

AL BATINAH POWER COMPANY SAOG

Unaudited condensed interim financial statements

30 June 2019

Registered address:

P.O. Box 39
Postal Code 103
Bareeq Al Shatti
Sultanate of Oman

Principal place of business:

Sohar Industrial Port
Sohar
Sultanate of Oman

AL BATINAH POWER COMPANY SAOG

Unaudited condensed interim financial statements

30 June 2019

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AL BATINAH POWER COMPANY SAOG

Unaudited condensed income statement

for the six month period ended 30 June

	<i>Notes</i>	2019 RO'000s	2018 RO'000s
Revenues		27,780	35,012
Direct costs	3	<u>(17,058)</u>	<u>(24,684)</u>
Gross profit		10,722	10,328
General and administrative expenses	4	<u>(376)</u>	<u>(356)</u>
Profit before interest and tax		10,346	9,972
Finance costs (net)	5	<u>(4,744)</u>	<u>(4,991)</u>
Profit before tax		5,602	4,981
Tax expense		<u>(829)</u>	<u>(771)</u>
Net profit for the period		<u>4,773</u>	<u>4,210</u>
Earnings per share			
Basic earnings per share (Baizas)	19	<u>7.07</u>	<u>6.24</u>

The attached notes 1 to 19 form part of these condensed interim financial statements.

AL BATINAH POWER COMPANY SAOG**Unaudited condensed statement of profit or loss and other comprehensive income***for the six month period ended 30 June*

	2019 RO'000s	2018 RO'000s
Net profit for the period	4,773	4,210
Other comprehensive (loss)/income, net of income tax:		
<i>Item that will be reclassified to profit or loss</i>		
Cash flow hedges - effective portion of changes in fair value	(3,623)	3,252
Total comprehensive income for the period	<u>1,150</u>	<u>7,462</u>

The attached notes 1 to 19 form part of these condensed interim financial statements.

AL BATINAH POWER COMPANY SAOG

Unaudited condensed statement of financial position

as at

	Notes	30 June 2019 RO'000s	Audited 31 December 2018 RO'000s
Assets			
Non-current assets			
Property, plant and equipment	6	249,983	253,649
Right-of-use assets	7	3,726	-
Capital spares		412	305
Total non-current assets		254,121	253,954
Current assets			
Trade and other receivables	8	6,291	5,905
Inventory		1,906	1,878
Short term deposit	9	-	1,807
Cash and cash equivalents	10	4,732	2,021
Total current assets		12,929	11,611
Total assets		267,050	265,565
Equity and liabilities			
Equity			
Share capital	12(a)	67,489	67,489
Legal reserve	12(b)	4,493	4,493
Retained earnings		14,818	11,935
Total equity		86,800	83,917
Hedging reserve	12(c)	(6,872)	(3,249)
Net equity		79,928	80,668
Liabilities			
Non-current liabilities			
Term loans	13	136,576	137,490
Lease liabilities	11	3,636	-
Derivative instruments		8,084	3,822
Deferred tax liability		17,056	16,867
Asset retirement obligation		266	256
End of service benefits		19	34
Total non-current liabilities		165,637	158,469
Current liabilities			
Term loans	13	15,036	14,887
Lease liabilities	11	213	-
Trade and other payables	14	2,226	9,341
Short term borrowing		4,010	2,200
Total current liabilities		21,485	26,428
Total liabilities		187,122	184,897
Total equity and liabilities		267,050	265,565
Net assets per share (Baizas)	18	128.61	124.34

The financial statements were approved and authorised for issue in accordance with a resolution of the Board of Directors on 30 July 2019.


Deputy Chairperson


Director

The attached notes 1 to 19 form part of these condensed interim financial statements.

AL BATINAH POWER COMPANY SAOG

Unaudited condensed statement of cash flows

for the six month period ended 30 June

	<i>Notes</i>	2019 RO'000s	2018 RO'000s
Cash flows from operating activities:			
Profit before tax		5,602	4,981
<i>Adjustments for:</i>			
Depreciation		3,827	3,719
Finance costs (net)		4,744	4,991
Loss on disposals		(0)	-
End of service benefits		(15)	3
Cash from operations before working capital changes		<u>14,158</u>	<u>13,694</u>
<i>Changes in :</i>			
Trade and other receivables		(435)	(11,950)
Inventory		(28)	(104)
Trade and other payables		(7,249)	4,870
Cash generated from operating activities		<u>6,446</u>	<u>6,510</u>
Finance costs paid		(4,165)	(4,381)
Net cash flows generated from operating activities		<u>2,281</u>	<u>2,129</u>
Cash flows from investing activities:			
Acquisition of property, plant and equipment		(58)	(1)
Sale proceeds from property, plant and equipment		0	-
Net cash flows (used in) investing activities		<u>(58)</u>	<u>(1)</u>
Cash flows from financing activities:			
Repayment of term loans		(1,271)	(1,166)
Proceeds from short term borrowing - net		1,810	351
Maturity of short term deposit		1,807	2,001
Dividend paid		(1,890)	(1,890)
Interest received		32	12
Net cash flows generated from (used in) financing activities		<u>488</u>	<u>(692)</u>
Net change in cash and cash equivalents		2,711	1,436
Cash and cash equivalents at beginning of the period	10	2,021	2,991
Cash and cash equivalents at end of the period	10	<u>4,732</u>	<u>4,427</u>

The attached notes 1 to 19 form part of these condensed interim financial statements.

AL BATINAH POWER COMPANY SAOG

Unaudited condensed statement of changes in equity

for the six month period ended 30 June

	Share capital RO'000s	Legal reserve RO'000s	Retained earnings RO'000s	Hedging reserve RO'000s	Total RO'000s
Balance at 1 January 2019	67,489	4,493	11,935	(3,249)	80,668
<i>Total comprehensive income for the period</i>					
Net profit for the period	-	-	4,773	-	4,773
<i>Other comprehensive (loss) for the period net of income tax</i>					
Cash flow hedges - effective portion of changes in fair value	-	-	-	(3,623)	(3,623)
<i>Total comprehensive income for the period</i>	-	-	4,773	(3,623)	1,150
<i>Transactions with owners of the company</i>					
<i>Contribution and distribution</i>					
Dividend	-	-	(1,890)	-	(1,890)
<i>Total transactions with owners of the company</i>	-	-	(1,890)	-	(1,890)
Balance at 30 June 2019	67,489	4,493	14,818	(6,872)	79,928
Balance at 1 January 2018	67,489	3,586	9,493	(5,093)	75,475
<i>Total comprehensive income for the period</i>					
Net profit for the period	-	-	4,210	-	4,210
<i>Other comprehensive income for the period net of income tax</i>					
Cash flow hedges - effective portion of changes in fair value	-	-	-	3,252	3,252
<i>Total comprehensive income for the period</i>	-	-	4,210	3,252	7,462
<i>Transactions with owners of the company</i>					
<i>Contribution and distribution</i>					
Dividend	-	-	(1,890)	-	(1,890)
<i>Total transactions with owners of the company</i>	-	-	(1,890)	-	(1,890)
Balance at 30 June 2018	67,489	3,586	11,813	(1,841)	81,047

The attached notes 1 to 19 form part of these condensed interim financial statements.

AL BATINAH POWER COMPANY SAOG

Notes to the unaudited condensed interim financial statements

1 Legal status and principal activities

Al Batinah Power Company (the "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; to make available the demonstrated power capacity; and to sell 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 Basis of preparation and significant accounting policies

Basis of preparation

(a) *Statement of compliance*

These condensed interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting, applicable requirements of the Oman Commercial Companies Law of 1974 (as amended) ("CCL") and disclosure requirements of the Capital Market Authority of the Sultanate of Oman ("CMA"). Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the last annual financial statements as at and for the year ended 31 December 2018. The condensed interim financial statements do not include all information required for full annual financial statements prepared in accordance with International Financial Reporting Standards (IFRSs).

(b) *Basis of measurement*

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

(c) *Use of estimates and judgements*

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

Critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in these condensed interim financial statements are same as those that were applied to the financial statements as at and for the year ended 31 December 2018.

(d) *Presentation Currency*

These condensed interim financial statements have been presented in Rial Omani which is the presentation currency, and all values are rounded to the nearest thousand (RO'000) except where otherwise stated.

Change in significant accounting policies

The significant accounting policies applied by the Company in these condensed interim financial statements are consistent with those applied by the Company in its financial statements as at and for the year ended 31 December 2018. From 1 January 2019, the Company has adopted IFRS 16 'Leases' and the impact has been considered in these financial statement.

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Notes to the unaudited condensed interim financial statements

	30 June 2019 RO'000s	30 June 2018 RO'000s
3. Direct costs		
Fuel gas	9,180	16,364
Depreciation (note 6 & 7)	3,820	3,715
Operation and maintenance ("O&M") fees (note 15)	3,053	3,430
Seawater extraction	507	501
Insurance	249	256
Fuel oil	54	106
Grid connection fee	16	92
Plant site rent	0	82
Custom duties (note 15)	(7)	(5)
Other direct costs	186	143
	<u>17,058</u>	<u>24,684</u>
4. General and administrative expenses		
Secondment fees (note 15)	119	115
Employment costs	92	81
Public company related costs	46	46
Agency fees	26	29
Office rent	10	10
Directors' sitting fees (note 15)	9	10
Depreciation (note 6)	7	4
Corporate social responsibility	1	0
Other general and administrative expenses	66	61
	<u>376</u>	<u>356</u>
5. Finance costs (net)		
Interest on term loans	3,759	3,557
Amortisation of deferred finance costs	506	553
Swap interest	193	748
Interest on lease liabilities	103	-
Interest on short term borrowing	78	54
Debt Service Reserve Account ("DSRA") LC cost (note 15)	71	72
Exchange loss	49	10
Asset retirement obligation - unwinding of discount	10	9
Interest income	(25)	(12)
	<u>4,744</u>	<u>4,991</u>

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Notes to the unaudited condensed interim financial statements

6. Property, plant and equipment

	Property, plant and equipment RO'000s	Technical Spares RO'000s	Other assets RO'000s	Capital Work-in- progress RO'000s	Total RO'000s
Cost					
1 January 2019	296,359	1,724	142	-	298,225
Addition during the period	7	1	2	48	58
Disposal during the period	-	-	(3)	-	(3)
30 June 2019	<u>296,366</u>	<u>1,725</u>	<u>141</u>	<u>48</u>	<u>298,280</u>
Depreciation					
1 January 2019	44,123	345	108	-	44,576
Charge during the period	3,683	34	7	-	3,724
Disposal during the period	-	-	(3)	-	(3)
30 June 2019	<u>47,806</u>	<u>379</u>	<u>112</u>	<u>-</u>	<u>48,297</u>
Carrying amount					
30 June 2019	<u>248,560</u>	<u>1,346</u>	<u>29</u>	<u>48</u>	<u>249,983</u>
31 December 2018	<u>252,236</u>	<u>1,379</u>	<u>34</u>	<u>-</u>	<u>253,649</u>

7. Right-of-use assets

	Connection Equipment RO'000s	Site Rent RO'000s	Total RO'000s
Cost			
1 January 2019	1,222	2,607	3,829
Addition during the period	-	-	-
Disposal during the period	-	-	-
30 June 2019	<u>1,222</u>	<u>2,607</u>	<u>3,829</u>
Depreciation			
1 January 2019	-	-	-
Charge during the period	66	37	103
Disposal during the period	-	-	-
30 June 2019	<u>66</u>	<u>37</u>	<u>103</u>
Carrying amount			
30 June 2019	<u>1,156</u>	<u>2,570</u>	<u>3,726</u>
31 December 2018	<u>-</u>	<u>-</u>	<u>-</u>

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Company recognizes the lease payment associated with these leases as an expense on a straight-line basis over the lease term.

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Notes to the unaudited condensed interim financial statements

	30 June 2019 RO'000s	Audited 31 December 2018 RO'000s
8. Trade and other receivables		
Trade receivables	5,982	4,814
Prepayments	82	231
Due from a related party (note 15)	34	0
Other receivables and accrued income	193	860
	<u>6,291</u>	<u>5,905</u>

9. Short term deposit

As per the Common Terms Agreement ("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 instalments and interest and is as such restricted cash. The amount in the DSPA as at 31 December 2018 was put into a short term deposit which matured on 26 April 2019.

	30 June 2019 RO'000s	Audited 31 December 2018 RO'000s
10. Cash and cash equivalents		
Cash in hand and at bank	<u>4,732</u>	<u>2,021</u>

11. Lease liabilities

Lease liabilities included in the statement of financial position as:

Current lease liabilities	213	-
Non-current lease liabilities	3,636	-
	<u>3,849</u>	<u>-</u>

30 June 2019

	Contractual Undiscounted Cash flows RO'000s	Present value of lease payments RO'000s
Amount payable under operating leases		
Within one year	334	213
In 2 to 5 years	1,335	598
More than 5 years	5,776	3,038
	<u>7,445</u>	<u>3,849</u>
Less: unpaid finance cost	(3,596)	-
Present value of lease payments	<u>3,849</u>	<u>3,849</u>

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Notes to the unaudited condensed interim financial statements

12. Equity

(a) Share capital

The details of the shareholders are as follows:

	Nationality	No. of shares held of nominal value 100 Bzs. each	% of total	Aggregate nominal value of shares held RO '000
30 June 2019				
Kahrabel FZE	UAE	201,791,343	29.90%	20,179
Middle East Investment LLC	Omani	96,508,899	14.30%	9,651
Civil Service Employees Pension Fund	Omani	87,880,172	13.02%	8,788
SEP International Netherlands B.V.	Netherlands	48,254,453	7.15%	4,825
Sojitz Global Investment 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	40,200,737	5.96%	4,020
Shareholders with less than 5% shareholding		106,844,810	15.83%	10,686
		<u>674,887,430</u>	<u>100.00%</u>	<u>67,489</u>

31 December 2018

Kahrabel FZE	UAE	201,791,343	29.90%	20,179
Middle East Investment 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	40,890,737	6.06%	4,089
Shareholders with less than 5% shareholding		106,112,810	15.72%	10,613
		<u>674,887,430</u>	<u>100.00%</u>	<u>67,489</u>

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 (31 December 2018: 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.

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Notes to the unaudited condensed interim financial statements

	30 June 2019 RO'000s	Audited 31 December 2018 RO'000s
13. Term loans		
Term loans	156,136	157,407
Less: current portion	(15,036)	(14,887)
Non-current portion	141,100	142,520
Less: unamortised transaction cost	(4,524)	(5,030)
	<u>136,576</u>	<u>137,490</u>

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 30 June 2019 and 31 December 2018, the outstanding amounts were as follows:

Commercial Facility	45,251	45,785
Hermes Covered Variable Facility	43,473	43,762
Hermes Covered Fixed Facility	27,748	27,933
KEXIM Direct Facility	27,017	27,196
KEXIM Covered Facility	12,647	12,731
	<u>156,136</u>	<u>157,407</u>

14. Trade and other payables

Accrued finance cost	1,349	1,363
Due to related parties (note 15)	451	397
Fuel gas payable and accrual	25	5,987
Other payables and accruals	401	1,594
	<u>2,226</u>	<u>9,341</u>

15. 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 into 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 six month period ended are as follows:

	30 June 2019 RO'000s	30 June 2018 RO'000s
Key management benefits	<u>194</u>	<u>189</u>

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Notes to the unaudited condensed interim financial statements

15. Related party transactions (continued)

The Company had the following transactions with related parties during the six month period ended:

	30 June 2019 RO '000s	30 June 2018 RO '000s
Suez-Tractebel Operation & Maintenance Oman LLC	3,068	3,500
Al Suwadi Power Company SAOG	154	111
Kahrabel Operations & Maintenance (Oman) LLC	65	62
Sojitz Corporation	62	53
International Power SA Dubai Branch	37	19
ENGIE SA	33	33
Middle East Investment LLC	15	12
Directors'	9	10
Shikoku Electric Power Co., Inc.	8	17
Public Authority for Social Insurance	7	7
Multitech LLC	-	4
Laborelec Middle East	-	1
	<u>3,458</u>	<u>3,829</u>

The nature of the above transactions is as follows:

Operation and maintenance ("O&M") fees (note 3)	3,053	3,430
Sharing of costs	154	111
Secondment fees (note 4)	119	115
DSRA LC cost (note 5)	71	72
Professional fees	37	20
Other O&M expenses	16	70
Directors' sitting fees (note 4)	9	10
Custom duties	(7)	(5)
Others	6	6
	<u>3,458</u>	<u>3,829</u>

	30 June 2019 RO '000s	Audited 31 December 2018 RO '000s
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Balance due from a related party

Al Suwadi Power Company SAOG	<u>34</u>	<u>-</u>
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Balances due to related parties comprised:

Suez-Tractebel Operation & Maintenance Oman LLC	379	238
ENGIE SA	21	87
Sojitz Corporation	14	11
Middle East Investment LLC	12	5
Kahrabel Operations & Maintenance (Oman) LLC	11	32
International Power SA Dubai Branch	5	5
Shikoku Electric Power Co., Inc.	5	2
Public Authority for Social Insurance	4	1
Directors'	0	15
Kahrabel FZE	-	1
	<u>451</u>	<u>397</u>

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Notes to the unaudited condensed interim financial statements

16. Financial risk management

The Company's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended 31 December 2018.

17. Commitments

- a) Operation and maintenance commitments and land lease commitments are consistent with those disclosed in the financial statements as at and for the year ended 31 December 2018 as reduced by amounts accounted for during the six month period ended 30 June 2019.
- b) The Company has placed purchase orders for RO 229,050 which are outstanding as at 30 June 2019 (RO 213,937 as at 31 December 2018).

18. 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 period/year.

	30 June 2019	Audited 31 December 2018
Net assets - shareholder funds (RO'000s)	86,800	83,917
Weighted average number of shares outstanding during the period/year ('000s)	674,887	674,887
Net asset per share (Baizas)	<u>128.61</u>	<u>124.34</u>

The management believes that the hedging deficit of RO 6.87 million as at 30 June 2019 (RO 3.25 million as at 31 December 2018) 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 agreements, the Company is not permitted to terminate the swap agreements. Accordingly the hedging deficit has been excluded from the Total Equity.

19. 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 period.

	30 June 2019	30 June 2018
Net profit for the period (RO'000s)	4,773	4,210
Weighted average number of shares outstanding during the period ('000s)	674,887	674,887
Basic earnings per share (Baizas)	<u>7.07</u>	<u>6.24</u>