

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 nine months ended 30 September 2016.

Operational Results

The Plant ran smoothly and efficiently, with commercial availability of 99.61% and delivered 3,145 GWh to the Omani grid. The fuel efficiency of the plant places it in the higher merit list for dispatch among the power plants in Oman and as such, the plant has seen increased generation (6.1% increase as compared to similar period of 2015) and a high plant load of 64.7%.

Again, this excellent plant performance was achieved with no Lost Time Accidents to any of our staff, thereby clocking 1917 Lost Time Accident free days since inception, and is reflective of our continued internal focus on Health, Safety, Environment and Quality Management. In testament of this, in July 2016, the Power Plant was awarded by The Royal Society for the Prevention of Accidents (RoSPA) with the "RoSPA Gold Award for Health and Safety".

During the same month, the Company received Special AIWA Award 2016, a high-profiled business award, in large-cap segment of the Muscat Securities Market, for remarkable earnings growth for the year 2015.

During September 2016, the country suffered a sudden gas supply interruption. During this crucial period of low gas pressure, the Company was able to seamlessly generate power on diesel oil and efficiently support the national power grid. The CEO of OPWP appreciated the Company's efforts and wrote to the Company 'I would like to thank you all for your well-coordinated efforts and professionalism which ensured that there is no negative impact on availability of electricity throughout the gas emergency period'.

Financial Results

	9-month 2016 RO'000 Unaudited	9-month 2015 RO'000 Unaudited	Percentage change
Revenues	58,081	55,589	4.5%
Direct Costs	(35,545)	(33,428)	(6.3%)
Gross Profit	22,536	22,161	1.7%
Net Profit	11,731	9,980	17.5%
Earnings per share (nominal value of 100 Baizas)	16.42 Baizas	13.97 Baizas	17.5%

Higher gross profit from better plant availability and efficient plant operations reinforced by reduction in finance cost and tax expense led net profit for nine months ended September 2016 to increase by 17.5% as compared to the similar period of 2015.

Corporate Social Responsibility

During the third quarter of 2016, the Company provided an Ultrasound Machine for Barka Polyclinic of the Ministry of Health. This will greatly benefit patients in need of the specialised services of Ultrasound Unit from Barka region who presently have to travel 80 kms to Rustaq Hospital to avail this facility. Going forward, the Company plans to enhance its support to the socially important initiatives in the country with focus on the Barka region.

Medium term Outlook

The Board is constantly monitoring the international financial market to relaunch the suspended refinancing exercise of the Company's long term project loan. However, the Board, with the guidance of its financial advisor, has observed that the financial markets have not yet improved to an acceptable level that could make the refinancing exercise financially feasible.

The Company plans to undertake an important inspection of its Gas Turbine during November 2016. A successful and timely conclusion of the same at a minimum unplanned maintenance cost - which might have financial impact on the Company - will be crucial for the current year's financial performance. After that, should the plant availability remain in line with the budget for the balance of the year and the improvement 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.



Chairperson

AL SUWADI POWER COMPANY SAOG

Unaudited condensed interim financial statements

30 September 2016

Registered office:

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

Principal place of business:

Haj Al Asam
Barka
Sultanate of Oman

AL SUWADI POWER COMPANY SAOG

Unaudited condensed interim financial statements

30 September 2016

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AL SUWADI POWER COMPANY SAOG

Unaudited condensed income statement

for the nine month period ended 30 September

	<i>Notes</i>	2016 RO'000	2015 RO'000
Revenues		58,081	55,589
Direct costs	3	(35,545)	(33,428)
Gross profit		22,536	22,161
Other income (net)		-	20
General and administrative expenses	4	(582)	(552)
Profit before interest and tax		21,954	21,629
Finance costs (net)	5	(9,011)	(9,584)
Profit before tax		12,943	12,045
Tax expense		(1,212)	(2,065)
Net profit for the period		11,731	9,980
Earnings per share			
Basic earnings per share (Baizas)	17	16.42	13.97

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 nine month period ended 30 September

	2016	2015
	RO'000	RO'000
Net profit for the period	11,731	9,980
Other comprehensive (loss) for the period, 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	<u>(3,976)</u>	<u>(4,082)</u>
Total comprehensive income for the period	<u><u>7,755</u></u>	<u><u>5,898</u></u>

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

	Notes	30 September 2016 RO'000	Audited 31 December 2015 RO'000
Assets			
Non-current assets			
Property, plant and equipment	6	291,329	297,340
Total non-current assets		291,329	297,340
Current assets			
Trade and other receivables	7	8,106	3,437
Inventory		1,644	1,823
Short term deposit	8	-	2,503
Cash and cash equivalents	9	19,640	354
Total current assets		29,390	8,117
Total assets		320,719	305,457
Equity and liabilities			
Equity			
Share capital	10(a)	71,441	71,441
Legal reserve	10(b)	3,004	3,004
Retained earnings		20,414	11,326
Shareholders' fund		94,859	85,771
Hedging reserve	10(c)	(16,748)	(12,772)
Total equity		78,111	72,999
Liabilities			
Non-current liabilities			
Term loans	11	189,348	189,691
Derivative instruments		19,206	14,696
Deferred tax liability (net)		9,349	8,677
Asset retirement obligation		624	586
End of service benefits		4	8
Total non-current liabilities		218,531	213,658
Current liabilities			
Term loans	11	14,448	14,658
Trade and other payables	12	9,629	3,862
Short term borrowing		-	280
Total current liabilities		24,077	18,800
Total liabilities		242,608	232,458
Total equity and liabilities		320,719	305,457
Net assets per share (Baizas)	16	132,78	120,06

The financial statements were approved and authorised for issue in accordance with resolution of the Board of Directors on 26 October 2016.



Chairperson



Director

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 cash flows

for the nine month period ended 30 September

	<i>Notes</i>	2016 RO '000	2015 RO '000
Cash flows from operating activities:			
Net profit for the period		11,731	9,980
<i>Adjustments for:</i>			
Finance costs (net)		9,011	9,584
Depreciation		6,016	6,014
Tax expense		1,212	2,065
End of service benefits		(5)	2
		<u>27,965</u>	<u>27,645</u>
<i>Change in</i>			
Trade and other receivables		(4,659)	(5,245)
Inventory		179	(4)
Trade and other payables		5,312	2,702
Cash generated from operating activities		<u>28,797</u>	<u>25,098</u>
Interest paid		(7,497)	(7,942)
Net cash from operating activities		<u>21,300</u>	<u>17,156</u>
Cash flows from investing activities:			
Aquisition of property, plant and equipment		(5)	(2)
Net cash used in investing activities		<u>(5)</u>	<u>(2)</u>
Cash flows from financing activities:			
Repayment of term loans		(1,596)	(1,534)
Repayment of short term borrowing		(280)	(340)
Maturity of short term deposit		2,503	2,768
Dividends paid		(2,643)	(2,250)
Interest received		7	4
Net cash used in financing activities		<u>(2,009)</u>	<u>(1,352)</u>
Net change in cash and cash equivalents		19,286	15,802
Cash and cash equivalents at beginning of the period	9	354	509
Cash and cash equivalents at end of the period	9	<u>19,640</u>	<u>16,311</u>

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 nine month period ended 30 September

	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 income for the period</i>					
Net profit for the period	-	-	11,731	-	11,731
<i>Other comprehensive (loss) for the period net of income tax</i>					
Effective portion of change in fair value of cash flow hedge	-	-	-	(3,976)	(3,976)
Total comprehensive income for the period	-	-	11,731	(3,976)	7,755
<i>Transactions with owners of the Company</i>					
Dividend	-	-	(2,643)	-	(2,643)
<i>Total transactions with owners of the Company</i>	-	-	(2,643)	-	(2,643)
Balance at 30 September 2016	71,441	3,004	20,414	(16,748)	78,111
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	-	-	9,980	-	9,980
<i>Other comprehensive (loss) for the period net of income tax</i>					
Effective portion of change in fair value of cash flow hedge	-	-	-	(4,082)	(4,082)
Total comprehensive income for the period	-	-	9,980	(4,082)	5,898
<i>Transactions with owners of the Company</i>					
Dividend	-	-	(2,250)	-	(2,250)
<i>Total transactions with owners of the Company</i>	-	-	(2,250)	-	(2,250)
Balance at 30 September 2015	71,441	2,279	18,464	(15,123)	77,061

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.

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Notes to the unaudited condensed interim financial statements

	30 September 2016 RO '000	30 September 2015 RO '000
3. Direct costs		
Fuel gas	23,112	21,537
Depreciation (note 6)	6,006	6,005
Operation and maintenance fees	5,227	5,030
Insurance	395	515
Fuel oil	322	65
Custom duty	192	6
Grid connection fee	160	163
Other operating expenses	131	107
	<u>35,545</u>	<u>33,428</u>
4 General and administrative expenses		
Secondment fees	184	186
Employment costs	102	98
Public company related costs	90	93
Agency fees	37	36
Office rent	18	17
Directors' sitting fees (note 13)	15	13
Corporate service responsibility	15	-
Depreciation (note 6)	10	10
Other general and administrative expenses	111	99
	<u>582</u>	<u>552</u>
5. Finance costs (net)		
Interest on term loans	4,626	4,406
Swap interest	3,131	3,800
Amortisation of deferred finance costs	1,043	1,111
Debt Service Reserve Account ("DSRA") LC cost	151	148
Asset retirement obligation-unwinding of discount	38	34
Exchange loss	35	22
Interest on working capital	10	12
Ineffective portion of interest rate hedge	(6)	55
Interest income	(17)	(4)
	<u>9,011</u>	<u>9,584</u>

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Notes to the unaudited condensed interim financial statements

6. Property, plant and equipment

	Property, plant and equipment RO'000	Decommi ssioning asset RO'000	Technical Spares RO'000	Others assets RO'000	Total RO'000
1 January 2016	317,850	467	1,692	88	320,097
Additions during the period	-	-	-	5	5
Disposals during the period	-	-	-	(1)	(1)
30 September 2016	317,850	467	1,692	92	320,101
Depreciation					
1 January 2016	22,521	33	135	68	22,757
Charge during the period	5,946	9	51	10	6,016
Disposals during the period	-	-	-	(1)	(1)
30 September 2016	28,467	42	186	77	28,772
Carrying amount					
30 September 2016	289,383	425	1,506	15	291,329
31 December 2015	295,329	434	1,557	20	297,340

	30 September 2016 RO '000	Audited 31 December 2015 RO '000
7. Trade and other receivables		
Trade receivables	7,716	3,107
Prepayments	350	328
Other receivables	40	2
	8,106	3,437

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

Short term deposit	10,993	-
Cash at bank	8,642	353
Cash in hand	5	1
	19,640	354

Cash at bank includes RO 4,000 (31 December 2015: RO 4,000) as margin money towards a bank guarantee.

AL SUWADI POWER COMPANY SAOG

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 September 2016	Nationality	No. of shares held of		Aggregate nominal value of shares held RO
		nominal value 100 Bzs. each	% of total	
Kahrabel FZE	UAE	213,607,492	29.90%	21,360,750
Multitech LLC	Omani	102,160,110	14.30%	10,216,011
Civil Service Employees Pension Fund	Omani	67,868,714	9.50%	6,786,871
SEP International Netherlands B.V.	Netherlands	51,080,055	7.15%	5,108,005
Blue Horizon Barka Power B.V.	Netherlands	51,080,055	7.15%	5,108,005
Public Authority for Social Insurance	Omani	46,436,409	6.50%	4,643,641
Ministry of Defence Pension Fund	Omani	45,218,671	6.33%	4,521,867
Shareholders with less than 5% shareholding		136,954,834	19.17%	13,695,484
		<u>714,406,340</u>	<u>100.00%</u>	<u>71,440,634</u>
31 December 2015				
Kahrabel FZE	UAE	213,607,492	29.90%	21,360,750
Multitech LLC	Omani	102,160,110	14.30%	10,216,011
SEP International Netherlands B.V.	Netherlands	51,080,055	7.15%	5,108,005
Blue Horizon Barka Power B.V.	Netherlands	51,080,055	7.15%	5,108,005
Public Authority for Social Insurance	Omani	46,436,409	6.50%	4,643,641
Ministry of Defence Pension Fund	Omani	45,218,671	6.33%	4,521,867
Civil Service Employees Pension Fund	Omani	44,719,248	6.26%	4,471,925
Shareholders with less than 5% shareholding		160,104,300	22.41%	16,010,430
		<u>714,406,340</u>	<u>100.00%</u>	<u>71,440,634</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.

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Notes to the unaudited condensed interim financial statements

	30 September 2016 RO'000	Audited 31 December 2015 RO'000
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	(7,901)	(8,944)
	<u>189,348</u>	<u>189,691</u>

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 September 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
	<u>211,697</u>	<u>213,293</u>
12. Trade and other payables		
Accrued fuel gas	6,457	1,413
Accrued finance cost	2,295	1,839
Due to related parties (note 13)	612	525
Other payables and accruals	265	85
	<u>9,629</u>	<u>3,862</u>
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 nine month period ended are as follows:

	30 September 2016 RO '000	30 September 2015 RO '000
Key Management benefits	<u>229</u>	<u>227</u>

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 nine month period ended:

	30 September 2016 RO '000	30 September 2015 RO '000
Suez Tractebel Operations & Maintenance Oman LLC	5,419	5,036
Kahrabel Operation & Maintenance (Oman) LLC	184	186
Al Batinah Power Company SAOG	122	69
Electrabel S.A.	69	68
Multitech LLC	33	33
International Power S.A. Dubai Branch	32	23
Shikoku Electric Power Company Inc.	20	24
Sojitz Corporation	17	16
Directors sitting fees (note 4)	15	13
Public Authority for Social Insurance	15	15
Laborelec Middle East	11	-
	<u>5,937</u>	<u>5,483</u>

The nature of the above transactions is as follows:

O&M fixed fee	4,019	3,879
O&M variable fee	1,208	1,151
Custom duty (reimbursement at actual)	192	6
Secondment fee	184	186
DSRA LC fee	151	148
Professional fees	43	23
Sitting fee (note 4)	15	13
Others	125	77
	<u>5,937</u>	<u>5,483</u>

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

	30 September 2016 RO '000	31 December 2015 RO '000
Suez Tractebel Operations & Maintenance Oman LLC	590	507
Kahrabel Operation & Maintenance (Oman) LLC	22	18
	<u>612</u>	<u>525</u>

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 nine month period ended 30 September 2016.
- b) The Company has placed purchase orders for RO 0.38 million (mainly relating to purchase of spare parts and supply of diesel oil) which are outstanding as at 30 September 2016 (RO 0.05 million as at 31 December 2015).

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 September 2016	31 December 2015
Net assets - shareholder funds (RO'000)	94,859	85,771
Weighted average number of shares outstanding during the period (in '000)	714,406	714,406
Net assets per share (Baizas)	<u>132.78</u>	<u>120.06</u>

The Management believes that the hedging deficit of RO 16.75 million as at 30 September 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 September 2016	30 September 2015
Net profit for the period (RO'000)	11,731	9,980
Weighted average number of shares outstanding during the period (in '000)	714,406	714,406
Basic earnings per share (Baizas)	<u>16.42</u>	<u>13.97</u>

18 Comparative information

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