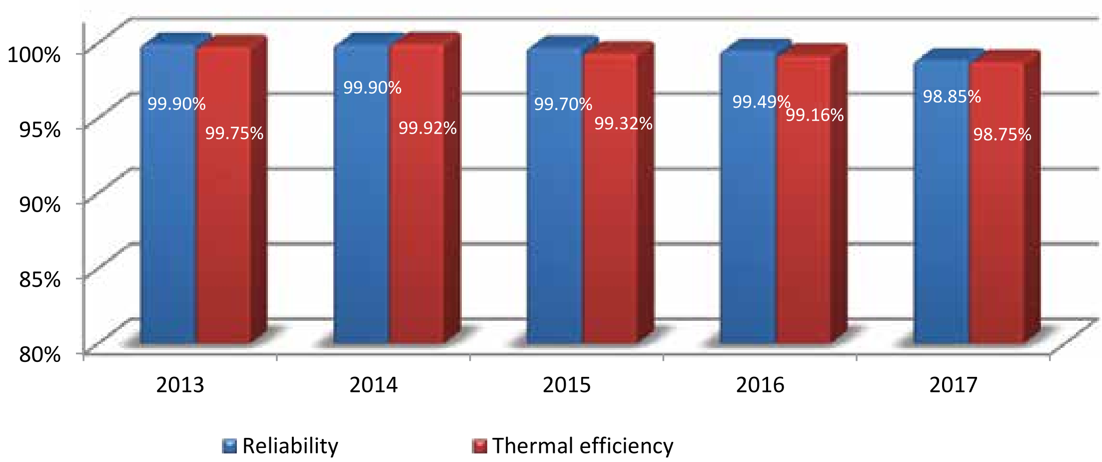
The capacity of a plant is defined as the total electrical power (MW), which can be delivered by the plant at reference site conditions. As defined in the PPA, the guaranteed contracted capacity slightly and gradually decreases over the first 5 years of the project and then reaches a plateau at 736.53 MW from Contract Year 6 until the end of the PPA



Reliability and Thermal Efficiency

The reliability of a plant is its ability to deliver the declared capacity, as per the PPA. The Plant's operational reliability over the last five years has been excellent by industry standards and materially contributes to the Company's financial performance.

The efficiency of a power plant is measured in terms of the amount of heat required to produce one unit of electrical energy. There was a small drop in efficiency of the Plant especially during summer months mainly due to compressor fouling and differential pressure of gas turbine air filter. Also fuel demand model shows negative deviation from actual gas consumption at higher load factor. Various efficiency improvement solutions have already been implemented and others are being developed. The Company expects better fuel margin starting from next year as a result of the newly implemented project that has led to switching-off the gas compressors permanently. This has resulted in less plant internal power consumption, which should deliver sizable savings in fuel consumption and consecutively, improvements in efficiency.



Maintenance

Maintenance of the Plant was undertaken in accordance with the standard operations and maintenance processes recommended by the Original Equipment Manufacturer (OEM), Siemens, and also condition based monitoring. The first major maintenance overhaul or extended hot gas path inspection on one of two gas turbines was successfully completed in November 2016. . The second gas turbine went through a small scale inspection in March 2017, to enhance its readiness for summer operation of 2017, before the major maintenance was successfully completed in November 2017.

Warranty

Warranty on the main equipment and the balance of plant under the EPC Contract expired in June 2014 and April 2015 respectively, however the EPC Contractor has extended the tenor of the Warranty Bond to a level reflecting the value of remaining warranty claims, as agreed by the Board of Directors. The management entered into a separate supplemental agreement for cooling water pumps 11 and 12 with two years of extended warranty. The management is closely monitoring the resolution of the warranty claims against the EPC Contractors and shall revisit the value of remaining works and seek further extension of warranty bond until all warranty claims are duly resolved / implemented.

Discussion on financial performance

For Management Discussion & Analysis Report 2017

Figures in RO millions		2017	2016	% change
Revenues	1	70.64	71.05	-0.6%
Net Profit	2	4.56	8.30	-45.1%
Net Profit before Finance costs	3	15.12	19.31	-21.7%
Total Assets	4	272.86	282.08	-3.3%
Capital (Paid-up)	5	67.49	67.49	0.0%
Shareholders' Fund (Net Assets)	6	80.57	80.93	-0.4%
Term Loans *	7	171.59	185.37	-7.4%
Weighted average number of shares	8	674.89	674.89	0.0%
Actual number of shares outstanding	9	674.89	674.89	0.0%
Ordinary Dividends	10	4.92	5.79	-15.0%
Key Financial Indicators				
Net Profit Margin	2/1	6.4%	11.7%	n/a
Return on Capital (Paid-up)	2/5	6.8%	12.3%	n/a
Return on Capital Employed	3/(6+7)	6.0%	7.3%	n/a
Debt Equity ratio	7:6	62.4 : 29.3	69.6 : 30.4	n/a
Net assets per share (Baizas)	6/8	119.38	119.92	-0.4%
Basic earnings per share (Baizas)	2/8	6.75	12.29	-45.1%
Dividends per share (Baizas)	10/9	7.29	8.58	-15.0%

** Excluding unamortised transaction cost*

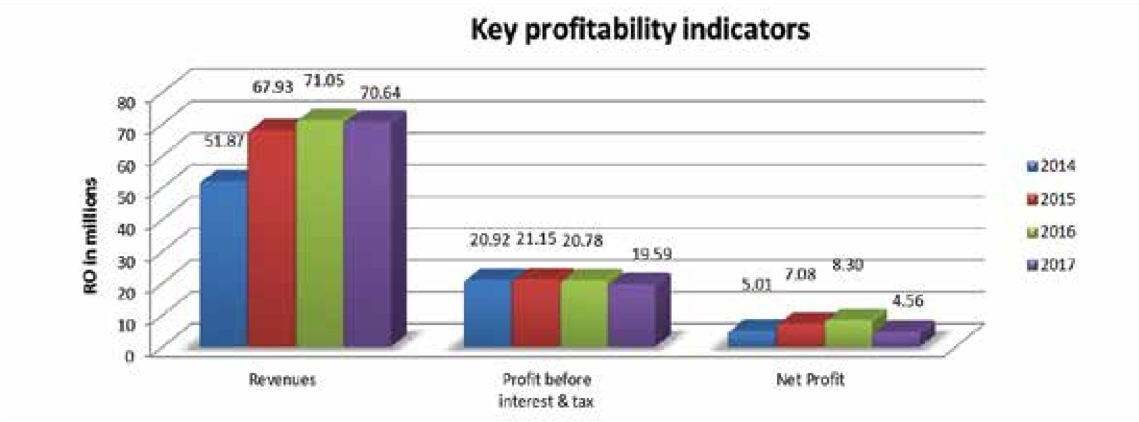
Analysis of Profit & Loss

Higher plant load increased the fuel gas cost. However, as the gas cost is virtually a pass through element in the PPA, the Company's revenues have correspondingly increased on a back to back basis. The excellent plant operations continued to contribute to the financial performance of the Company.

The Net Profit for the year 2017 decreased by 45% compared to last year. The main and large contributor, around 80%, to this reduction is the amendment of Income Tax Law. Other contributors are indexation and the necessity of performing small scale inspection in one of the Gas Turbines to enhance the reliability of its summer operation. These negative impacts were slightly offset by the steady reduction in finance costs because of scheduled debt repayments.

As a result, the basic earnings per share decreased to 6.75 Baizas for the year 2017 compared to 12.29 Baizas in year 2016.

The Company revenue and profit since the commercial operation date (COD) are graphically displayed below:



** Major reason of the increase in revenue from 2014 to 2015 is that the gas unit price escalated double effective 1 January 2015 as per the NGSA. As the gas price is a pass through element in the PPA, the Company's revenues have correspondingly increased on a back to back basis.*

Analysis of Balance Sheet

Total Assets of the Company stood at RO 272.85 million as on 31 December 2017 as compared to RO 282.08 million last year mainly due to depreciation charge for the year.

Trade Receivables include one month of OPWP's invoice which is expected to be settled by OPWP in the due course as provided in the PPA.

Cash and cash equivalents and short term deposit net of short term borrowing stood at RO 0.15 million as at 31 December 2017, as compared to RO 2.53 million last year.

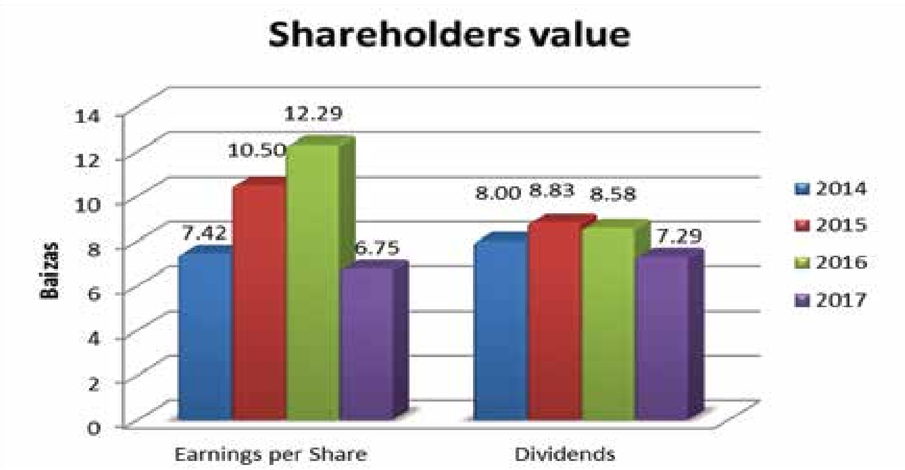
The Shareholders Funds (Net Assets) slightly decreased to RO 80.57 million as of 31 December 2017 mainly due to lesser net profit earned during year 2017 as reduced by the dividends distributed to the shareholders during the year.

Term Loans (including non-current and current balances) have reduced to RO 171.59 million as a result of scheduled loan repayments in accordance with the terms agreed within the Finance Documents.

The Company has involved a consultant to perform a study to estimate the asset retirement obligation (ARO). Accordingly, an adequate provision was made for ARO to enable it to fulfill its legal obligation to dismantle and take away the Plant at the end of its useful life and restore the land.

Dividend Distribution

The Company's dividend policy of distributing available cash is conditional upon fulfilling of covenants agreed within the Finance Documents which include making adequate provisions for forecasted loan repayments and operating expenses. Consistent with the Company's policy and in accordance with Capital Market Authority regulations, the Company declared and distributed dividend of RO 4.92 million (translating to 7.29 Baizas per share) in year 2017 (paid out of the audited retained earnings for the year ended 31 December 2016). The dividend payout for year 2017 was 15% lower than year 2016.



Risks and Concerns

Loss of Availability due to Mechanical Breakdown

The principal risk to the Company is the Plant being unavailable due to mechanical breakdown. In order to mitigate this risk, the Company ensures and monitors that STOMO operates and maintains the Plant in line with the Company's directives, best industry practices maintenance schedules prescribed by the OEMs.

Loss of Availability due to Accidental Damage

In accordance with industry best practices, the Company ensures that adequate insurance policies are in place to protect the business against property damage and loss of income arising from accidental damage.

OPWP Payments

Since COD, barring one incidence, OPWP has settled all invoices within the agreed credit period.

Outlook

Royal Decree 9/2017 was issued on 19 February 2017 and published in the Official Gazette on 26 February 2017, amending certain provisions of the Income Tax Law. The major changes are:

- Increase in corporate income tax rate from 12% to 15% effective 1 January 2017, and
- Withholding tax (WHT) at 10% on payments to any foreign person for interest, fee for service (performed in Oman), and dividends.

As the Company is protected against any change of law under PPA as Buyer Risk Event (BRE), the Company has notified OPWP of the occurrence in March. In December, OPWP confirmed through its letter that the amendments constitute a BRE and that OPWP shall compensate the Company's Additional Costs net of Additional Revenues (i.e., WHT on interest and services and 3% increase in income tax rate) by the reimbursement methodology proposed by OPWP. However, the necessity of increase in provision for deferred tax impacted the Net Profit in 2017. The discussion with OPWP is ongoing about the reimbursement mechanisms.

The Company continues to consistently perform its obligation under PPA in order to ensure compensation by OPWP. Likewise, the Company will analyze the impact, if any, of expected VAT implementation in 2019.

During 2016, the Company carried out an exercise to refinance the Company's long term debt. The response from the present and prospective lenders was found to be dismal due to the unfavorable financial market conditions. Consequently, the Board decided to suspend the exercise. The Company is closely monitoring the developments in financial markets and should these show significant improvement, the Company will revive the refinancing exercise.

The management is optimistic about the future of the Company. Recognizing that the long-term sustainability of the Company's financial results depends upon its efficient operational base, the management will continue to focus on ensuring high levels of Plant availability whilst closely controlling overhead costs.

Internal control systems and their adequacy

The management is fully aware of the importance of a strong internal control system. Since conversion of the Company's status to SAOG in 2014, the Company has appointed a full time in-house internal auditor and also engaged reputable audit firms to support the Company's internal auditor. In addition, adequate training opportunities were provided to the internal auditor in the year 2017 to build upon her professional skills.

The management continues to evaluate all business processes along with related policies and procedures and also implements the recommendations of the internal auditor to further augment the overall internal controls environment of the Company.

Gratitude and Conclusion

The management acknowledges and appreciates the commitment and diligence of all employees of the Company while assuring them of their career advancement and continued welfare.

KPMG

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Report to the Shareholders of Al Batinah Power Company SAOG ("the Company") of Factual Findings in connection with the Corporate Governance Report of the Company and application of the Corporate Governance practices in accordance with Capital Market Authority Code of Corporate Governance

We have performed the procedures prescribed in the Capital Market Authority ("CMA") Circular No. 16/2003 dated 29 December 2003 ("the Procedures") with respect to the Corporate Governance Report of the Company ("the Report") and its application of the Corporate Governance practices in accordance with the CMA Code of Corporate Governance issued under Circular No. 11/2002 dated 3 June 2002 and the revised CMA Code of Corporate Governance issued under CMA Circular 4/2015 dated 22 July 2015 (together the "Governance Code"). The Report is set out on pages 25 to 36.

Our engagement was undertaken in accordance with the International Standard on Related Services applicable to agreed-upon procedures engagements. The Procedures were performed solely to assist the Shareholders in evaluating the Company's compliance with the Governance Code. The Procedures we performed were as follows:

1. Corroborated, as required, the matters disclosed in the Report by reference to: internal audit reports issued during the year ended 31 December 2017; Audit Committee and Board minutes of meetings held during the year ended 31 December 2017; and relevant supporting Company records .

2. Confirmed that the Report discloses matters discussed in the Board of Director's report on review of the effectiveness of the Company's system of internal controls and that these matters were reported by Company's internal auditor to the Audit Committee during the year ended 31 December 2017.

3. Checked that the Report includes disclosures set out in Annexure 3 of the Governance Code.

4. Checked whether matters, if any, reported in the Auditors' report on the financial statements for the year ended 31 December 2017 relating to: Adequacy and efficacy of the internal control systems in place; going concern considerations; and the adequacy of policies and procedures set up by the Company were also included in the Auditor's presentation to the Audit Committee.

5. Read the Minutes of Board and Audit Committee meetings during the year ended 31 December 2017 to confirm that any matters of non-compliance with the Governance Code mentioned therein are also included in the Report.

As a result of performing the Procedures, we have no exceptions to report.

Because the Procedures do not constitute either an audit or a review made in accordance with International Standards on Auditing or International Standards on Review Engagements, we do not express any assurance on the Company's Corporate Governance Report. Had we performed additional procedures or had we performed an audit or review of the Report in accordance with International Standards on Auditing or International Standards on Review Engagement, other matters might have come to our attention that would have been reported to you. This report is solely for the purpose set forth in the second paragraph of this report, and for inclusion, with the Report, in the Company's annual report, and is not to be used for any other purpose. This report relates only to the Company's Corporate Governance Report included in the Company's annual report for the year ended 31 December 2017 and does not extend to any financial statements or any other reports of the Company, taken as a whole.

KPMG

21 February 2018

Mobeen Chaudhri

The Board of Directors (the "Board") of Al Batinah Power Company SAOG (the "Company") hereby present their Corporate Governance Report for the year ended 31 December 2017 in accordance with the Code of Corporate Governance of Public Listed Companies (the "Code") issued in July 2015 and as updated in December 2016.

Company's philosophy

The Company follows the principles of good Corporate Governance and has implemented the guidelines issued by the Capital Market Authority (the "CMA"). Effective Corporate Governance assures the shareholders that there is a well performing management in place which supports the highest standards towards transparency, accountability, continuous improvement of business processes, disclosure, displaying the highest ethical standards, observing compliance with laws, permits and regulations and business propriety with the aim of enhancing long term shareholders value and the interest of all stakeholders. Towards this, the Company has put in place effective policies, procedures and systems to ensure fair and timely release of material information about the Company to the stakeholders.

An audit committee and a nomination & remuneration committee are operational in line with the provisions of the Code. During 2017, an independent consultant appointed at the Annual General Meeting ("AGM") held in March 2017 carried out first appraisal of performance of the Board as required by the Code as per the criteria approved by the AGM as well. The Company is being managed with due diligence and care, and in the best interest of all shareholders.

In accordance with the CMA rules and guidelines on disclosure, the Company's Statutory Auditors, KPMG, have issued a separate Report on the Company's Governance Report for the year ended 31 December 2017.

Board of Directors

In compliance with the Company's Articles of Association, the Board is constituted of 11 directors. The shareholders of the Company at the AGM in March 2016 elected the existing board members for a term of 3 years. The term will expire at the conclusion of the AGM to be held in March 2019.

a) Composition, category and attendance of Directors in 2017

All Directors are non-executive in accordance with the requirement of the Code.

Name of Directors	Category	Attendance					
		Board Meetings					AGM
		23 Feb	26 Apr	26 Jul	25 Oct	Total	23 Mar
Mrs. Catherine Lorgere Chouteau (Chairperson)	Non-independent & Nominee Director	√	√	√	√	4	√
Mr. Padmanabhan Ananthan (Deputy Chairperson)	Independent	√	√	√	√	4	√
Mr. David Joseph Orford	Non-independent	√	√	√	√	4	x
Mr. Guillaume Baudet	Independent	√	√	√	x	3	x
Mr. Hachiman Yokoi	Non-independent & Nominee Director	Proxy	Proxy	Proxy	Proxy	4	x
Mr. Hadi Said Humaid Al-Harthy	Non-independent & Nominee Director	√	√	√	√	4	x
Mr. Khalifa Mubarak Al Hinai	Independent	√	√	√	Proxy	4	x
Mr. Mohamed Amur Mohamed Al-Mamari	Non-independent & Nominee Director	√	√	√	√	4	x
Mr. Mohammad Ribhi Izzat Alhusseini	Independent & Nominee Director	√	√	√	√	4	x
Mr. Takahito Iima	Non-independent & Nominee Director	Proxy	Proxy	Proxy-video	Proxy	4	x
Mr. Vinayendra Prasad	Non-independent & Nominee Director	√	√	√	√	4	√

^ The category of the incumbent directors is based on new elections held on 14 March 2016.

√ : attend, x : absent, n/a : not in seat

b) Directors holding directorship/chairmanship in other joint stock companies in Oman as of 31 December 2017

Name of Director	Name of Companies	Position Held
Mr. Padmanabhan Ananthan	Sharqiyah Desalination Company SAOG	Director and Audit Committee member
Mr. Hadi Said Humaid Al-Harthy	Iskan Oman Investment Company SAOC	Director
Mr. Mohammad Ribhi Izzat Alhusseini	National Aluminum Products Company SAOG	Director and Audit Committee member

The brief profile of Directors and key executive officers is included as an Annexure to the Corporate Governance Report.

Audit Committee

a) Brief description of terms of reference

The primary function of Audit Committee is to provide independent assistance to the Board in fulfilling their oversight responsibility to the shareholders, potential shareholders, the investment community and other stakeholders relating to:

(i) The integrity of the Company's financial statements and accounting and financial reporting processes,
(ii) The effectiveness of the Company's risk management and internal control systems,
(iii) The performance of the Company's internal audit function,
(iv) The qualifications and independence of the external auditors, and
(v) The Company's compliance with ethical, legal and regulatory requirements.

Consistent with this function, the Audit Committee encourages continuous improvement of, and promote adherence to the Company's policies, procedures, and practices for corporate accountability, transparency and integrity.

In fulfilling its role, it is the responsibility of the Audit Committee to maintain free and open communication with the external auditors, the internal auditor and the management of the Company and to determine that all parties are aware of their responsibilities.

On a yearly basis, the Audit Committee defines its working plan for the coming year and places it before the Board for approval. The 2017 Audit Committee working plan was approved by the Board on 26 October 2016. Similarly, the Board approved the 2018 working plan on 25 October 2017.

b) Composition, position and attendance in 2017

The majority of Audit Committee members and Chairperson are independent directors and at least one member has finance and accounting expertise, as required by the Code.

Name of Committee Members	Position	Attendance				
		22 Feb	25 Apr	25 Jul	24 Oct	Total
Mr. Guillaume Baudet	Chairperson	√	√	√	√	4
Mr. Hachiman Yokoi	Member	x	x	x	x	0
Mr. Padmanabhan Ananthan	Member	√	√	√	√	4

√ : attend, x : absent

Nomination & Remuneration Committee

a) Brief description of terms of reference

The primary function of Nomination & Remuneration Committee (the "NRC") is to:

(i) Assist the general meeting in the nomination of proficient and high caliber directors,
(ii) Prepare job descriptions of the directors including the Chairperson of the Board,
(iii) Develop succession plan for the Board or at least the Chairperson and executive management, and
(v) Propose proper remuneration and incentives policy to attract competent executive management.

On a yearly basis, the NRC defines its working plan for the coming year and places it before the Board for approval. The 2017 NRC working plan was approved by the Board on 26 October 2016. Similarly, the Board approved the 2018 working plan on 25 October 2017.

b) Composition, position and attendance in 2017

Name of Committee Members	Position	Attendance			
		22 Feb	11 Apr	24 Oct	Total
Mr. Vinayendra Prasad	Chairperson	√	√	√	3
Mr. David Joseph Orford	Member	√	x	√	2
Mr. Hachiman Yokoi	Member	x	√-video	x	1

√ : attend, x : absent

Appraisal for the performance of the Board

In accordance with the Code and the approval by the shareholders at the AGM held in March 2017 the Company appointed an independent consultant, Capital Advantage, to carry out annual appraisal for the performance of the Board of Directors.

The primary objective of the appraisal was to consider the composition, structure, dynamics, relationships and performance of the Board and its Committees in accordance with the appraisal criteria approved by the shareholders.

The appraisal was conducted directly between the consultant and all directors via a comprehensive questionnaire, and one-on-one interviews held with a selection of directors (including Chairpersons of the Board and its Committees) to explore and enhance the questionnaire feedback.

The aggregated results from the questionnaires and the interview, and recommendations were reported to and reviewed by the NRC and thereafter the Board.

Overall, the Board and its Committees were considered to be performing well across the range of performance measures. Also, the Board noted the recommendations proposed by the independent consultant and agreed to implement the recommendations that are considered important and practical, considering the nature of business and size of the Company.

Process of nomination of the directors

The election of the Board is governed by the Company's Articles of Association. The Company ensures that the elections of the Board are held in accordance with the Commercial Companies Law and rules issued by the Capital Market Authority.

In accordance with the requirement of the Code and the Articles of Association of the Company, the following shall be observed on the formation of the Board:

(i) Eleven directors to be elected by the shareholders in general meeting for a term of 3 years,
(ii) All directors shall be non-executive directors,
(iii) At least one third of the directors shall be independent,
(iv) The members of the Board are elected from amongst the shareholders or non-shareholders. A candidate, if a shareholder, for election to the Board is required to hold at least 5% of the Company's issued share capital,
(v) The juristic person shall not be represented by more than one representative on the Board,

(vi A director shall not be allowed to combine the positions of chief executive officer and chairperson, and

(vii) No director shall be a member of the Board in more than four joint stock companies or chairperson of more than two joint stock companies. Although Article (2) of Clause (8) of the Ministerial Decision 137/2002 as amended by Ministerial Decision 201/2016 requires director not to be a director or an employee of a company carrying out same business whose principle place of business is in Oman, the Company has received a waiver in the implementation of this Article from CMA allowing it to continue with the member of the Board appointed in the Annual General Meeting on 14 March 2016 provided the said Article is implemented in the next Board election or whenever a vacancy arises with the current Board.

Remuneration

a) Sitting fees to members of Board and its sub-committees

As approved by the shareholders, the sitting fees of RO 400 for the members of the Board and RO 200 for the members of the Audit Committee is paid. The sitting fee is payable to the Board and the Audit Committee members who attend the meeting either in person or over phone/video conference (going forward, attendance shall be valid if presence is through video conference in line with the Code.) The sitting fee is also paid in case a juristic person, in the absence of its nominated Board member, delegates another representative to attend the Board meeting.

The sitting fees for the year 2017 paid to the directors for attending Board, Audit Committee and NRC meetings amounted to RO 16,800, RO 1,600 and RO 1,200, respectively.

b) Remuneration to Board members

The Board proposes to pay remuneration for the year 2017 to the Board members, equal to actual sitting fees paid during year, for their contribution in achieving excellent operational and financial results. The proposed remuneration of RO 16,800 has been accrued in the financial statements for year ended 31 December 2017, however, the same shall be paid provided it is approved by the shareholders in the forthcoming general meeting.

c) Other payments to directors

There was no other payment to the directors besides their sitting fees.

d) Top 5 officers

The Company paid to its top 5 officers an aggregate amount of RO 372,331 which includes secondment fee, salaries, allowances, performance based bonuses and other benefits. The remuneration paid is commensurate with their qualification, role, responsibility and performance. The criteria of the performance based bonus are the degree of achievement of the objectives set by officers at beginning of year in line with the Company's goal and overall strategy. The employment contracts stipulate a notice period of one month.

Details of non-compliance by the Company

There were no penalties imposed on the Company by the Capital Market Authority, Muscat Securities Market ("MSM") or any other statutory authority on any matter related to capital markets during the past three years.

Means of communication with the shareholders and investors

The Company communicates with the shareholders and investors mainly through the MSM website and the Company's website (www.albatinahpower.com) in both English and Arabic. Material information is disclosed immediately, and financial information such as initial quarterly and annual un-audited financial results, un-audited interim financial statements, and annual report including audited financial statements and Management Discussion & Analysis Report are disclosed within the regulatory deadlines. The Company's executive management is also available to meet its shareholders and analysts as and when required.

Market price data

High/Low/Closing share price and performance comparison during each month in 2017

Month	Price (Baizas)				MSM Index (Service sector)	
	High	Low	Closing	Change from 1 January 2017	Closing	Change from 1 January 2017
January	187	179	187	3.89%	3,023.02	-1.17%
February	195	187	195	8.33%	3,007.75	-1.67%
March	195	180	180	0.00%	2,885.54	-5.66%
April	183	172	174	-3.33%	2,821.10	-7.77%
May	174	166	172	-4.44%	2,771.42	-9.39%
June	169	140	140	-22.22%	2,600.27	-14.99%
July	140	140	140	-22.22%	2,502.34	-18.19%
August	140	135	135	-25.00%	2,470.17	-19.24%
September	135	130	130	-27.78%	2,550.56	-16.61%
October	148	130	143	-20.56%	2,545.38	-16.78%
November	143	140	140	-22.22%	2,580.42	-15.64%
December	140	135	139	-22.78%	2,643.43	-13.58%

During 2017, the Company has distributed cash dividend of 2.78% (Baizas 2.78 per share) in June and 4.51% (Baizas 4.51 per share) in December, to the shareholders of the Company who are registered in the Company's shareholders' register with the Muscat Clearing & Depository Company SAOC respectively as on 11 June 2017 and 11 December 2017, out of the retained earnings as per the audited financial statements for the financial year ended 31 December 2016.

Since the listing of the Company in June 2014, a total amount of Baizas 32.70 per share (nominal value of Baizas 100 per share) has been distributed to the shareholders who subscribed the share during the Initial Public Offer (IPO) and still held those shares by 31 December 2017.

Distribution of shareholding as of 31 December 2017

Category	Number of shareholders	Number of shares held	Share capital %
5% and above	7	569,171,290	84.34%
1% to 5%	1	8,352,014	1.24%
Less than 1 %	2,658	97,364,126	14.43%
Total	2,666	674,887,430	100.00%

Professional profile of the statutory auditor

The shareholders of the company appointed KPMG as its auditors for 2017. KPMG is a leading audit, tax and advisory firm in Oman and is part of KPMG Lower Gulf, established in 1973. KPMG in Oman employs more than 180 people, amongst whom are 4 partners, 5 directors and 30 managers, including Omani nationals. KPMG is a global network of professional firms providing audit, tax and advisory services. KPMG operates in 154 countries and has around 197,000 people working in member firms around the world. The independent member firms of the KPMG network are affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

KPMG billed an amount of RO 10,622 towards professional services rendered to the Company for the year 2017 (RO 8,750 for audit, RO 1,250 for tax and RO 635 for other services)

Acknowledgement by the Board of Directors

- The Board of Directors accepts the responsibility for accurately preparing accounts and financial statements and confirms the financial statements for 2017 have been prepared in accordance with the applicable International Financial Reporting Standards and rules.
- The Board of Directors, through the Audit Committee, has reviewed the Company's system of internal controls, and assures efficiency and adequacy of the internal control systems including financial management and its related operations, obligation management and risk management.
- The Company has robust business model as explained in detail in the financial report and, as such, the Board of Directors confirms that they believe there are no material matters which may affect the continuation of the Company and its ability to continue its operations during the next financial year.

Chairperson

Director

Brief Profiles of Directors

Name	:	Mrs. Catherine Lorgere Chouteau
Year of Joining	:	2016
Education	:	Master's Degree in Law
Experience	:	Mrs. Chouteau has 21 years of experience in Law. After 7 years with SUEZ Group as a Legal Counsel, she joined Gaz de France in 2003 as Senior Legal Counsel and in 2006 became the Legal Department Manager of the International Division. Following the creation of GDF SUEZ in 2008, Mrs. Chouteau has occupied different positions within the group starting by being General Counsel for Energy Europe Business Area in Paris, and then Business Line Deputy General Counsel. Mrs. Chouteau is General Counsel for ENGIE Middle East, South & Central Asia, Turkey Area at the Dubai office since January 2014.

Name	:	Mr. Padmanabhan Ananthan
Year of Joining	:	2016
Education	:	Chartered Accountant from the Institute of Chartered Accountants of India
Experience	:	Mr. Ananthan has more than 32 years of professional experience in manufacturing and construction industries. He is presently the Chief Financial Officer of Bahwan Engineering Group. During his 23 years with Bahwan Engineering Group, he has worked closely on investment decisions in new ventures, particularly in the Omani power and water sector. His areas of specialisation are finance, taxation, budgeting, management reporting and investment analysis. He did a short stint as the Chief Financial Officer, as Multitech nominee, of Al Suwadi Power Co SAOC during its start-up phase. He is on the Board and Audit Committee of Sharqiyah Desalination Co SAOG.

Name	:	Mr. David Joseph Orford
Year of Joining	:	2016
Education	:	Diploma in Engineering, Open University Calculus, Math's Modeling and Technology, NEBOSH General certificate, member of the Institute of Environmental Management & Assessment
Experience	:	Mr. Orford has 36 years professional experience in the operation and maintenance of power generation equipment and systems. On leaving the British Royal Naval Submarine service in 1994. Mr. Orford held a number of maintenance and engineering management positions included new thermal plant commissioning, mobilization and development of O&M teams including 6 years working for a major equipment OEM providing power plant customers technical support. More recently in 2013 Mr. Orford took up the position of Engineering Manager at Marafiq IWPP in Saudi Arabia including assuming the position of Interim Plant General Manager in 2014 for a period of 7 months.

Name	:	Mr. Guillaume Baudet
Year of Joining	:	2016
Education	:	Master's Degree in Business Administration and Finance
Experience	:	Mr. Baudet has 20 years of professional experience in the fields of finance and general management, acquired in the automotive industry and subsequently in the power and water generation industry. After 11 years spent in the automotive industry in Europe and North America, Mr. Baudet joined GDF SUEZ Energy International in 2007 as Head of Business Control for the MENA region and subsequently took up the position of CFO at Hidd Power Company in Bahrain. Guillaume Baudet is the CEO of Sohar Power Company since 2013.

Name	:	Mr. Hachiman Yokoi
Year of Joining	:	2016
Education	:	Bachelor's Degree in Linguistics, Spanish Language from the Osaka University for Foreign Language.
Experience	:	Mr. Yokoi has more than 20 years of experience in infrastructure project developments. Since joining Sojitz (formerly known as Nissho Iwai) in 1992, he has been involved in various infrastructure projects across the world under the Japanese Government's programs as well as the Public Private Partnership (PPP) scheme. Mr. Yokoi worked for the Power and Infrastructure Project Department of Sojitz from 2001 to 2011 during which he was responsible as a Project Manager for various IPP/IWPP developments including Barka-3, Sohar-2, Riyadh PP-11 and Fujaira-2/Mirfa IWPP bidding. He was the General Manager of Infrastructure Project Department at Sojitz MEA (Middle East and Africa) Office in Dubai, UAE from 2011 to 2016. Currently, Mr. Yokoi is Deputy General Manager, Power Project Department of Sojitz Corporation.

Name	:	Mr. Hadi Said Humaid Al-Harthy
Year of Joining	:	2016
Education	:	Master's Degree in Business Administration from the University of Strathclyde Business School Glasgow, Scotland UK and Bachelor's Degree in Business Administration/ Finance from the University of Toledo, Ohio USA
Experience	:	Mr. Al-Harthy has a total of 36 years of experience in the investment and finance industry out of which he has spent more than 24 years with the CBO. He has been involved in managing traditional and alternative asset investment portfolios both on shore and offshore investments with CBO and in his current role with PASI.

Name	**:**	**Mr. Khalifa Mubarak Al Hinai**
Year of Joining	:	2016
Education	:	B.Sc. in Geology and Chemistry from Kuwait University (1972) M.A. in Petroleum Geology from the University of Texas at Austin U.S.A. (1977)
Experience	:	Mr. Khalifa has 40 years of professional experience in the fields of Geology and Technical Affairs. In 1976 Mr. Khalifa became Director of Technical Affairs in the Ministry of Petroleum, Minerals, Agriculture and Fisheries. His next role was Director General of Oil & Gas at the Ministry of Petroleum & Minerals. In 1990, Mr. Khalifa was awarded the Order of Merit (1st Class) by H.M. The Sultan. Mr. Khalifa was in charge of the Oman LNG Project from inception until completion in year 2000. Later he was appointed as Advisor to H.E. the Minister, for Technical Affairs and served as Director in various Boards & Joint Management Committees of PDO, Oman Refinery Company, Oman LNG, ELF Oman, Occidental Oman, Nimir Petroleum and Arco Oman. He was finally promoted to be Ministry Advisor at undersecretary level in 2012. He retired from government services in 2014.

Name	**:**	**Mr. Mohamed Amur Mohamed Al-Mamari**
Year of Joining	:	2016
Education	:	Master Degree in Accounting and Finance from Cardiff University-UK in 2008 and Bachelor Degree in Economics and Accounting from Kuwait University in 1997.
Experience	:	Mr. Al-Mamari has more than 20 years' experience in investment, admin, finance and pension in Civil Service Employee Pension Fund, Mr. Al-Mamari held below mentioned positions: - Director of Civil Service Employees Pension Fund - Al Batinah North Governorate Department (from 2010 till today). - Director of Admin Department (from 2007 to 2009). - Head of Finance Section (from 2004 to 2006). - Accountant in Investment Department (from 1997 to 2003).

Name	**:**	**Mr. Mohammad Ribhi Izzat AlHusseini**
Year of Joining	:	2016
Education	:	MBA - Corporate Finance from University of Texas-USA and Bachelor's Degree in Money and Banking from Yarmouk University- Jordan
Experience	:	Mr. Al Husseini has over 22 years of work experience. He is currently working as Deputy Investment Director in Ministry of Defence Pension Fund Muscat, Oman. He is a member in the Audit Committee of the National Aluminum Products Company SAOG. He also has extensive experience in local and regional markets.

Name	:	Mr. Takahito Iima
Year of Joining	:	2016
Education	:	Bachelor's Degree in Electrical Power Engineering from Waseda University (Japan)
Experience	:	Mr. Iima is the General Manager of international business of Shikoku Electric Power Co., Inc. (YONDEN), supervising its international business such as IPP/IWPPs development and management, and technical consulting for power industry under the Japanese Government's programs. Mr. Iima started his career at Yonden in 1980 as a Power System Engineer and was involved in planning, maintenance and operation of its power system (approximately 3,400km 187-500kV transmission lines and 21,000MVA substations) for more than 20 years. Subsequently, he has been engaged in the company's international business for the last 15 years. In addition to Al Batinah Power, Mr. Iima is also a member of the Board of Directors of RLC Power Holding Company Limited in UAE.

Name	:	Mr. Vinayendra Prasad
Year of Joining	:	2016
Education	:	Degree (Honours) in Electrical Engineering from National Institute of Technology (Kuruk.), India
Experience	:	Mr. Prasad has more than 36 years of experience in the electrical energy industry and is currently the General Manager Operations-Electrical Products Division, at Bahwan Engineering Group, Oman. He is involved and responsible for business & product development and general management related to medium, large and special industrial electrical products. His work covers market development & sales in the field of electrical products for infrastructure and industrial projects in Oil &Gas, Power Generation, Transmission & Distribution, Defense, Health, Transport, Building Services and other sectors. Mr. Prasad joined the Bahwan Engineering Group in 1991 and has previously worked with Larsen & Toubro Ltd. India and Siemens Ltd. India in marketing, business development, system design and project management related to various power & industrial projects.

Brief Profiles of Key Executive Officers

The senior management team has been empowered by the Board of Directors for the day-to-day operations of the Company.

Name	:	Mr. Ya'qoub Harbi Salim Al Harthi
Position	:	Chief Executive Officer
Year of Joining	:	2017
Education	:	Bachelor's degree in Mechanical Engineering from the Sultan Qaboos University
Experience	:	Mr. Al Harthi has been associated with power plant operations and management in various power plants of ENGIE for over 15 years. He was appointed as CEO of Al Kamil Power Company SAOG in 2015. Prior to that he was the General Manager of Al Kamil Construction and Services LLC from early 2014. He has also worked in Rusail Power Station and Sohar 1 Power and Water Plant as Operations Manager for several years.

Name	:	Mr. So Murakami
Position	:	Chief Financial Officer
Year of Joining	:	2014
Education	:	Master's degree in Business Administration from Darden Graduate School of Business at University of Virginia, USA
Experience	:	Mr. Murakami has more than 16 years of experience in energy business. Since joining Shikoku Electric Power Co., Inc. (YONDEN), Japan in 1999, he has been involved in sales and marketing of electricity in Japan; management and administration of district heating and cooling business in Japan; and development of IPPs mainly in Middle East.

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF AL BATINAH POWER COMPANY SAOG

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Al Batinah Power Company SAOG ("the Company") set out on pages 40 to 75, which comprise the statement of financial position as at 31 December 2017, the income statement, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended; and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the Sultanate of Oman, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter - Valuation of derivatives

Refer to note 3(e) and 13 of the financial statements

The Company uses derivative financial instruments to hedge interest rate exposure on term loans and future cash flows in accordance with parameters approved by the Board.

continued on 1 (b)

Our response

Rules on accounting for derivative instruments are complex and hedge accounting requirements, including documentation, can be complicated. Lack of compliance with documentation rules, hedge effectiveness rules, and probability criteria could lead to income statement volatility.

- We examined the nature of the hedge relationships that were entered into and whether these were in line with the Company's treasury strategy. For the derivatives outstanding at the year-end, we assessed their completeness and existence through obtaining external confirmations and their fair value through performing our own independent re-calculations;

- We reviewed whether the hedge accounting documentation and effectiveness rules were met and whether hedge accounting could be achieved. Our work examined the accounting treatment applied for derivatives, in particular when reclassifying gains and losses from reserves to the income statement and adjustments to the carrying value of the hedged item;

- We also reviewed the appropriateness of the disclosure of financial instruments and the related hedge accounting by agreeing the financial statements to the underlying workings prepared by management and ensuring classification is consistent with the accounting principles.

Other Information

Management is responsible for the other information. The other information comprises the director's report, the corporate governance report and the management discussion and analysis report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and their preparation in compliance with the relevant disclosure requirements of the Capital Market Authority and the applicable provisions of the Commercial Companies Law of 1974, as amended, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

continued on 1 (c)

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory requirements

We report that the financial statements of the Company as at and for the year ended 31 December 2017, in all material respects, comply with the:

- relevant disclosure requirements of the Capital Market Authority; and
- applicable provisions of the Commercial Companies Law of 1974, as amended.

KPMG

21 February 2018

Moheen Chaudhri

INCOME STATEMENT

for the year ended 31 December

	Notes	2017 RO'000s	2017 USD'000s	2016 RO'000s	2016 USD'000s
Revenues		70,643	183,728	71,052	184,789
Direct costs	4	(50,297)	(130,812)	(49,603)	(129,007)
Gross profit		20,346	52,916	21,449	55,782
Other income		25	64	115	298
		20,371	52,980	21,564	56,080
General and administrative expenses	5	(783)	(2,037)	(789)	(2,052)
Profit before interest and tax		19,588	50,943	20,775	54,028
Finance costs (net)	6	(10,562)	(27,467)	(11,012)	(28,641)
Profit before tax		9,026	23,476	9,763	25,387
Tax expense	7(c)	(4,470)	(11,626)	(1,468)	(3,817)
Net profit		4,556	11,850	8,295	21,570
Earnings per share					
Basic earnings per share (Baizas)	23	6.75	-	12.29	-

The notes on pages 46 to 75 form an integral part of these financial statements.
The Independent Auditors' Report is set forth on pages 37-39.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December

	Note	2017 RO'000s	2017 USD'000s	2016 RO'000s	2016 USD'000s
Net profit		**4,556**	**11,850**	8,295	21,570
Other comprehensive income, net of tax:					
Item that will be reclassified to profit or loss					
Cash flow hedges - effective portion of changes in fair value	*13*	**4,505**	**11,716**	2,673	6,952
Total comprehensive income for the year		**9,061**	**23,566**	10,968	28,522

The notes on pages 46 to 75 form an integral part of these financial statements.
The Independent Auditors' Report is set forth on pages 37-39.

STATEMENT OF FINANCIAL POSITION

as at 31 December

	Notes	2017 RO'000s	2017 USD'000s	2016 RO'000s	2016 USD'000s
Assets					
Non-current assets					
Property, plant and equipment	*8*	**261,025**	**678,867**	268,743	698,940
Capital spares		**293**	**762**	287	747
Total non-current assets		**261,318**	**679,629**	269,030	699,687
Current assets					
Trade and other receivables	*9*	**4,776**	**12,422**	5,127	13,335
Inventory		**1,769**	**4,601**	1,793	4,663
Short term deposit	*10*	**2,001**	**5,203**	2,192	5,700
Cash and cash equivalents	*11*	**2,991**	**7,779**	3,939	10,245
Total current assets		**11,537**	**30,005**	13,051	33,943
Total assets		**272,855**	**709,634**	282,081	733,630
Equity and liabilities					
Equity					
Share capital	*12(a)*	**67,489**	**175,523**	67,489	175,523
Legal reserve	*12(b)*	**3,586**	**9,326**	3,130	8,141
Retained earnings		**9,493**	**24,690**	10,313	26,821
Shareholders' fund		**80,568**	**209,539**	80,932	210,485
Hedging reserve	*12(c) & 13*	**(5,093)**	**(13,246)**	(9,598)	(24,962)
Total equity		**75,475**	**196,293**	71,334	185,523
Liabilities					
Non-current liabilities					
Term loans	*14*	**151,294**	**393,484**	164,301	427,309
Derivative instruments	*13*	**5,991**	**15,583**	10,907	28,366
End of service benefits		**28**	**73**	22	57
Asset retirement obligation	*15*	**238**	**618**	549	1,429
Deferred tax liability	*7(c)*	**14,966**	**38,922**	10,085	26,228
Total non-current liabilities		**172,517**	**448,680**	185,864	483,389
Current liabilities					
Term loans	*14*	**14,178**	**36,873**	13,785	35,853
Trade and other payables	*16*	**5,841**	**15,190**	7,498	19,502
Short term borrowing	*2(xi)*	**4,844**	**12,598**	3,600	9,363
Total current liabilities		**24,863**	**64,661**	24,883	64,718
Total liabilities		**197,380**	**513,341**	210,747	548,107
Total equity and liabilities		**272,855**	**709,634**	282,081	733,630
Net assets per share (Baizas)	*22*	**119.38**		119.92	-

The financial statements were approved and authorised for issue in accordance with a resolution of the Board of Directors on 21 February 2018.

Chairperson **Director**

The notes on pages 46 to 75 form an integral part of these financial statements.
The Independent Auditors' Report is set forth on pages 37-39.

STATEMENT OF CASH FLOWS

for the year ended 31 December

	Notes	2017 RO'000s	2017 USD'000s	2016 RO'000s	2016 USD'000s
Cash flows from operating activities:					
Net profit		**4,556**	**11,850**	8,295	21,570
Adjustments for:					
Depreciation		**7,459**	**19,401**	7,459	19,399
Finance costs (net)		**10,562**	**27,467**	11,012	28,641
Tax expense		**4,470**	**11,626**	1,468	3,817
End of service benefits		**6**	**16**	8	19
		27,053	**70,360**	28,242	73,446
Changes in:					
Trade and other receivables		**351**	**913**	(1,941)	(5,048)
Inventory		**24**	**62**	(3)	(8)
Trade and other payables		**(1,558)**	**(4,049)**	3,509	9,125
Cash generated from operating activities		**25,870**	**67,286**	29,807	77,515
Finance costs paid		**(9,501)**	**(24,711)**	(9,821)	(25,543)
Net cash generated from operating activities		**16,369**	**42,575**	19,986	51,972
Cash flows from investing activities:					
Acquisition of property, plant and eqipment		**(94)**	**(245)**	(19)	(48)
Net cash used in investing activities		**(94)**	**(245)**	(19)	(48)
Cash flows from financing activities:					
Repayment of term loans		**(13,785)**	**(35,853)**	(13,669)	(35,550)
Dividends paid		**(4,920)**	**(12,796)**	(5,792)	(15,060)
Proceeds from short term borrowing		**1,244**	**3,235**	2,530	6,580
Maturity of short term deposit		**191**	**497**	504	1,312
Interest received		**47**	**121**	29	76
Net cash used in financing activities		**(17,223)**	**(44,796)**	(16,398)	(42,642)
Net (decrease) increase in cash and cash equivalents		**(948)**	**(2,466)**	3,569	9,282
Cash and cash equivalents at beginning of the year	*11*	**3,939**	**10,245**	370	963
Cash and cash equivalents at end of the year	*11*	**2,991**	**7,779**	3,939	10,245

The notes on pages 46 to 75 form an integral part of these financial statements.
The Independent Auditors' Report is set forth on pages 37-39.

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December

	Share capital RO'000s	Legal reserve RO'000s	Retained earnings RO'000s	Hedging reserve RO'000s	Total RO'000s
Balance at 1 January 2017	**67,489**	**3,130**	**10,313**	**(9,598)**	**71,334**
Total comprehensive income					
Net profit	-	-	4,556	-	4,556
Other comprehensive income, net of income tax					
Cash flow hedge - effective portion of changes in fair value	-	-	-	4,505	4,505
Total comprehensive income	-	-	4,556	4,505	9,061
Transfer to legal reserve	-	456	(456)	-	-
Transactions with owners of the Company					
Contribution and distribution					
Dividend	-	-	(4,920)	-	(4,920)
Total transactions with owners of the Company	-	-	(4,920)	-	(4,920)
Balance at 31 December 2017	**67,489**	**3,586**	**9,493**	**(5,093)**	**75,475**
	USD'000s	**USD'000s**	**USD'000s**	**USD'000s**	**USD'000s**
Balance at 1 January 2017	**175,523**	**8,141**	**26,821**	**(24,962)**	**185,523**
Total comprehensive income					
Net profit	-	-	11,850	-	11,850
Other comprehensive income, net of income tax					
Cash flow hedge - effective portion of changes in fair value	-	-	-	11,716	11,716
Total comprehensive income	-	-	11,850	11,716	23,566
Transfer to legal reserve	-	1,185	(1,185)	-	-
Transactions with owners of the Company					
Contribution and distribution					
Dividend	-	-	(12,796)	-	(12,796)
Total transactions with owners of the Company	-	-	(12,796)	-	(12,796)
Balance at 31 December 2017	**175,523**	**9,326**	**24,690**	**(13,246)**	**196,293**

The notes on pages 46 to 75 form an integral part of these financial statements.
The Independent Auditors' Report is set forth on pages 37-39.

STATEMENT OF CHANGES IN EQUITY (CONTINUED)

for the year ended 31 December

	Share capital RO'000s	Legal reserve RO'000s	Retained earnings RO'000s	Hedging reserve RO'000s	Total RO'000s
Balance at 1 January 2016	67,489	2,301	8,639	(12,271)	66,158
Total comprehensive income					
Net profit	-	-	8,295	-	8,295
Other comprehensive income, net of income tax					
Cash flow hedge - effective portion of changes in fair value	-	-	-	2,673	2,673
Total comprehensive income	-	-	8,295	2,673	10,968
Transfer to legal reserve	-	829	(829)	-	-
Transactions with owners of the Company					
Contribution and distribution					
Dividend	-	-	(5,792)	-	(5,792)
Total transactions with owners of the Company	-	-	(5,792)	-	(5,792)
Balance at 31 December 2016	67,489	3,130	10,313	(9,598)	71,334

	USD'000s	USD'000s	USD'000s	USD'000s	USD'000s
Balance at 1 January 2016	175,523	5,984	22,468	(31,914)	172,061
Total comprehensive income					
Net profit	-	-	21,570	-	21,570
Other comprehensive income, net of income tax					
Cash flow hedge - effective portion of changes in fair value	-	-	-	6,952	6,952
Total comprehensive income	-	-	21,570	6,952	28,522
Transfer to legal reserve	-	2,157	(2,157)	-	-
Transactions with owners of the Company					
Contribution and distribution					
Dividend	-	-	(15,060)	-	(15,060)
Total transactions with owners of the Company	-	-	(15,060)	-	(15,060)
Balance at 31 December 2016	175,523	8,141	26,821	(24,962)	185,523

The notes on pages 46 to 75 form an integral part of these financial statements.
The Independent Auditors' Report is set forth on pages 37-39.

1 Legal status and principal activities

Al Batinah Power Company ("Company") was registered as a closed Omani Joint Stock company ("SAOC") on 2 August 2010 under the Commercial Companies Law of Oman. Subsequently the Company was converted to a public joint stock company ("SAOG") and was listed on the Muscat Securities Market on 23 June 2014.

The Company's objectives are to develop, finance, design, construct, operate, maintain, insure and own a power generating facility (the Sohar 2 Power Plant with a capacity of about 750MW), and associated gas interconnection facilities and other relevant infrastructure; making available the demonstrated power capacity; and selling the electrical energy generated to Oman Power and Water Procurement Company SAOC ("OPWP"). Accordingly, the Plant is considered and managed as one reportable segment. Commercial Operation of the Plant was achieved by the Company on 3 April 2013.

2 Significant agreements

Project documents

i. Power Purchase Agreement ("PPA") dated 10 August 2010 with OPWP for a period of 15 years from the scheduled Commercial Operation Date ("COD").

ii. Natural Gas Sales Agreement ("NGSA") dated 31 August 2010 with the Ministry of Oil and Gas ("MOG") for the purchase of natural gas for a period of 15 years from the scheduled COD.

iii. Turnkey Engineering, Procurement and Construction Contract ("EPC Contract") dated 15 September 2010 with Siemens AG and GS Engineering & Construction Corp. to perform the engineering, procurement and construction of the Plant.

iv. Sub-Usufruct Agreement ("SUA") relating to the plant site dated 10 August 2010 with Sohar Industrial Port Co. SAOC ("SIPC") for grant of exclusive right to use and benefit from the land upto 20 October 2028.

v. Electrical Connection Agreement dated 28 December 2011 with Oman Electricity Transmission Company SAOC for connection of the Company's equipment to the transmission system for a period of 30 years from its execution date.

vi. Operation & Maintenance Agreement ("O&M Agreement") dated 24 September 2010 with Suez-Tractebel Operation and Maintenance Oman LLC ("STOMO") for a period of 15 years from the scheduled COD.

vii. Seawater Extraction Agreement ("SEA") dated 10 August 2010 with Majis Industrial Services SAOC for a period ending on the last day of the PPA term.

2 Significant agreements *(continued)*

Finance Documents

viii. Common Terms Agreement, Facility Agreements and First Amendment Agreement related to these Agreements dated 16 September 2010 for long term loans with international and local banks.

ix. Hedging Agreements for interest rate swap made with Credit Agricole Corporate & Investment Bank (dated 5 October 2010), KfW IPEX Bank GmbH (dated 6 October 2010), HSBC Bank Middle East Limited (dated 6 October 2010) and Standard Chartered Bank (dated 7 October 2010 and reprofiled on 19 December 2011).

x. Hedging Agreements for currency swap with Standard Chartered Bank and Credit Agricole Corporate & Investment Bank dated 12 October 2010 and 4 August 2015 respectively.

xi. Revolving Working Capital Facility Agreement dated 5 June 2012 with Bank Muscat SAOG for purpose of availing short term loans upto Omani Rial 8.459 million.

Security Documents

xii. Intercreditor Deed dated 16 September 2010 with The Export-Import Bank of Korea, Credit Agricole Corporate & Investment Bank and Others.

xiii. Commercial Mortgage over Company's Assets dated 21 September 2010 with Bank Muscat SAOG as "Mortgagee".

xiv. Legal Mortgage dated 21 September 2010 with Bank Muscat SAOG.

xv. Agreement for Security over Omani Shares dated 16 September 2010 with the Founder Shareholders, Bank Muscat SAOG and Credit Agricole Corporate & Investment Bank.

xvi. Offshore Deed of Charge and Assignment dated 16 September 2010 with Credit Agricole Corporate & Investment Bank.

xvii. Deed of Assignment of Reinsurances dated 16 September 2010 with Credit Agricole Corporate & Investment Bank and Oman United Insurance Company SAOG.

xviii. Sale and Purchase Agreement dated 16 September 2010 with Bank Muscat SAOG.

xix. Direct Agreements entered into by Lenders Agent in respect of PPA, NGSA, EPC Contract and O&M Agreement.

3 Basis of preparation and significant accounting policies

Basis of preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB"), applicable requirements of the Oman Commercial Companies Law of 1974 (as amended) ("CCL") and disclosure requirements of Capital Market Authority of the Sultanate of Oman ("CMA").

(b) Basis of measurement

These financial statements are prepared on historical cost basis except for provision for asset retirement obligation and deferred finance cost 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.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in impairment of property, plant and equipment, financial valuation of derivative financial instruments, asset retirement obligation, impairment of financial assets and operating leases.

Measurement of fair value

The Company measures fair values using the following fair value hierarchy based on the inputs used in making the measurements:

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs. This category includes instruments valued using quoted market prices in the active market for similar instruments, quoted market prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes instruments that are valued based on quoted prices of similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

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

Significant accounting policies

(d) Currency

(i) Presentation and functional currency

These financial statements are presented in United States Dollars ("USD"), which is the Company's functional currency and also in Rial Omani ("RO") for local regulatory requirements. The Omani Rial amounts, which are presented in these financial statements have been translated from the USD amounts at an exchange rate of USD 1 = RO 0.3845. All values are rounded to the nearest thousand (USD '000 and RO '000) except where otherwise indicated.

(ii) Foreign currency transactions

In preparing the financial statements, transactions in currencies other than the Company's functional currency (foreign currencies) are recorded at the exchange rates prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are translated at the rates prevailing at the reporting date.

Non-monetary items that are measured at historical cost in a foreign currency are translated at the exchange rates at the date of the transaction. Translation gains and losses related to monetary items are recognized in the income statement in the period in which they arise, with the exception of those related to monetary items that qualify as hedging instruments in a cash flow hedge that are recognized initially in profit or loss and other comprehensive income to the extent that the hedge is effective.

(e) Financial instruments

(i) Non derivative financial instrument

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables. Cash and cash equivalents comprise cash balances, demand deposits, fixed deposits and term deposits with original maturity not greater than three months. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

The Company initially recognizes receivables, loans and borrowings on the date when they are originated. All other financial assets and liabilities are initially recognized on the trade date when the entity becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset.

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

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

(e) Financial instruments (continued)

(i) Non derivative financial instrument *(continued)*

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs.

(ii) Derivative financial instruments, including hedge accounting

The Company holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. On initial designation of the hedge, the Company formally documents the relationship between the hedging instruments and hedged items, including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship.

The Company makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value or cash flows of the respective hedged items during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80% to 125%. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported net income.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in the income statement as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

(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 that could affect the income statement, the effective portion of changes in the fair value of the derivative is recognised in profit or loss and other comprehensive income and presented in the hedging reserve in equity. The amount accumulated in equity is retained in other comprehensive income and re-classified to profit or loss in the same period or periods during which the hedged forecast cash flows affect profit or loss or the hedged item affects profit or loss. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in the income statement. 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 profit or loss and other comprehensive income and presented in the hedging reserve in equity remains there until the forecast transaction affects the income statement. When the hedged item is a non-financial asset, the amount recognised in the profit or loss and other comprehensive income is transferred to the carrying amount of the asset when the asset is derecognised. If the forecast transaction is no longer expected to occur, then the balance in the profit or loss and other comprehensive income is recognised immediately in the income statement.

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

(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, if any. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, 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 profit or loss and 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 the difference is recognised in the income statement. 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. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

(iii) Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of the asset less its residual value.

The Management assigns useful lives and residual values to the items of property, plant and equipment based on intended use of the assets and the expected economic lives of those assets. Subsequent changes in circumstances such as technological advances or prospective utilisation of the assets concerned could result in the actual lives or residual values differing from the initial estimates. The Management has reviewed the residual values and useful lives of the major items of property, plant and equipment and have determined that no adjustment is necessary.

The estimated useful lives for current and comparative periods are as follows:

	Years
Property, plant and equipment	40
De-commissioning asset	40
Technical spares	25
Other assets	3

(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 fixed asset categories, which occurs when the asset is ready for intended use.

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

(v) Asset retirement obligation

A liability for future asset retirement obligation is recognized as the activities giving rise to the obligation of future site restoration take place. 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) Capital spares

Cost includes all expenditure directly attributable to the acquisition of capital spares.

Capital spares shall be recognised in the carrying amount of the affected item of property, plant and equipment when it is put in use. The carrying amount of the replaced item is derecognised. When it is not practical to determine the carrying amount of the replaced part, the cost of the capital spare may be used as an indication of what the cost of the replaced part was at the time it was acquired.

(h) Inventories

Inventory comprises of fuel oil. The cost of inventories is determined on the weighted average cost basis and includes expenditure incurred in acquiring and bringing them to their existing location and condition. Obsolete inventory items are written down to their estimated net realizable value.

(i) Impairment

(i) Non-derivative financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognised in the income statement. An impairment loss is reversed if reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in the income statement.

(ii) Non – financial assets

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement unless it reverses a previous revaluation that was credited to equity, in which case it is charged to equity.

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

(i) Impairment (continued)

(ii) Non – financial assets (continued)

The recoverable amount of the cash generating unit is the greater of its value in use and its fair value less cost 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 plant.

The management determines whether there are any indications of impairment to carrying value of property, plant and equipment on an annual basis because of the difference between the duration of the contracted cash flows and accounting deprecation of assets. This requires an estimation of the value in use of the cash generating unit. Estimating the value in use requires the Company to make an estimate of the residual value of the cash generating unit at the end of the term of the PPA considering the expected future cash flows for the period beyond the term of the PPA and also a suitable discount rate in order to calculate the present value of those cash flows.

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 assets' 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.

(j) Financial liabilities

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Interest-bearing liabilities are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing liabilities are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

(k) Employee terminal benefits

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

The Company's obligation in respect of the terminal benefits of non-Omani employees, is the amount of future benefit that such employees have earned in return for their service in the current and prior periods.

(l) Provisions

A provision is recognised 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. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

(m) Borrowing costs

Interest expense and similar charges are expensed in the income statement in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of a qualifying asset which necessarily takes a substantial period of time to prepare for its intended use or sale.

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

(n) Deferred financing cost

The cost of obtaining long-term financing is deferred and amortised over the period of the long term loan using the effective interest rate method. Deferred financing costs less accumulated amortisation are offset against the drawn amount of the term loans. The amortization of the deferred financing costs was capitalized during construction period of the plant except during the early power period during which an amount proportionate to the period was charged to the income statement. Subsequent to the COD, the amortization of the deferred financing costs is charged to the income statement.

(o) Operating lease

The Company has entered into a long term PPA. In accounting of this arrangement, the Company has determined the PPA to be a lease as the purchaser (OPWP) has the right to direct how the Company operates the Plant and obtains from the Company electricity generated by the Plant during the contract term. In accordance with the PPA, OPWP has the right to control the use of the Plant during the contract term. Further, the Management has concluded that this arrangement is in the nature of an operating lease since it does not transfer substantially all the risks and rewards incidental to the ownership of the Plant.

(p) Revenues

The tariff structure under the PPA is comprised of power capacity (includes investment charge and fixed operation and maintenance charge), electrical energy and fuel charges components. The investment charge of the power capacity component is treated as an operating lease and recognised on a straight line basis over the lease term whereas the other components of tariff under the PPA are recognised as revenue on an accrual basis of accounting. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due.

(q) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

Deferred tax is calculated on 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 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 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.

(r) Dividend

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

Dividends on ordinary shares are recognised when they are approved for payment.

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

(s) Directors' sitting fees and remuneration

Directors' sitting fees and remuneration are approved by the Shareholders in the ordinary annual general meeting of the Company and are recognised as an expense in the income statement.

(t) New standards and interpretation not yet effective

For the year ended 31 December 2017, 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 (IFRIC) of the IASB that are relevant to its operations and are effective for period beginning on or after 1 January 2017. The adoption of these standards and interpretations has not resulted in changes to the Company's accounting policies and has not affected the amounts reported for the current year.

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2017. The ones which may be relevant to the Company and have not been applied in preparing the financial statements are set out below:

IFRS 9: Financial Instruments

IFRS 9 introduces new requirements for the classification and measurement of financial assets. Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 introduces new requirements for recognition of fair value changes of liabilities designated as fair value through profit or loss and hedge accounting requirements and disclosures. IFRS 9 is effective for annual periods beginning on or after 1 January 2019 with early adoption permitted. The Company has assessed and concluded that there is no material impact and does not plan to adopt early. However, additional disclosures with regard to the Company's risk management activities may be required.

IFRS 15: Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Company has assessed and concluded that there is no material impact as the contract has a single performance obligation and the Company continues to recognise revenue over time as the customer simultaneously receives and consumes all the benefits provided by the Company. The Company does not plan to adopt early.

IFRS 16: Leases

IFRS 16 sets out the principles for 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 currently assessing the potential impact of this standard and does not plan to adopt early.

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

(u) Determination of fair value

(i) Derivative financial instruments

Fair value of forward exchange contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using yield curves of the respective currencies.

The fair value of interest rate swaps is based on estimated future cash flows based on the terms and maturity of each contract and using market interest rates.

Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Company and counterparty when appropriate.

(ii) 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.

4 Direct costs

	2017 RO'000s	2017 USD'000s	2016 RO'000s	2016 USD'000s
Fuel gas	**33,235**	**86,438**	32,894	85,550
Depreciation (note 8)	**7,444**	**19,362**	7,440	19,349
Operation and maintenance ("O&M") fees (note 17)	**6,720**	**17,478**	6,853	17,822
Seawater extraction	**983**	**2,557**	927	2,412
Insurance	**512**	**1,332**	524	1,363
Other O&M expenses	**416**	**1,082**	94	245
Custom duty (note 17)	**342**	**889**	289	751
Grid connection fee	**192**	**499**	195	506
Plant site rent	**169**	**439**	161	420
Fuel oil	**113**	**293**	91	238
Other direct costs	**171**	**443**	135	351
	50,297	**130,812**	49,603	129,007

5 General and administrative expenses

	2017 RO'000s	2017 USD'000s	2016 RO'000s	2016 USD'000s
Secondment fees (note 17)	**243**	**633**	245	637
Employment costs	**149**	**387**	146	380
Public company related costs	**99**	**258**	109	283
Agency fees	**50**	**131**	48	124
Directors' sitting fee and remuneration (note 17)	**37**	**95**	36	95
Office rent	**23**	**60**	24	63
Corporate social responsibility	**20**	**51**	14	37
Depreciation (note 8)	**15**	**39**	19	50
Other general and administrative expenses	**147**	**383**	148	383
	783	**2,037**	789	2,052

6 Finance costs (net)

	2017 RO'000s	2017 USD'000s	2016 RO'000s	2016 USD'000s
Interest on term loans	**6,432**	**16,728**	5,786	15,049
Swap interest	**2,685**	**6,983**	3,700	9,624
Amortisation of deferred finance costs	**1,171**	**3,048**	1,260	3,277
Debt Service Reserve Account ("DSRA") LC cost (note 17)	**176**	**456**	177	460
Interest on working capital	**61**	**156**	28	73
Exchange loss	**43**	**111**	45	117
Asset retirement obligation - unwinding of discount (note 15)	**41**	**106**	45	117
Interest income	**(47)**	**(121)**	(29)	(76)
	10,562	**27,467**	11,012	28,641

7 Tax expense

The Royal Decree 9/2017 was issued on 19 February 2017 and published in the official gazette on 26 February 2017 amending certain provisions of the Income Tax Law 28/2009, including increase in corporate income tax rate from 12% to 15%. The effect of increase in tax rate has been recognized in these financial statements.

(a) Income tax recognised in the income statement.

	2017 RO '000s	**2017 USD '000s**	2016 RO '000s	2016 USD '000s
Deferred tax expense relating to temporary differences	**4,470**	**11,626**	1,468	3,817

(b) Reconciliation

The following is a reconciliation of income tax with the tax expense at the applicable tax rate of 15% (2016: 12%):

Profit before tax	**9,026**	**23,476**	9,763	25,387
Income tax as per rates mentioned above	**1,354**	**3,521**	1,172	3,046
Deferred tax impact for prior period due to increase in tax rate	**2,843**	**7,394**	-	-
Change in recognised temporary difference	**273**	**711**	296	771
Deferred tax expense for the year	**4,470**	**11,626**	1,468	3,817

No deferred tax has been recognised on tax losses of RO 49.7 million which are expected to expire in the years between 2018 – 2022, as it is probable that future taxable profits will not be available against which the Company can use the benefits therefrom.

The Company's effective tax rate for the year ended 31 December 2017 was 49.9**%** (31 December 2016: 15.0%).

7 Tax expense *(continued)*

(c) Deferred tax liability

	At 1 January 2017 RO'000s	**Recognised during the year RO'000s**	**At 31 December 2017 RO'000s**
Deferred tax (liability)/asset recognised in income statement			
Depreciation for property, plant and equipment	(13,268)	**(5,754)**	**(19,022)**
Provision for site restoration	22	**13**	**35**
Losses carried forward	1,852	**1,271**	**3,123**
Net deferred tax liability	(11,394)	**(4,470)**	**(15,864)**
Deferred tax asset directly recognised in equity			
Fair value adjustment of interest rate and forex swap	1,309	**(411)**	**898**
Deferred tax liability	(10,085)	**(4,881)**	**(14,966)**
In equivalent USD	(26,228)	**(12,694)**	**(38,922)**

	At 1 January 2016 RO'000s	Recognised during the year RO'000s	At 31 December 2016 RO'000s
Deferred tax (liability)/asset recognised in income statement			
Depreciation for property, plant and equipment	(10,818)	(2,450)	(13,268)
Provision for site restoration	16	6	22
Losses carried forward	876	976	1,852
Net deferred tax liability	(9,926)	(1,468)	(11,394)
Deferred tax asset directly recognised in equity			
Fair value adjustment of interest rate and forex swap	1,673	(364)	1,309
Deferred tax liability	(8,253)	(1,832)	(10,085)
In equivalent USD	(21,463)	(4,765)	(26,228)

(d) Status of tax returns

The tax returns for the years 2012 to 2016 have not yet been assessed by the Secretariat General of Taxation at the Ministry of Finance. The Management is of the opinion that the final tax liability once assessed for the open tax years would not be material to the Company's financial position as at 31 December 2017.

8 Property, plant and equipment

	Property,plant and equipment USD'000s	Decommi ssioning asset USD'000s	Technical spares USD'000s	Other assets USD'000s	Total USD'000s
Cost					
1 January 2016	770,640	1,037	4,290	312	776,279
Additions during the year	-	-	41	7	48
Disposals during the year	-	-	-	(2)	(2)
1 January 2017	**770,640**	**1,037**	**4,331**	**317**	**776,325**
Additions during the year	110	-	116	19	245
Disposals during the year	-	(1,037)	-	(6)	(1,043)
31 December 2017	**770,750**	**0**	**4,447**	**330**	**775,527**
Depreciation					
1 January 2016	57,348	72	343	225	57,988
Charge for the year	19,146	26	177	50	19,399
Disposals during the year	-	-	-	(2)	(2)
1 January 2017	**76,494**	**98**	**520**	**273**	**77,385**
Charge during the year	19,148	22	192	39	19,401
Disposals during the year	-	(120)	-	(6)	(126)
	95,642	**0**	**712**	**306**	**96,660**
Carrying amount					
31 December 2017	**675,108**	**0**	**3,735**	**24**	**678,867**
31 December 2016	694,146	939	3,811	44	698,940

	RO'000s	RO'000s	RO'000s	RO'000s	RO'000s
Cost					
1 January 2016	296,311	399	1,649	120	298,479
Additions during the year	-	-	16	3	19
Disposals during the year	-	-	-	(1)	(1)
1 January 2017	**296,311**	**399**	**1,665**	**122**	**298,497**
Additions during the year	42	-	45	7	94
Disposals during the year	-	(399)	-	(2)	(401)
31 December 2017	**296,353**	**-**	**1,710**	**127**	**298,190**
Depreciation					
1 January 2016	22,050	28	132	86	22,296
Charge during the year	7,362	10	68	19	7,459
Disposals during the year	-	-	-	(1)	(1)
1 January 2017	**29,412**	**38**	**200**	**104**	**29,754**
Charge during the year	7,362	8	74	15	7,459
Disposals during the year	-	(46)	-	(2)	(48)
	36,774	**-**	**274**	**117**	**37,165**
Carrying amount					
31 December 2017	**259,579**	**-**	**1,436**	**10**	**261,025**
31 December 2016	266,899	361	1,465	18	268,743

9 Trade and other receivables

	2017 RO'000s	2017 USD'000s	2016 RO'000s	2016 USD'000s
Trade receivables	**3,654**	**9,502**	4,606	11,979
Prepayments	**270**	**701**	241	628
Due from a related party (note 17)	**-**	**-**	65	168
Other receivables and accrued income	**852**	**2,219**	215	560
	4,776	**12,422**	5,127	13,335

10 Short term deposit

As per the CTA, the Company is required to maintain a debt service provisioning account ("DSPA") to ensure funds are available to service the loan instalments and interest on due date. At each repayment date at the end of October the Company is required to put the scheduled amount towards the next six monthly payment. The amount in the DSPA cannot be utilized for any purpose other than servicing the loan installment and interest and is as such, restricted cash. The amount in the DSPA has been put into a short term deposit maturing on 27 April 2018.

11 Cash and cash equivalents

Cash in hand and at bank	**2,991**	**7,779**	3,939	10,245

12 Equity

(a) Share capital

The details of the shareholders are as follows:

31 December 2017	**Nationality**	**No. of shares held of nominal value**	**% of total**	**Aggregate nominal value of shares held**
		100 Bzs. each		**RO '000s**
Kahrabel FZE	**UAE**	**201,791,343**	**29.90%**	**20,179**
Multitech LLC	**Omani**	**96,508,899**	**14.30%**	**9,651**
Civil Service Employees Pension Fund	**Omani**	**87,922,172**	**13.03%**	**8,792**
SEP International Netherlands B.V.	**Netherlands**	**48,254,453**	**7.15%**	**4,825**
Blue Horizon Sohar Power B.V.	**Netherlands**	**48,254,453**	**7.15%**	**4,825**
Public Authority for Social Insurance	**Omani**	**45,152,563**	**6.69%**	**4,515**
Ministry of Defence Pension Fund	**Omani**	**41,287,407**	**6.12%**	**4,129**
Shareholders with less than 5% shareholding		**105,716,140**	**15.66%**	**10,573**
		674,887,430	**100.00%**	**67,489**
Nominal value in USD '000s				**175,523**
31 December 2016				
Kahrabel FZE	UAE	201,791,343	29.90%	20,179
Multitech LLC	Omani	96,508,899	14.30%	9,651
Civil Service Employees Pension Fund	Omani	83,155,460	12.32%	8,316
SEP International Netherlands B.V.	Netherlands	48,254,453	7.15%	4,825
Blue Horizon Sohar Power B.V.	Netherlands	48,254,453	7.15%	4,825
Public Authority for Social Insurance	Omani	44,078,681	6.53%	4,408
Ministry of Defence Pension Fund	Omani	40,200,737	5.96%	4,020
Shareholders with less than 5% shareholding		112,643,404	16.69%	11,265
		674,887,430	100.00%	67,489
Nominal value in USD '000s				175,523

12 Equity *(continued)*

(a) Share capital *(Continued)*

The Company has authorized, issued and paid-up share capital of RO 67,488,743 consisting of 674,887,430 shares of RO 0.1 each (2016: RO 67,488,743 consisting of 674,887,430 shares of RO 0.1 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 general meetings of the Company. All shares rank equally with regard to the Company's residual assets.

(b) Legal reserve

Article 106 of the Commercial Companies Law of 1974 requires that 10% of Company's net profit is 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.

(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 13).

(d) Dividend

Pursuant to shareholders resolution of 23 March 2017, the Board of Directors, in the meetings held on 26 April 2017 and 25 October 2017, approved cash dividends of 2.78 Baizas and 4.51 Baizas per share, respectively from the retained earnings of the Company as at 31 December 2016, to the shareholders of the Company who are registered in the Company shareholders' register with Muscat Clearing and Depository Company SAOC. The cut off dates for entitlement to receive dividends were 11 June 2017 and 11 December 2017 respectively.

Unclaimed dividend relating to cut off date of 11 June 2017 in the amount of RO 2,561.385 has been deposited by Muscat Clearing & Depository Company SAOC with the Investors Trust Fund.

13 Hedging reserve

Derivative instruments assets (liabilities) are as follows:

	2017 RO'000s	2017 USD'000s	2016 RO'000s	2016 USD'000s
Interest rate swaps:				
Term loans (note 14)				
Standard Chartered Bank	**(2,106)**	**(5,478)**	(3,168)	(8,240)
KfW IPEX - Bank GmbH	**(1,052)**	**(2,737)**	(1,499)	(3,898)
Credit Agricole Corporate & Investment Bank	**(929)**	**(2,416)**	(1,333)	(3,467)
HSBC Bank Middle East Limited	**(782)**	**(2,034)**	(1,087)	(2,826)
Total fair value of interest rate swaps	**(4,869)**	**(12,665)**	(7,087)	(18,431)
Deferred tax asset	**730**	**1,899**	851	2,212
Fair value of interest rate swaps net of tax	**(4,139)**	**(10,766)**	(6,236)	(16,219)
Currency swaps:				
Standard Chartered Bank	**(1,340)**	**(3,485)**	(3,694)	(9,607)
Credit Agricole Corporate & Investment Bank	**218**	**567**	(126)	(328)
Total fair value of currency swaps	**(1,122)**	**(2,918)**	(3,820)	(9,935)
Deferred tax asset	**168**	**438**	458	1,192
Fair value of currency swaps net of tax	**(954)**	**(2,480)**	(3,362)	(8,743)
Total fair value of derivative instruments	**(5,991)**	**(15,583)**	(10,907)	(28,366)
Less: Deferred tax asset [note 7 (c)]	**898**	**2,337**	1,309	3,404
Total fair value of derivative instruments net of tax	**(5,093)**	**(13,246)**	(9,598)	(24,962)
Hedging reserve net of tax at the end of the year	**(5,093)**	**(13,246)**	(9,598)	(24,962)
Less: Hedging reserve net of tax at the beginning of the year	**(9,598)**	**(24,962)**	(12,271)	(31,914)
Effective portion of change in fair value of cash flow hedge for the year	**4,505**	**11,716**	2,673	6,952

(a) The long term facilities (note 14) (total drawdown of USD 490.50 million (RO 188.60 million) excluding Hermes Covered Fixed Facility of USD 120 million (RO 46.14 million)) of the Company bear interest at US LIBOR plus applicable margins.

The Company has fixed the rate of interest through Interest Rate Swap Agreements ("IRS") entered into with, Standard Chartered Bank, dated 19 December 2011; KfW IPEX - Bank GmbH, dated 6 October 2010; Credit Agricole Corporate & Investment Bank, dated 5 October 2010 and HSBC Bank Middle East Limited, dated 6 October 2010 respectively, for the facilities (excluding Hermes Covered Fixed Facility).

The hedged notional amounts stand at approximately USD 165.61 million (RO 63.68 million), USD 75.53 million (RO 29.04 million), USD 68.66 million (RO 26.40 million) and USD 54.93 million (RO 21.12 million) at fixed interest rates of 2.9708%, 2.9750%, 2.9530% and 2.9788% per annum respectively, excluding margins.

(b) The O&M Agreement includes an outflow of approximately Euro 80 million, payable in Euro. The Company has entered into a Forward Rate Agreements ("FRA") with Standard Chartered Bank and Credit Agricole Corporate & Investment Bank on 12 October 2010 and 4 August 2015 respectively to hedge against fluctuations in Euro/USD exchange rate. As per the FRAs', the Company shall pay a fixed USD amount at an exchange rate of 1.4318 and 1.17471 respectively and receive contractual Euro amount at each maturity date.

14 Term loans

	2017 RO'000s	2017 USD'000s	2016 RO'000s	2016 USD'000s
Term loans	**171,585**	**446,255**	185,370	482,108
Less: current portion	**(14,178)**	**(36,873)**	(13,785)	(35,853)
Non-current portion	**157,407**	**409,382**	171,585	446,255
Less: Unamortised transaction cost	**(6,113)**	**(15,898)**	(7,284)	(18,946)
	151,294	**393,484**	164,301	427,309

On 16 September 2010, the Company entered into a Common Terms Agreement ("CTA"), for credit facilities with a consortium of international banks, export credit agencies and a local bank, with Credit Agricole Corporate & Investment Bank as the Global Facility Agent, Offshore Security Trustee, Offshore Account Bank, KEXIM Facility Agent and Commercial Facility Agent; with Bank Muscat SAOG as Onshore Security Agent and Onshore Account Bank; and with KfW IPEX - Bank GmbH as the Hermes Facility Agent.

At 31 December the outstanding amounts were as follows:

Hermes Covered Variable Facility	**49,111**	**127,727**	54,330	141,301
Commercail Facility	**46,318**	**120,464**	46,792	121,695
Hermes Covered Fixed Facility	**31,348**	**81,528**	34,679	90,192
KEXIM Direct Facility	**30,521**	**79,378**	33,764	87,813
KEXIM Covered Facility	**14,287**	**37,158**	15,805	41,107
	171,585	**446,255**	185,370	482,108

Repayments

The aggregate amount of drawdown under the above facilities is repayable in half yearly instalments commencing from 31 October 2013, with the final instalment being due on 31 March 2027 except for Commercial Facility which has a final maturity date of 31 March 2028.

Reconciliation of movements of liabilities to cash flows arising from financing activities:

	Term loans		Short term borrowings	
Particulars	**RO'000s**	**USD'000s**	**RO'000s**	**USD'000s**
Balance at 1 January 2017	185,370	482,108	3,600	9,363
Proceeds from borrowing	-	-	44,240	115,058
Repayments of borrowing	(13,785)	(35,853)	(42,996)	(111,823)
Balance at 31 December 2017	**171,585**	**446,255**	**4,844**	**12,598**

14 Term loans *(continued)*

Interest

(i) Interest on Hermes Covered Fixed Facility is charged at a fixed rate of 3.60% per annum, including margin.

(ii) Interest on the remaining facilities is charged at a floating rate of US LIBOR plus applicable margin. The Company has entered into interest rate swap contracts to fix its obligations against US LIBOR rate changes.

During the year the margins ranged between 1.45% and 2.80% per annum (2016: ranged between 1.45% and 2.58%) depending on the type of facility and the interest payment period.

Other fees

Under the terms of the above facilities, the Company is required to pay agency and other fees.

Securities

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

Covenants

The term loan facilities contain certain covenants pertaining to, amongst other things, liquidation and merger, entering into material new agreements, negative pledge, disposal of asset, granting of loan and guarantee, acquisition of capital assets, debt service coverage ratio, change of business, hedging agreement, etc., which the Company is required to comply. The Company is in compliance with the covenants.

15 Asset retirement obligation

Under the Sub-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 ARO provision has been calculated using an expected present value technique. This technique reflects assumptions such as costs, plant useful life, inflation and discount rate that third parties would consider to assume for the settlement of the obligation.

The movement in ARO provision is as follows:

	2017 RO'000s	**2017 USD'000s**	2016 RO'000s	2016 USD'000s
Balance at beginning of the year	**549**	**1,429**	504	1,312
Unwinding of discount during the year	**41**	**106**	45	117
Reversal due to revaluation (note 15.1)	**(352)**	**(917)**	-	-
Balance at the end of the year	**238**	**618**	549	1,429

15 Asset retirement obligation *(continued)*

15.1 During 2017, an exercise was carried out through an expert to re-evaluate the asset retirement obligation provision. Based on the valuation report, the ARO provision was reduced by USD 915,964 and a corresponding adjustment was made in the de-commissioning asset resulting in a nil value of the de-commissioning asset as at 31 December 2017, which was in accordance with the guidelines of International Financial Reporting Interpretation Committee – IFRIC 1.

16 Trade and other payables

	2017 RO'000s	**2017 USD'000s**	2016 RO'000s	2016 USD'000s
Fuel gas payable and accrual	**3,083**	**8,017**	4,588	11,934
Accrued interest cost	**1,504**	**3,911**	1,590	4,134
Due to related parties (note 17)	**523**	**1,361**	717	1,865
Other payable and accruals	**731**	**1,901**	603	1,569
	5,841	**15,190**	7,498	19,502

17 Related party transactions

Related parties comprise the shareholders, directors, key management personnel, business entities that have the ability to control or exercise significant influence over financial and operating decisions of the Company and entities over which certain shareholders are able to exercise significant influence. Prices and terms of these transactions, which are entered in the normal course of business, are on mutually agreed terms and conditions.

Key Management benefits

Key management personnel are those having authority for planning, directing and controlling the activities of the Company, directly or indirectly, including any director (whether executive or otherwise).

Total compensation paid to the top five employees including key management personnel for the year ended 31 December are as follows:

	2017 RO'000s	**2017 USD'000s**	2016 RO'000s	2016 USD'000s
Key Management benefits	**372**	**967**	359	933

17 Related party transactions *(continued)*

The Company had the following transactions with related parties during the year:

	2017 RO'000s	2017 USD'000s	2016 RO'000s	2016 USD'000s
Suez-Tractebel Operation & Maintenance Oman LLC	**7,626**	**19,834**	7,511	19,535
Al Suwadi Power Company SAOG	**275**	**715**	231	600
Kahrabel Operation & Maintenance (Oman) LLC	**133**	**346**	161	418
Shikoku Electric Power Co., Inc.	**130**	**338**	131	340
ENGIE S.A. (Electrabel S.A.) *	**81**	**210**	81	211
International Power SA Dubai Branch	**40**	**104**	50	131
Directors	**36**	**95**	39	102
Multitech LLC	**39**	**101**	39	101
Sojitz Corporation	**19**	**50**	20	51
Public Authority for Social Insurance	**17**	**45**	18	46
Laborelec Middle East	**1**	**4**	5	14
Tractebel Engineering S.A.	**5**	**13**	-	-
Kahrabel FZE	**6**	**15**	-	-
	8,408	**21,870**	8,286	21,549

The nature of the above transactions is as follows:

	2017 RO'000s	2017 USD'000s	2016 RO'000s	2016 USD'000s
O&M fixed fee (note 4)	**5,015**	**13,042**	5,126	13,331
O&M variable fee (note 4)	**1,705**	**4,436**	1,726	4,490
Other O&M costs	**538**	**1,399**	94	245
Custom duty (note 4)	**342**	**889**	289	751
Sharing of costs	**275**	**715**	231	600
Secondment fees (note 5)	**243**	**633**	245	637
DSRA LC cost (note 6)	**176**	**456**	177	460
Professional fees	**45**	**120**	55	143
Directors' sitting fees (note 5)	**20**	**51**	20	51
Directors' remuneration (note 5)	**17**	**44**	17	44
Spares	**6**	**15**	276	718
Re-imbursement of Directors' expenses	**-**	**-**	3	7
Others	**26**	**70**	27	72
	8,408	**21,870**	8,286	21,549

Balances due from a related party at the year end comprised (note 9)

	2017 RO'000s	2017 USD'000s	2016 RO'000s	2016 USD'000s
Al Suwadi Power Company SAOG	**-**	**-**	65	168

Balances due to related parties at the year end comprised (note 16):

	2017 RO'000s	2017 USD'000s	2016 RO'000s	2016 USD'000s
Suez-Tractebel Operation & Maintenance Oman LLC	**433**	**1,127**	652	1,695
Al Suwadi Power Company SAOG	**33**	**86**	-	-
Directors'	**17**	**44**	17	45
Kahrabel Operation & Maintenance (Oman) LLC	**11**	**28**	11	29
Shikoku Electric Power Co., Inc.	**11**	**28**	11	28
ENGIE S.A.	**6**	**17**	7	18
International Power SA Dubai Branch	**6**	**15**	-	-
Multitech LLC	**3**	**8**	3	8
Public Authority for Social Insurance	**1**	**4**	15	38
Sojitz Corporation	**2**	**4**	1	4
	523	**1,361**	717	1,865

* Effective 29 July 2016 Electrabel S.A. letter of credit has been replaced by ENGIE S.A.

18 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.

Board of Directors has overall responsibility for establishing and overseeing 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 equity 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.

Interest rate risk

The Company has borrowings which are interest bearing and exposed to changes in US LIBOR rates. The Company has entered into interest rate swaps to hedge its US LIBOR risk exposure on 100% of its total loan facilities, excluding Hermes Covered Fixed Facility.

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 the income statement.

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

	Interest rate %	2017 RO'000s	2017 USD'000s	2016 RO'000s	2016 USD'000s
Financial liabilities					
Term loans					
- USD variable rate loans	Libor + margins	**140,237**	**364,727**	150,691	391,916
- USD fixed rate loan	3.60%	**31,348**	**81,528**	34,679	90,192
		171,585	**446,255**	185,370	482,108

18 Financial risk management *(continued)*

(a) Market risk *(continued)*

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in US LIBOR rates at the reporting date would have increased/ (decreased) equity and statement of profit or loss and other comprehensive income by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Equity			
	Increase RO'000s	Decrease RO'000s	Increase USD'000s	Decrease USD'000s
31 December 2017				
US LIBOR (100 basis points)	**6,434**	**(6,922)**	**16,733**	**(18,002)**
31 December 2016				
US LIBOR (100 basis points)	7,821	(8,471)	20,342	(22,032)

Currency risk

The price under the O&M Agreement includes an expected amount of approximately Euro 80 million, payable in Euro. The Company has entered into FRAs' to hedge against fluctuations in Euro/USD exchange rate (note 13(b)). The Euro amounts hedged cover 82% of expected outflows for the period from January 2018 to August 2021, 57% for the period from September 2021 to March 2023 and 34% for the period from April 2023 to March 2028. The Management considers that the Company is not exposed to significant foreign exchange risk because most other transactions and balances are either in RO or USD and RO is effectively pegged to the USD.

Sensitivity analysis:

A strengthening/ (weakening) of the Euro against all other currencies at the reporting date would have affected the measurement of financial instruments denominated in a foreign currency and increased/ (decreased) equity and the statement of profit or loss and other comprehensive income by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

	Equity		Profit or loss	
	Increase	Decrease	Increase	Decrease
31 December 2017	**RO'000s**	**RO'000s**	**RO'000s**	**RO'000s**
EUR (10% movement)	**2,272**	**(2,272)**	**-**	**-**
	USD'000s	**USD'000s**	**USD'000s**	**USD'000s**
EUR (10% movement)	**5,908**	**(5,908)**	**-**	**-**
31 December 2016	RO'000s	RO'000s	RO'000s	RO'000s
EUR (10% movement)	2,240	(2,240)	-	-
	USD'000s	USD'000s	USD'000s	USD'000s
EUR (10% movement)	5,825	(5,825)	-	-

18 Financial risk management *(continued)*

(b) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and cash balances held with banks. OPWP is the Company's sole customer and the Company analyses its credit risk with OPWP by monitoring its credit rating. The Company limits its credit risk with regard to bank deposits by only dealing with reputable banks and financial institutions. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2017 RO'000s	**2017 USD'000s**	2016 RO'000s	2016 USD'000s
Trade receivables	**3,654**	**9,502**	4,606	11,979
Due from a related party	**-**	**-**	65	168
Short term deposit	**2,001**	**5,203**	2,192	5,700
Cash at bank	**2,990**	**7,776**	3,938	10,243
Other receivables and accrued income	**852**	**2,219**	215	560
	9,497	**24,700**	11,016	28,650

Age analysis of trade receivables as at 31 December was:

	2017		2016	
		Allowance for impairment		Allowance for impairment
	RO'000s	**RO'000s**	RO'000s	RO'000s
Not past due	**3,654**	**-**	4,606	-
Past due 0 to 3 months	**-**	**-**	-	-
Past due > 3 months	**-**	**-**	-	-
	3,654	**-**	4,606	-
Nominal value in USD	**9,502**	**-**	11,979	-

The table below shows the balances with banks categorized by short-term credit ratings as published by Moody' Service at the reporting date:

Bank	**Rating**	**2017 RO'000s**	**2017 USD'000s**	2016 RO'000s	2016 USD'000s
Bank balances					
Bank Muscat SAOG	**P-2**	**2,654**	**6,902**	3,644	9,477
Credit Agricole Corporate & Investment Bank	**P-1**	**336**	**874**	294	766
		2,990	**7,776**	3,938	10,243
Short term deposit					
Credit Agricole Corporate & Investment Bank	**P-1**	**2,001**	**5,203**	2,192	5,700

(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.

18 Financial risk management *(continued)*

(c) Liquidity risk *(continued)*

The Company limits its liquidity risk by ensuring that a working capital facility is available, when required.

Liquidity requirements are monitored on a monthly basis and the 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:

	Carrying amount RO'000s	Contractual cash flow RO'000s	Less than 1 year RO'000s	Between 2 and 5 years RO'000s	More than 5 years RO'000s
31 December 2017					
Derivatives					
Derivative instruments	**5,991**	**(6,708)**	**-**	**(5,411)**	**(1,297)**
Non-derivatives Financial liabilities					
Term loans	**165,472**	**(221,983)**	**(21,751)**	**(91,811)**	**(108,421)**
Short term borrowing	**4,844**	**(4,844)**	**(4,844)**	**-**	**-**
Trade and other payables	**5,841**	**(5,841)**	**(5,841)**	**-**	**-**
	182,148	**(239,376)**	**(32,436)**	**(97,222)**	**(109,718)**

31 December 2017	**USD'000s**	**USD'000s**	**USD'000s**	**USD'000s**	**USD'000s**
Derivatives					
Derivative instruments	**15,583**	**(17,446)**	**-**	**(14,072)**	**(3,374)**
Non-derivatives Financial liabilities					
Term loans	**430,357**	**(577,328)**	**(56,569)**	**(238,781)**	**(281,978)**
Short term borrowing	**12,598**	**(12,598)**	**(12,598)**	**-**	**-**
Trade and other payables	**15,190**	**(15,190)**	**(15,190)**	**-**	**-**
	473,728	**(622,562)**	**(84,357)**	**(252,853)**	**(285,352)**

31 December 2016	Carrying amount RO'000s	Contractual cash flow RO'000s	Less than 1 year RO'000s	More than 1 to 5 years RO'000s	More than 5 years RO'000s
Derivatives					
Derivative instruments	10,907	(11,228)	-	(9,089)	(2,139)
Non-derivatives Financial liabilities					
Term loans	178,086	(238,247)	(20,032)	(86,337)	(131,878)
Short term borrowing	3,600	(3,600)	(3,600)	-	-
Trade and other payables	7,498	(7,498)	(7,498)	-	-
	200,091	(260,573)	(31,130)	(95,426)	(134,017)

31 December 2016	USD'000s	USD'000s	USD'000s	USD'000s	USD'000s
Derivatives					
Derivative instruments	28,366	(29,203)	-	(23,639)	(5,564)
Non-derivatives Financial liabilities					
Term loans	463,162	(619,626)	(52,098)	(224,543)	(342,985)
Short term borrowing	9,363	(9,363)	(9,363)	-	-
Trade and other payables	19,502	(19,502)	(19,502)	-	-
	520,393	(677,694)	(80,963)	(248,182)	(348,549)

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

18 Financial risk management *(continued)*

(c) Liquidity risk (continued)

Fair value hierarchy

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.

There were no transfers between level 1 and level 2 during the year.

Measurement of fair values

Type	Valuation technique	Significant unobservable inputs
Derivative instruments	Market comparison technique: fair value is calculated by the respective financial institutions	Not applicable
Other financial liabilities	Discounted cash flows	Not applicable

Embedded derivatives

The following agreements contain embedded derivatives:

(i) The PPA between the Company and OPWP contains embedded derivatives in the pricing formulae that adjusts the charge rates to reflect changes in USD / RO currency exchange rates and changes in US price index and the Oman price index.

(ii) The O&M Agreement contains embedded derivatives in the pricing formula that adjust the payments to reflect changes in relevant inflation indices.

(iii) The SUA between the Company and SIPC contains embedded derivatives in the pricing formulae that adjust the rent for the land to reflect changes in US consumer price index and the Omani consumer price index.

These embedded derivatives are not separated from the host contract, the PPA, the O&M agreement, and SUA and is not accounted for as a standalone derivative under IAS 39, as the Management believes that the economic characteristics and risks associated with the embedded derivatives are closely related to those of the host contracts.

Capital management

The Company aims to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development and growth of its businesses, while at the same time maintaining an appropriate dividend policy to reward shareholders.

19 Contingent liabilities

No material contingent liabilities exist as at 31 December 2017.

20 Commitments

(a) Operation and maintenance commitments

As per the O&M Agreement, STOMO is scheduled to operate and maintain the Plant until 31 March 2028. Under the O&M Agreement the Company has to pay the following operating fees:

- a fixed monthly fee; and
- a variable fee

All fees are subject to indexation based on Omani, Euro Material and Labour & US Producer Price indices.

At 31 December the expected future payments under the O&M Agreement (excluding indexation) are as follows:

	2017	**2017**	2016	2016
	RO'000s	**USD'000s**	RO'000s	USD'000s
Within one year	**6,367**	**16,560**	5,370	13,966
Between two and five years	**25,194**	**65,523**	21,813	56,730
After five years	**34,656**	**90,133**	34,067	88,601
	66,217	**172,216**	61,250	159,297

Euro/USD rate for converting Euro denominated O&M payments as at 31 December 2017 was 1.21 (2016: 1.06)

(b) Land lease commitments

At 31 December, the future lease payments under the Sub-Usufruct Agreement (excluding indexation) are as follows:

Within one year	**140**	**363**	140	363
Between two and five years	**559**	**1,453**	559	1,453
After five years	**811**	**2,109**	950	2,472

(c) As at 31 December 2017 the Company has outstanding purchase orders for USD 431,670 (RO 165,977).

21 Operating lease agreement for which the Company acts as a lessor

The Company has entered into a PPA with OPWP for a substantial element of the production of power with 100% "take-or-pay" clauses in favour of the Company.

The Management has determined that the take-or-pay arrangement with OPWP under the PPA is subject to IFRIC 4 – Determining whether an arrangement conveys the right to use the asset. The Management further determined that such an arrangement in substance represents an operating lease. The lease commenced on 3 April 2013. The following is the total of minimum lease receipts expected to be received under the PPA, excluding indexation:

Within one year	**28,253**	**73,479**	28,288	73,571
Between two and five years	**113,020**	**293,940**	113,027	293,957
After five years	**144,507**	**375,830**	172,753	449,292
	285,780	**743,249**	314,068	816,820

22 Net assets per share

Net assets per share is calculated by dividing the net assets attributable to the ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

	2017	2016
Net assets – shareholder funds (RO'000s)	**80,568**	80,932
Weighted average number of shares outstanding during the year ('000s)	**674,887**	674,887
Net assets per share (Baizas)	**119.38**	119.92

The Management believes that the hedging deficit of RO 5.09 million (USD 13.25 million) as at 31 December 2017 (RO 9.60 million [USD 24.96 million] as at 31 December 2016) represents the loss which the Company would incur, if it opts to terminate its swap agreements on this date. However, under the terms of its Financing Documents, the Company is not permitted to terminate the swap agreements. Accordingly the hedging deficit has been excluded from the Shareholder Funds.

23 Basic earnings per share

Basic earnings per share is calculated by dividing the net profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

	2017	2016
Net profit (RO'000s)	**4,556**	8,295
Weighted average number of shares outstanding during the year ('000s)	**674,887**	674,887
Basic earnings per share (Baizas)	**6.75**	12.29

24 Comparative figures

Certain comparative figures have been reclassified where necessary to conform to the current year presentation.