

BOARD OF DIRECTORS' REPORT

Dear Shareholders,

On behalf of the Board of Directors of Al Suwadi Power Company SAOG ("ASPC" or the "Company"), I have the pleasure to present the Report of the Company for the half year ended 30 June 2016.

Operational Results

The Plant ran smoothly and efficiently with reliability of 99.55% and delivered 1,773 GWh to the Omani grid. The fuel efficiency of the Plant places it in the higher merit order for dispatch among the power plants in Oman and as such, the plant has witnessed 9.02% increase in generation as compared to similar period of 2015, translating into a plant load factor of 54.93%. Again, this excellent plant performance was achieved with no Lost Time Accidents to any of our staff, thereby clocking 1,825 Lost Time Accident free days since inception, and is reflective of our continued internal focus on Health, Safety, Environment and Quality Management.

Financial Results

	6-month 2016 RO'000 Unaudited	6-month 2015 RO'000 Unaudited	Percentage change
Revenues	32,842	31,283	5.0%
Direct Costs	(21,183)	(20,038)	(5.7%)
Gross Profit	11,659	11,245	3.7%
Net profit	4,440	3,172	40.0%
Earnings per share <i>(nominal value of 100 Baizas)</i>	6.22 Baizas	4.44 Baizas	40.0%

Better Plant availability, improved thermal efficiency and optimization of operational costs have resulted in an improvement of Gross Profit of 3.7% as compared to the half year of 2015. The steady reduction in finance cost and tax expense as compared to the corresponding period of 2015 led to increase in Net Profit by 40.0%.

Corporate Social Responsibility

As reported earlier, during the month of January 2016, the Company gifted 4 Smart Electronics Boards and 5 Projectors to two schools in the Vilayat of Barka. Presently, provision of an Ultrasound Machine requested by Ministry of Health, South Batinah Governorate, is proposed during Q3 of 2016. This will be installed in Barka Polyclinic of the Ministry of Health. This will greatly benefit patient in need of the specialised service of Ultrasound Unit from Barka region who presently have to travel 80 kms to Rustaq Hospital to avail this facility.

Medium term Outlook

After a detailed market and financial study the Board has already reported to the shareholders that it has decided to suspend the refinancing exercise of the Company's long term project loan. However, the Board, with the assistance of its financial advisor, is closely monitoring the international financial market and proposes to take it up should the financial markets improve and it becomes feasible to embark on the exercise.

Should the plant reliability remain similarly high for the balance of the year and improvement currently seen in other operational parameters are sustained, the Board is hopeful of good financial results for the year 2016. All reasonable measures are being taken by the management to achieve this.

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.



Charles Paul Dexter
Chairperson

AL SUWADI POWER COMPANY SAOG

Unaudited condensed income statement

for the six month period ended 30 June

	<i>Notes</i>	2016 RO'000	2015 RO'000
Revenues		32,842	31,283
Direct costs	3	(21,183)	(20,038)
Gross profit		11,659	11,245
Other income (net)		-	20
General and administrative expenses	4	(419)	(407)
Profit before interest and tax		11,240	10,858
Finance costs (net)	5	(5,992)	(6,309)
Profit before tax		5,248	4,549
Tax expense		(808)	(1,377)
Net profit for the period		4,440	3,172
Earnings per share			
Basic earnings per share (Baizas)	17	6.22	4.44

The notes on pages 6 to 12 form an integral part of these condensed interim financial statements.

AL SUWADI POWER COMPANY SAOG

Unaudited condensed statement of profit or loss and other comprehensive income for the six month period ended 30 June

	2016	2015
	RO'000	RO'000
Net profit for the period	4,440	3,172
Other comprehensive (loss), net of income tax:		
<i>Item that will be reclassified to profit or loss</i>		
Effective portion of change in fair value of cash flow hedge	(6,112)	(168)
Total comprehensive (loss) income for the period	(1,672)	3,004

The notes on pages 6 to 12 form an integral part of these condensed interim financial statements.

AL SUWADI POWER COMPANY SAOG

Unaudited condensed statement of financial position

as at

	<i>Notes</i>	30 June 2016 RO'000	Audited 31 December 2015 RO'000
Assets			
Non-current assets			
Property, plant and equipment	6	293,331	297,340
Total non-current assets		293,331	297,340
Current assets			
Trade and other receivables	7	9,302	3,437
Inventory		1,840	1,823
Short term deposit	8	-	2,503
Cash and cash equivalents	9	4,644	354
Total current assets		15,786	8,117
Total assets		309,117	305,457
Equity and liabilities			
Equity			
Share capital	10(a)	71,441	71,441
Legal reserve	10(b)	3,004	3,004
Retained earnings		13,123	11,326
Shareholders' fund		87,568	85,771
Hedging reserve	10(c)	(18,884)	(12,772)
Total equity		68,684	72,999
Liabilities			
Non-current liabilities			
Term loans	11	189,001	189,691
Derivative instruments		21,684	14,696
Deferred tax liability (net)		8,647	8,677
Asset retirement obligation		611	586
End of service benefits		4	8
Total non-current liabilities		219,947	213,658
Current liabilities			
Term loans	11	14,448	14,658
Trade and other payables	12	6,038	3,862
Short term borrowing		-	280
Total current liabilities		20,486	18,800
Total liabilities		240,433	232,458
Total equity and liabilities		309,117	305,457
Net assets per share (Baizas)	16	122.57	120.06

The financial statements were approved and authorised for issue in accordance with resolution of the Board of Directors on 28 July 2016.

 Chairperson

 Director

AL SUWADI POWER COMPANY SAOG

Unaudited condensed statement of cash flows

for the six month period ended 30 June

	<i>Notes</i>	2016	2015
		RO'000	RO'000
Cash flows from operating activities:			
Net profit for the period		4,440	3,172
<i>Adjustments for:</i>			
Depreciation		4,010	4,010
Ineffective portion of hedge		38	16
Tax expense		808	1,377
Amortisation of deferred finance cost		696	741
Asset retirement obligation-unwinding of discount		25	23
End of service benefits		(4)	1
		10,013	9,340
<i>Change in:</i>			
Trade and other receivables		(5,865)	(6,112)
Inventory		(17)	21
Trade and other payables		2,176	2,554
Net cash from operating activities		6,307	5,803
Cash flows from investing activities:			
Aquisition of property, plant and equipment		(1)	(2)
Net cash used in investing activities		(1)	(2)
Cash flows from financing activities:			
Repayment of term loans		(1,596)	(1,533)
Repayment of short term borrowing		(280)	(340)
Maturity of short term deposit		2,503	2,768
Dividends paid		(2,643)	(2,250)
Net cash used in financing activities		(2,016)	(1,355)
Net increase in cash and cash equivalents		4,290	4,446
Cash and cash equivalents at beginning of the period		354	509
Cash and cash equivalents at end of the period	9	4,644	4,955

The notes on pages 6 to 12 form an integral part of these condensed interim financial statements.

AL SUWADI POWER COMPANY SAOG

Unaudited condensed statement of changes in equity

for the six month period ended 30 June

	Share capital RO'000	Legal reserve RO'000	Retained earnings RO'000	Hedging reserve RO'000	Total RO'000
Balance at 1 January 2016	71,441	3,004	11,326	(12,772)	72,999
<i>Total comprehensive (loss) for the period</i>					
Net profit for the period	-	-	4,440	-	4,440
<i>Other comprehensive (loss) for the period net of income tax</i>					
Effective portion of change in fair value of cash flow hedge	-	-	-	(6,112)	(6,112)
<i>Total comprehensive (loss) for the period</i>	<u>-</u>	<u>-</u>	<u>4,440</u>	<u>(6,112)</u>	<u>(1,672)</u>
<i>Transactions with owners of the Company</i>					
Dividend	-	-	(2,643)	-	(2,643)
<i>Total transactions with owners of the Company</i>	<u>-</u>	<u>-</u>	<u>(2,643)</u>	<u>-</u>	<u>(2,643)</u>
Balance at 30 June 2016	71,441	3,004	13,123	(18,884)	68,684
Balance at 1 January 2015	71,441	2,279	10,734	(11,041)	73,413
<i>Total comprehensive income for the period</i>					
Net profit for the period	-	-	3,172	-	3,172
<i>Other comprehensive (loss) for the period net of income tax</i>					
Effective portion of change in fair value of cash flow hedge	-	-	-	(168)	(168)
<i>Total comprehensive income for the period</i>	<u>-</u>	<u>-</u>	<u>3,172</u>	<u>(168)</u>	<u>3,004</u>
<i>Transactions with owners of the Company</i>					
Dividend	-	-	(2,250)	-	(2,250)
<i>Total transactions with owners of the Company</i>	<u>-</u>	<u>-</u>	<u>(2,250)</u>	<u>-</u>	<u>(2,250)</u>
Balance at 30 June 2015	71,441	2,279	11,656	(11,209)	74,167

The notes on pages 6 to 12 form an integral part of these condensed interim financial statements.

AL SUWADI POWER COMPANY SAOG

Notes to the unaudited condensed interim financial statements

1 Legal status and principal activities

Al Suwadi 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. The founder shareholders in the Extraordinary General Meeting (“EGM”) held on 31 March 2014 resolved to convert the Company from SAOC to a public joint stock company (“SAOG”) in connection with which the Founder Shareholders offered to sell 35% of their shares for public subscription through an initial public offering and listing on the Muscat Securities Market (“IPO”). The IPO was finalised during the month of June 2014 and the Company 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 Barka 3 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. Commercial Operation of the Plant was achieved by the Company on 4 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 2015. 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 2015.

(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 when otherwise stated.

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 2015.

AL SUWADI POWER COMPANY SAOG

Notes to the unaudited condensed interim financial statements

	30 June 2016 RO'000	30 June 2015 RO'000
3. Direct costs		
Fuel gas	13,257	12,150
Depreciation (note 6)	4,004	4,003
Operation and maintenance fees	3,379	3,253
Insurance	269	360
Grid connection fee	107	102
Fuel oil	33	56
Asset retirement obligation-unwinding of discount	25	23
Other operating expenses	109	91
	21,183	20,038
4 General and administrative expenses		
Secondment fees	124	120
Public company related costs	93	91
Employment costs	71	68
Agency fees	25	25
Office rent	11	11
Directors' sitting fees (note 13)	10	10
Depreciation (note 6)	6	6
Other general and administrative expenses	79	76
	419	407
5. Finance costs (net)		
Interest on term loans	3,039	2,915
Swap interest	2,122	2,534
Amortisation of deferred finance costs	696	741
Debt Service Reserve Account ("DSRA") LC cost	80	80
Ineffective portion of interest rate hedge	38	16
Exchange loss	12	15
Interest on working capital	10	12
Interest income	(5)	(4)
	5,992	6,309

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Notes to the unaudited condensed interim financial statements

6. Property, plant and equipment

	plant and equipment RO'000	Decommi ssioning asset RO'000	Technical spares RO'000	Other assets RO'000	Total RO'000
1 January 2016	317,851	467	1,691	88	320,097
Additions during the period	-	-	-	1	1
30 June 2016	<u>317,851</u>	<u>467</u>	<u>1,691</u>	<u>89</u>	<u>320,098</u>
Depreciation					
1 January 2016	22,521	33	135	68	22,757
Charge during the period	3,964	6	34	6	4,010
30 June 2016	<u>26,485</u>	<u>39</u>	<u>169</u>	<u>74</u>	<u>26,767</u>
Carrying amount					
30 June 2016	<u>291,366</u>	<u>428</u>	<u>1,522</u>	<u>15</u>	<u>293,331</u>
31 December 2015	<u>295,330</u>	<u>434</u>	<u>1,556</u>	<u>20</u>	<u>297,340</u>

Audited
30 June 2016 31 December 2015

7. Trade and other receivables

Trade receivables	9,238	3,107
Prepayments	44	328
Due from related party (note 13)	19	-
Other receivables	1	2
	<u>9,302</u>	<u>3,437</u>

8. Short term deposit

As per the Common Terms Agreement, 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 lying in the DSPA cannot be utilised 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 2015 was invested as a short term deposit which matured on 28 April 2016.

9. Cash and cash equivalents

Cash at bank	4,643	353
Cash in hand	1	1
	<u>4,644</u>	<u>354</u>

Cash at bank includes RO 4 (31 December 2015: RO 4) thousands, as margin money towards a bank guarantee.

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Notes to the unaudited condensed interim financial statements

10. Equity

(a) Share capital

The details of shareholders holding 5% or more shares are as follows:

30 June 2016	Nationality	No. of shares held of nominal value 100 Bzs. each	% of total	Aggregate nominal value of shares held RO'000
Kahrabel FZE	UAE	213,607,492	29.90%	21,361
Multitech LLC	Omani	102,160,110	14.30%	10,216
Civil Service Employees Pension Fund	Omani	67,868,714	9.50%	6,787
SEP International Netherlands B.V.	Netherlands	51,080,055	7.15%	5,108
Blue Horizon Barka Power B.V.	Netherlands	51,080,055	7.15%	5,108
Public Authority for Social Insurance	Omani	46,436,409	6.50%	4,644
Ministry of Defence Pension Fund	Omani	45,218,671	6.33%	4,522
Shareholders with less than 5% shareholding		136,954,834	19.17%	13,695
		<u>714,406,340</u>	<u>100.00%</u>	<u>71,441</u>

31 December 2015

Kahrabel FZE	UAE	213,607,492	29.90%	21,361
Multitech LLC	Omani	102,160,110	14.30%	10,216
SEP International Netherlands B.V.	Netherlands	51,080,055	7.15%	5,108
Blue Horizon Barka Power B.V.	Netherlands	51,080,055	7.15%	5,108
Public Authority for Social Insurance	Omani	46,436,409	6.50%	4,644
Ministry of Defence Pension Fund	Omani	45,218,671	6.33%	4,522
Civil Service Employees Pension Fund	Omani	44,719,248	6.26%	4,472
Shareholders with less than 5% shareholding		160,104,300	22.41%	16,010
		<u>714,406,340</u>	<u>100.00%</u>	<u>71,441</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares are ordinary and 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 a company's net profit be transferred to a non-distributable legal reserve until the amount of legal reserve becomes equal to at least one-third of the Company's issued share capital.

(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.

AL SUWADI POWER COMPANY SAOG

Notes to the unaudited condensed interim financial statements

	30 June	Audited
	2016	31 December
		2015
11. Term loans		
Term loans	211,697	213,293
Less: current portion	(14,448)	(14,658)
Non-current portion	197,249	198,635
Less: Unamortised transaction cost	(8,248)	(8,944)
	189,001	189,691

On 16 September 2010, the Company entered into a Common Terms Agreement, for credit facilities with a consortium of international banks, export credit agencies and a local bank, with Credit Agricole Corporate and 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 2016 and 31 December 2015, the outstanding amounts were as follows:

Hermes Covered Variable Facility	61,624	62,059
Commercial Facility	45,224	45,645
KEXIM Direct Facility	43,918	44,228
Hermes Covered Fixed Facility	37,922	38,190
KEXIM Covered Facility	23,009	23,171
	211,697	213,293

12. Trade and other payables

Accrued fuel gas	3,185	1,413
Accrued finance cost	1,852	1,839
Due to related parties (note 13)	41	36
Other payables and accruals	960	574
	6,038	3,862

13 Related party transactions

Related parties comprise the shareholders, directors, key management personnel and business entities that have the ability to control or exercise significant influence in 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 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	30 June
	2016	2015
	RO '000	RO '000
Key Management benefits	156	150

AL SUWADI POWER COMPANY SAOG

Notes to the unaudited condensed interim financial statements

13 Related party transactions *(continued)*

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

	30 June	30 June
	2016	2015
	RO'000	RO'000
Suez Tractebel Operations & Maintenance Oman LLC	3,409	3,253
Kahrabel Operation & Maintenance (Oman) LLC	124	120
Al Batinah Power Company SAOG	87	55
Electrabel S.A.	37	37
International Power S.A. Dubai Branch	22	15
Multitech LLC	18	18
Laborelec Middle East	11	-
Directors sitting fees (note 4)	10	10
Shikoku Electric Power Company Inc.	9	15
Sojitz Corporation	9	9
Public Authority for Social Insurance	8	8
	3,744	3,540

The nature of the above transactions is as follows:

O&M fixed fee	2,700	2,624
O&M variable fee	680	629
Secondment fee	124	120
DSRA LC fee	80	80
Professional fees	33	15
Sitting fee (note 4)	10	10
Others	117	62
	3,744	3,540

Balance due to related parties at 30 June 2016 and 31 December 2015

	30 June	Audited
	2016	31 December
	RO'000	RO'000
Kahrabel Operation & Maintenance (Oman) LLC (net)	22	18
Suez Tractebel Operations & Maintenance Oman LLC	-	18
	22	36

14 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 2015.

AL SUWADI POWER COMPANY SAOG

Notes to the unaudited condensed interim financial statements

15 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 2015 as reduced by amounts accounted for during the six month period ended 30 June 2016.
- b) The Company has placed purchase orders for RO 329 thousands (mainly relating to purchase of spare parts) which are outstanding as at 30 June 2016.

16 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.

	30 June 2016	Audited 31 December 2015
Net assets - shareholder funds (RO'000)	87,568	85,771
Weighted average number of shares outstanding during the period (in '000)	714,406	714,406
Net assets per share (Baizas)	<u>122.57</u>	<u>120.06</u>

The Management believes that the hedging deficit of RO 18.88 million as at 30 June 2016 [RO 12.77 million as at 31 December 2015] 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.

17 Basic earnings per share

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

	30 June 2016	30 June 2015
Net profit for the period (RO'000)	4,440	3,172
Weighted average number of shares outstanding during the period (in '000)	714,406	714,406
Basic earnings per share (Baizas)	<u>6.22</u>	<u>4.44</u>

18 Comparative information

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