

AL SUWADI POWER COMPANY SAOG

Unaudited condensed interim financial statements

30 September 2019

Registered address:

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

Principal place of business:

Hai Asam
Barka
Sultanate of Oman

AL SUWADI POWER COMPANY SAOG

Unaudited condensed interim financial statements

30 September 2019

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AL SUWADI POWER COMPANY SAOG**Unaudited condensed income statement***for the nine month period ended 30 September*

	<i>Notes</i>	2019 RO'000s	2018 RO'000s
Revenues		64,121	63,058
Direct costs	3	(42,198)	(40,861)
Gross profit		21,923	22,197
General and administrative expenses	4	(548)	(549)
Profit before interest and tax		21,375	21,648
Finance costs (net)	5	(7,466)	(8,040)
Profit before tax		13,909	13,608
Tax expense		(1,315)	(2,061)
Net profit for the period		12,594	11,547
Earnings per share			
Basic earnings per share (Baizas)	19	17.63	16.16

The attached notes 1 to 20 form 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 nine month period ended 30 September*

	2019	2018
	RO'000s	RO'000s
Net profit for the period	12,594	11,547
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	(5,378)	4,458
Total comprehensive income for the period	<u>7,216</u>	<u>16,005</u>

The attached notes 1 to 20 form part of these condensed interim financial statements.

AL SUWADI POWER COMPANY SAOG

Unaudited condensed statement of financial position

as at

	Notes	30 September 2019 RO'000s	Audited 31 December 2018 RO'000s
Assets			
Non-current assets			
Property, plant and equipment	6	267,102	273,016
Right-of-use assets	7	1,479	-
Capital spares		415	413
Total non-current assets		268,996	273,429
Current assets			
Trade and other receivables	8	23,568	5,635
Inventory		1,829	1,812
Short term deposit	9	-	1,461
Cash and cash equivalents	10	14,341	1,274
Total current assets		39,738	10,182
Total assets		308,734	283,611
Equity and liabilities			
Equity			
Share capital	12(a)	71,441	71,441
Legal reserve	12(b)	5,377	5,377
Retained earnings		23,872	13,564
Total equity		100,690	90,382
Hedging reserve	12(c)	(8,668)	(3,290)
Net equity		92,022	87,092
Liabilities			
Non-current liabilities			
Term loans	13	146,797	147,529
Lease liabilities	11	1,408	-
Derivative instruments		10,198	3,871
Deferred tax liability		19,347	18,980
Asset retirement obligation		283	268
End of service benefits		8	7
Total non-current liabilities		178,041	170,655
Current liabilities			
Term loans	13	16,153	15,969
Lease liabilities	11	123	-
Trade and other payables	14	22,395	8,895
Short term borrowing		-	1,000
Total current liabilities		38,671	25,864
Total liabilities		216,712	196,519
Total equity and liabilities		308,734	283,611
Net assets per share (Baizas)	18	140.94	126.51

The financial statements were approved and authorised for issue in accordance with a resolution of the Board of Directors on 23 October 2019.

Chairperson

Director

The attached notes 1 to 20 form part of these condensed interim financial statements.

AL SUWADI POWER COMPANY SAOG

Unaudited condensed statement of cash flows

for the nine month period ended 30 September

	<i>Notes</i>	2019	2018
		RO'000s	RO'000s
Cash flows from operating activities:			
Profit before tax		13,909	13,608
<i>Adjustments for:</i>			
Depreciation		6,123	6,004
Finance costs (net)		7,466	8,040
Loss on disposals		0	-
End of service benefits		1	1
Cash from operations before working capital changes		27,499	27,653
<i>Changes in :</i>			
Trade and other receivables		(17,928)	(4,373)
Inventory		(16)	(70)
Trade and other payables		13,237	(597)
Cash generated from operating activities		22,792	22,613
Lease payments		(107)	-
Finance costs paid		(6,350)	(6,833)
Net cash flows generated from operating activities		16,335	15,780
Cash flows from investing activities:			
Acquisition of property, plant and equipment		(96)	(22)
Sale proceeds from property, plant and equipment		0	(2)
Net cash flows (used in) investing activities		(96)	(24)
Cash flows from financing activities:			
Repayment of term loans		(1,372)	(1,325)
Proceeds from short term borrowing - net		(1,000)	(2,000)
Maturity of short term deposit		1,461	1,770
Dividend paid		(2,286)	(2,500)
Interest received		25	21
Net cash flows (used in) financing activities		(3,172)	(4,034)
Net change in cash and cash equivalents		13,067	11,722
Cash and cash equivalents at beginning of the period	<i>10</i>	1,274	2,609
Cash and cash equivalents at end of the period	<i>10</i>	14,341	14,331

The attached notes 1 to 20 form part of these condensed interim financial statements.

AL SUWADI POWER COMPANY SAOG

Unaudited condensed statement of changes in equity

for the nine month period ended 30 September

	Share capital RO'000s	Legal reserve RO'000s	Retained earnings RO'000s	Hedging reserve RO'000s	Total RO'000s
Balance at 1 January 2019	71,441	5,377	13,564	(3,290)	87,092
<i>Total comprehensive profit for the period</i>					
Net profit for the period	-	-	12,594	-	12,594
<i>Other comprehensive (loss) for the period net of income tax</i>					
Cash flow hedges - effective portion of changes in fair value	-	-	-	(5,378)	(5,378)
Total comprehensive profit for the period	-	-	12,594	(5,378)	7,216
<i>Transaction with owners of the Company</i>					
<i>Contribution and distribution</i>					
Dividend	-	-	(2,286)	-	(2,286)
Total transaction with owners of the Company	-	-	(2,286)	-	(2,286)
Balance at 30 September 2019	71,441	5,377	23,872	(8,668)	92,022
Balance at 1 January 2018	71,441	4,476	11,886	(5,331)	82,472
<i>Total comprehensive income for the period</i>					
Net profit for the period	-	-	11,547	-	11,547
<i>Other comprehensive income for the period net of income tax</i>					
Cash flow hedges - effective portion of changes in fair value	-	-	-	4,458	4,458
Total comprehensive income for the period	-	-	11,547	4,458	16,005
<i>Transaction with owners of the Company</i>					
<i>Contribution and distribution</i>					
Dividend	-	-	(2,500)	-	(2,500)
Total transaction with owners of the Company	-	-	(2,500)	-	(2,500)
Balance at 30 September 2018	71,441	4,476	20,933	(873)	95,977

The attached notes 1 to 20 form 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. 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 Barka 3 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. Accordingly, the Plant is considered and managed as one reportable segment. 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 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 as per the local regulatory requirement, 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 September 2019 RO'000s	30 September 2018 RO'000s
3. Direct costs		
Fuel gas	30,319	28,856
Depreciation (note 6 & 7)	6,114	6,000
Operation and maintenance ("O&M") fees (note 15)	5,250	5,255
Insurance	358	374
Fuel oil	44	31
Grid connection fee	13	153
Custom duties	4	39
Other O&M expenses	96	153
	42,198	40,861
4. General and administrative expenses		
Secondment fees (note 15)	173	177
Employment costs	125	117
Public company related costs	83	83
Agency fees	39	38
Office rent	15	15
Directors' sitting fees (note 15)	13	14
Depreciation (note 6)	9	4
Other general and administrative expenses	91	101
	548	549
5. Finance costs (net)		
Interest on term loans	5,970	5,917
Amortisation of deferred finance costs	824	899
Swap interest	390	1,043
Debt Service Reserve Account ("DSRA") LC cost (note 15)	149	149
Interest on short term borrowing	65	50
Interest on lease liabilities	59	-
Exchange loss	37	32
Asset retirement obligation - unwinding of discount	15	14
Interest income	(43)	(34)
Ineffective portion of interest rate hedge	-	(30)
	7,466	8,040

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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	317,903	1,717	105	4	319,729
Addition during the period	4	-	3	89	96
Disposal during the period	-	-	(1)	-	(1)
30 September 2019	<u>317,907</u>	<u>1,717</u>	<u>107</u>	<u>93</u>	<u>319,824</u>
Depreciation					
1 January 2019	46,288	345	80	-	46,713
Charge during the period	5,948	53	9	-	6,010
Disposal during the period	-	-	(1)	-	(1)
30 September 2019	<u>52,236</u>	<u>398</u>	<u>88</u>	<u>-</u>	<u>52,722</u>
Carrying amount					
30 September 2019	<u>265,671</u>	<u>1,319</u>	<u>19</u>	<u>93</u>	<u>267,102</u>
31 December 2018	<u>271,615</u>	<u>1,372</u>	<u>25</u>	<u>4</u>	<u>273,016</u>

7. Right-of-use assets

	Connection Equipment RO'000s	Site Rent RO'000s	Total RO'000s
Cost			
1 January 2019	1,318	274	1,592
Addition during the period	-	-	-
Disposal during the period	-	-	-
30 September 2019	<u>1,318</u>	<u>274</u>	<u>1,592</u>
Depreciation			
1 January 2019	-	-	-
Charge during the period	107	6	113
Disposal during the period	-	-	-
30 September 2019	<u>107</u>	<u>6</u>	<u>113</u>
Carrying amount			
30 September 2019	<u>1,211</u>	<u>268</u>	<u>1,479</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 September 2019 RO'000s	Audited 31 December 2018 RO'000s
8. Trade and other receivables		
Trade receivables	23,195	4,533
Prepayments	311	237
Other receivables and accrued income	62	865
	<u>23,568</u>	<u>5,635</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 September 2019 RO'000s	Audited 31 December 2018 RO'000s
10. Cash and cash equivalents		
Cash in hand	1	1
Cash at bank	4,800	1,273
Short term deposit (less than 3 months)	9,540	-
	<u>14,341</u>	<u>1,274</u>

11. Lease liabilities

Lease liabilities included in the statement of financial position as:

Current lease liabilities	123	-
Non-current lease liabilities	1,408	-
	<u>1,531</u>	<u>-</u>

30 September 2019

	Contractual Undiscounted Cash flows RO'000s	Present value of lease payments RO'000s
Amount payable under operating leases		
Within one year	197	123
In 2 to 5 years	786	555
More than 5 years	1,159	853
	<u>2,142</u>	<u>1,531</u>
Less: unpaid finance cost	(611)	-
Present value of lease payments	<u>1,531</u>	<u>1,531</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 September 2019				
Kahrabel FZE	UAE	213,607,492	29.90%	21,361
Middle East Investment LLC	Omani	102,160,110	14.30%	10,216
Civil Service Employees Pension Fund	Omani	76,875,591	10.76%	7,688
SEP International Netherlands B.V.	Netherlands	51,080,055	7.15%	5,108
Sojitz Global Investment B.V.	Netherlands	51,080,055	7.15%	5,108
Public Authority for Social Insurance	Omani	47,622,697	6.67%	4,762
Ministry of Defence Pension Fund	Omani	45,218,671	6.33%	4,522
Shareholders with less than 5% shareholding		126,761,669	17.74%	12,676
		714,406,340	100.00%	71,441

31 December 2018

Kahrabel FZE	UAE	213,607,492	29.90%	21,361
Middle East Investment LLC	Omani	102,160,110	14.30%	10,216
Civil Service Employees Pension Fund	Omani	76,858,091	10.76%	7,686
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	47,560,197	6.66%	4,756
Ministry of Defence Pension Fund	Omani	45,753,564	6.40%	4,575
Shareholders with less than 5% shareholding		126,306,776	17.68%	12,631
		714,406,340	100.00%	71,441

The Company has authorized, issued and paid-up share capital of RO 71,440,634 consisting of 714,406,340 shares of RO 0.1 each (31 December 2018: RO 71,440,634 consisting of 714,406,340 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 September 2019 RO'000s	Audited 31 December 2018 RO'000s
13. Term loans		
Term loans	167,254	168,626
Less: current portion	(16,153)	(15,969)
Non-current portion	151,101	152,657
Less: unamortised transaction cost	(4,304)	(5,128)
	146,797	147,529

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

Hermes Covered Variable Facility	46,051	46,449
Commercial Facility	42,850	43,148
KEXIM Direct Facility	32,820	33,103
Hermes Covered Fixed Facility	28,339	28,583
KEXIM Covered Facility	17,194	17,343
	167,254	168,626
14. Trade and other payables		
Fuel gas payable and accrual	19,365	5,547
Accrued finance cost	1,696	1,454
Due to related parties (note 15)	1,264	536
Other payables and accruals	70	1,358
	22,395	8,895

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 nine month period ended are as follows:

	30 September 2019 RO'000s	30 September 2018 RO'000s
Key management benefits	227	228

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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 nine month period ended:

	30 September 2019 RO '000s	30 September 2018 RO '000s
Suez-Tractebel Operation & Maintenance Oman LLC	5,314	5,342
Al Batinah Power Company SAOG	228	160
Kahrabel Operations & Maintenance (Oman) LLC	139	217
Middle East Investment LLC	88	29
ENGIE SA	69	69
International Power SA Dubai Branch	37	38
Sojitz Corporation	16	16
Shikoku Electric Power Co., Inc.	16	16
Public Authority for Social Insurance	15	15
Directors'	13	14
Laborelec Middle East	(0)	15
Multitech LLC	-	4
	5,935	5,935

The nature of the above transactions is as follows:

Operation and maintenance ("O&M") fees (note 3)	5,250	5,255
Sharing of costs	228	160
Secondment fees (note 4)	173	177
DSRA LC cost (note 5)	149	149
Other O&M expenses	51	48
Professional fees	36	38
Backcharge of expenses	30	40
Directors' sitting fees (note 4)	13	14
Custom duties	5	39
Technical services	(0)	15
	5,935	5,935

	30 September 2019 RO '000s	Audited 31 December 2018 RO '000s
Balances due to related parties comprised:		
Suez-Tractebel Operation & Maintenance Oman LLC	1,075	395
ENGIE SA	56	93
Middle East Investment LLC	46	5
Kahrabel Operations & Maintenance (Oman) LLC	24	16
Al Batinah Power Company SAOG	18	-
Shikoku Electric Power Co., Inc.	13	2
Sojitz Corporation	13	2
Public Authority for Social Insurance	12	1
Laborelec Middle East	4	4
Tractebel Engineering S.A.	3	3
Directors'	-	15
	1,264	536

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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 nine month period ended 30 September 2019.
- b) The Company has placed purchase orders for RO 434,885 which are outstanding as at 30 September 2019 (RO 72,508 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 September 2019	Audited 31 December 2018
Net assets - shareholder funds (RO'000s)	100,690	90,382
Weighted average number of shares outstanding during the period/year ('000s)	714,406	714,406
Net asset per share (Baizas)	<u>140.94</u>	<u>126.51</u>

The management believes that the hedging deficit of RO 8.67 million as at 30 September 2019 (RO 3.29 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 September 2019	30 September 2018
Net profit for the period (RO'000s)	12,594	11,547
Weighted average number of shares outstanding during the period ('000s)	714,406	714,406
Basic earnings per share (Baizas)	<u>17.63</u>	<u>16.16</u>

20. Comparative figures

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