Notes to the financial statements

For the period ended 30 September 2017

1 Legal status and principal activities

Al Kamil Power Company SAOG ("the Company") was registered and incorporated on 15 July 2000 as a closed joint stock Company in the Sultanate of Oman. The Company was set up to build and operate a 285 MW electricity generating station at Al Kamil in the Sharqiya Region. The Company was converted to a general joint stock Company on 22 September 2004.

2 Significant agreements

The Company has entered into the following significant agreements:

(i) Power Purchase Agreement (PPA) with the Ministry of Housing, Electricity and Water (MHEW), Sultanate of Oman, granting the Company a long-term power supply agreement for a period of fifteen years commencing from the scheduled commercial operation date (COD). Under the terms of PPA, the Company has the right and obligation to generate electricity. The Company was granted a Generation Licence by the Authority for Electricity Regulation (AER), a state regulatory body established under the Sector Law.

On 1 May 2005, the PPA was novated by MHEW to Oman Power and Water Procurement Company SAOC (OPWP), a closed joint stock Company owned by the Government of Sultanate of Oman (Government). All the financial commitments of OPWP are guaranteed by the Government. Provisions for novation and Government Guarantee were embodied in the PPA with OPWP. The provisions for novation were enacted pursuant to the promulgation of the Sector Law in August 2004.

The Company has signed agreement for the extension of the PPA upto 31st December 2021.

(ii) Natural Gas Sales Agreement (NGSA) with the Ministry of Oil and Gas (MOG) for the purchase of natural gas from MOG at a pre-determined price, extended upto 31ST December 2021.

(iii) Usufruct agreement with the Government for grant of Usufruct rights over the project site for 25 years.

(iv) Operation & Maintenance Agreement (OAMA) with Al Kamil Construction & Services LLC (AKCS), a Company incorporated in the Sultanate of Oman, and a related party, for operations and maintenance of the power plant. The Company has signed agreement for the extension of the OAMA upto 31st December 2021.

(v) Electricity Connection Agreement (ECA) with Oman Electricity Transmission Company SAOC (OETC) for establishing a framework between OETC and the Company to provide connection of the power station to the transmission system and enforcement of the Grid Code between OETC and the Company.

(vi) Agreements with Société Générale and Bank Muscat SAOG for long-term loan facilities.

(vii) Agreement with National Bank of Oman SAOG for Stand-by Letter of Credit to fund the debt service reserve requirements of the long-term loan facilities.

(viii) Agreement with National Bank of Oman SAOG for long-term subordinated security loan facility to refinance the Bank Muscat unsecured loan facility

3 Basis of preparation and summary of significant accounting policies

The principal accounting policies are summarised below. These policies have been consistently applied to all the years presented, unless otherwise stated.

3.1 Basis of preparation

(a) The financial statements have been prepared on historical cost basis, except for revaluation of derivatives that are measured at fair value, and in accordance with International Financial Reporting Standards (IFRS). The financial statements also comply with the Rules and Guidelines on Disclosure by Issuers of Securities and Insider Trading, with the Rules for Disclosure and Proforma issued by the Capital Market Authority and with the Commercial Companies Law of 1974, as amended.

Notes to the financial statements

For the period ended 30 September 2017(continued)

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

3.1 Basis of preparation *(continued)*

(b) As at 30 September 2017, the Company's current liabilities exceeded its current assets by NIL [2016: RO 2.047 million (US$ 5.32 million)]. However, the financial statements have been prepared under the going concern basis on the basis that the Company's future cash flows will be sufficient to meet its liabilities as they fall due.

(c) The financial statements are presented in Rials Omani (RO) and United States Dollar (US$), rounded off to the nearest thousand. The Rials Omani is the measurement and presentation currency of these financial statements. For information purposes, Rials Omani amounts in these financial statements have been translated to US Dollar amounts at an exchange rate of 2.6 US Dollars to one Rial Omani.

(d) The preparation of financial statements in conformity with IFRS requires use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 5 to these financial statements.

(e) Standards and amendments effective in 2017 and relevant for the Company's operations:

For the period ended 30 September 2017, the Company has adopted all of the new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for periods beginning on or after 1 January 2017.

The adoption of following standards and interpretations has not resulted in changes to the Company's accounting policies and has not affected the amounts reported for the current year.

- IFRS 14 Regulatory Deferral Accounts.
- Bearer plant, defined as a living plant, to be accounted for as property, plant and equipment and included in the scope of IAS 16 Property, Plant and Equipment, instead of IAS 41 Agriculture (Amendments to IAS 16 and IAS 41).
- Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11).
- Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 & IAS 38).
- Equity Method in Separate Financial Statements (Amendments to IAS 27).
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28).
- Annual Improvements to IFRSs 2012–2014 Cycle – various standards.
- Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28).
- Disclosure Initiative (Amendments to IAS 1).

(f) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company:

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

IFRS 9: Financial Instruments

IFRS 9 Financial Instruments, published on 12 November 2009 as part of phase I of the IASB's comprehensive project to replace IAS 39, deals with classification and measurement of financial assets. The requirements of this standard represent a significant change from the existing requirements in IAS 39 in respect of financial assets. The Standard contains two primary measurement categories for financial assets: amortised cost and fair value. The standard eliminates the existing IAS 39 categories of held to maturity, available for sale and loans and receivables. The standard is effective for annual periods beginning on or after 1 January 2018. Earlier application is permitted. The Company is currently assessing the impact of this standard and does not plan to adopt it early.

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

3.1 Basis of preparation *(continued)*

IFRS 15: Revenue from contracts with customers
IFRS 15 specifies how and when an IFRS reporting entity will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers. IFRS 15 is effective for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Company is currently assessing the impact of this standard and does not plan to adopt it early.

IFRS 16: Leases
IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. It replaces existing lease recognition guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases—Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial application of IFRS 16.The Company is currently assessing the impact of this standard and does not plan to adopt it early**.**

3.2 Revenue

Operating revenue comprises tariffs for fixed capacity and energy charges. Tariffs are calculated in accordance with the Power Purchase Agreement (PPA).The PPA with OPWP is considered to be a leasing arrangement under IFRIC 4. The lease arrangement is classified as an operating lease. Accordingly, the revenues earned under the PPA are recorded on a straight line basis over its term. Power capacity charge revenue is recognised when the right to receive is established. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due and its associated costs.

Revenue from the sale of variable electricity is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when electricity is delivered at the customer's premises which is taken to be the point of time when the customer has accepted the deliveries and the related risks and rewards of ownership have been transferred to the customer based on contractual terms stipulated in the PPA.

3.3 Interest income and expenses

Interest income and expense are recognised on an accrual basis using the effective interest rate method.

3.4 Leases

Leases where the Lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Payments made under operating leases are charged to the statement of profit or loss on a straight-line basis over the term of the lease.

3.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors ('Board') that makes strategic decisions.

3.6 Foreign currency

Transactions in foreign currencies are translated into Rial Omani at the exchange rate prevailing on the transaction date. Monetary assets and liabilities in foreign currencies are translated into Rials Omani at the exchange rate prevailing at the reporting date. Differences on exchange are dealt with in the statement of profit or loss and other comprehensive income as they arise.

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

3.7 Income tax

Income tax on the results for the year comprises current and deferred tax.

Current tax is recognised in the statement of profit or loss and other comprehensive income and is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is calculated using liability method, on the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the statement of financial position date. The tax effects on the temporary differences are disclosed under non-current liabilities as deferred tax. The principal temporary differences arise from depreciation on property, plant and equipment and changes in fair value of cash flow hedges.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits can be utilised. The carrying amount of deferred tax assets is reviewed at reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Current and deferred tax is recognised as an expense or benefit in the statement of profit or loss except when they relate to items credited or debited directly to equity, in which case the tax is also recognised directly in equity.

3.8 Earnings and net assets per share

The Company presents earnings per share (EPS) and net assets per share data for its ordinary shares. Basic EPS 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 year. Diluted EPS is calculated by adjusting the basic EPS for the effects of all dilutive potential ordinary shares. The Company does not have any potentially dilutive shares at the reporting date.

Net assets per share is calculated by dividing the net assets attributable to ordinary shareholders of the Company by the number of ordinary shares outstanding during the year. Net assets for the purpose is defined as total equity less hedging deficit/surplus.

3.9 Intangible assets

The Company considers an intangible asset as an identifiable non-monetary asset without physical substance. The three critical attributes of an intangible asset are:

(a) identifiability;
(b) control (power to obtain benefits from the asset); and
(c) future economic benefits (such as revenues or reduced future costs).

An intangible asset is identifiable when it:

(a) is separable (capable of being separated and sold, transferred, licensed, rented, or exchanged, either individually or as part of a package) or

(b) arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

Intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any.

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

3.9 Intangible assets *(continued)*

Amortisation is the systematic allocation of the depreciable amount of an intangible asset over its estimated useful life. Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated amortisation and accumulated impairment losses thereon. The estimated useful life is reviewed at each reporting date, with the effect of any changes in estimate being accounted for on a prospective basis.

3.10 Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of property, plant and equipment is their purchase price together with any incidental expenses necessary to bring the assets to their intended condition and location.

(a) Subsequent expenditure

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul expenditure is capitalised. Other subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of property, plant and equipment. All other expenditure is charged to the statement of profit or loss during the financial year in which it is incurred.

(b) Depreciation

Depreciation is charged on a straight-line basis over the estimated useful lives of items of property, plant and equipment and major components are accounted for separately as follows:

Plant and machinery	6 – 30 years
Buildings and civil works	40 years
Other assets	3 –4 years

Certain items of property, plant and equipment are subject to overhauls at regular intervals. The inherent components of the initial overhaul are determined based on the estimated costs of the future overhauls and are separately depreciated in order to reflect the estimated intervals between two overhauls. The costs of the overhauls subsequently incurred are capitalised as additions.

Depreciation is charged from the month of addition to property, plant and equipment, while no depreciation is charged in the month of disposal. Depreciation method, useful lives as well as residual values are re-assessed annually. Capital Spares that are amenable to refurbishment are not subject to depreciation.

3.11 Site restoration

A liability for future site restoration is recognized since the usufruct agreement stipulates the obligation of future site restoration. The liability is measured at the present value of the estimated future cash outflows to be incurred on the basis of current technology.

3.12 Impairment

(i) Non derivative financial assets

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

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed by grouping together assets that share similar credit risk characteristics. All impairment losses are recognised in the statement of profit or loss.

An impairment loss is reversed if reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in the statement of profit or loss.

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

3.12 Impairment *(continued)*

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

The recoverable amount of the Company's receivables is calculated as the present value of future cash flows, discounted at the original effective interest rate inherent in the asset. Receivables with a short duration are not discounted. Collective provisions are maintained in respect of losses which are incurred but not yet specifically identified within the portfolio of receivables.

An impairment loss in respect of a held to maturity security or receivable carried at amortised cost is reversed if the subsequent increase in the recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

(ii) Non financial assets

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets. Impairment losses are recognised in the statement of profit or loss unless it reverses a previous revaluation that was credited to equity, in which case it is charged to equity. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating units and then, to reduce the carrying amounts of the other assets in cash-generating units on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

Management determines whether there are any indications of impairment to the carrying value of plant and machinery on an annual basis. This requires an estimation of the value in use of the cash generating units. Estimating the value in use requires the Company to make an estimate of the expected future cash flows for the period lying beyond the term of the PPA and also choose a suitable discount rate in order to calculate the present value of those cash flows.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.13 Borrowing costs

Borrowing costs comprise interest payable on borrowings. Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the cost of those assets. All other borrowing costs are recognised as expenses in the year in which they are incurred.

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

3.14 Inventories

Fuel, maintenance spares and consumables are stated at the lower of cost and net realisable value. Cost is determined on the weighted average principle and includes all costs incurred in acquiring the inventories, cost incurred to bring them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, after allowing for the costs of realisation. Provision is made where necessary for obsolete, damaged and defective items, if any.

3.15 Financial assets

The Company classifies its financial assets into loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

3.16 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than twelve months after the reporting date. These are classified as non-current assets. The Company's loans and receivables comprise trade and other debtors and cash and cash equivalents in the statement of financial position (notes 3.17 and 3.18).

3.17 Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired.

3.18 Cash and cash equivalents

For the purpose of statement of cash flows, all cash and bank balances, including short-term deposits with a maturity of three months or less from the date of placement, and bank overdrafts are considered to be cash and cash equivalents.

3.19 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs and are subsequently carried at amortised costs using the effective interest rate method. Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

3.20 End of service benefits and leave entitlements

End of service benefits are accrued in accordance with the terms of employment of the Company's employees at the statement of financial position date, having regard to the requirements of the Oman Labour Law 2003, as amended. Employee entitlements to annual leave and leave passage are recognised when they accrue to employees and an accrual is made for the estimated liability as a result of services rendered by employees up to the statement of financial position date. The accruals related to annual leave and leave passage are disclosed as current liabilities, while that relating to end of service benefits is disclosed as a non-current liability.

Contributions to a defined contribution retirement plan for Omani employees in accordance with the Omani Social Insurances Law of 1991 are recognised as an expense in the statement of profit or loss as incurred.

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

3.21 Provisions

Provisions are recognised in statement of financial position when the Company has a legal or constructive obligation as a result of a past event and it is probable that it will result in an outflow of economic benefits that can be reliably estimated.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. Where some or all of the economic benefits required to settle a provision are expected to be recovered from third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3.22 Trade and other payables

Payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method. Liabilities are recognised for amounts to be paid for goods and services received, whether or not billed to the Company.

3.23 Dividend distribution

Dividends are recognised as a liability in the year in which the dividends are approved by the Company's shareholders. Dividends for the year that are approved after the statement of financial position date are dealt with as an event after the reporting date.

3.24 Derivative financial instruments and hedging activities

The Company uses derivative financial instruments to hedge its exposure to certain portion of its interest rate risks arising from financing activities. In accordance with its treasury policy, the Company does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition, derivative financial instruments are stated at their fair value. Recognition of any resultant gain or loss depends on the nature of the item being hedged.

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised liability, the part of any gain or loss on the derivative financial instrument that qualifies as an effective hedge is recognised directly in equity, net of tax. The ineffective part of any gain or loss is recognised in the statement of profit or loss immediately.

The Company makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value or cash flows of the respective hedged items during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80% to 125%. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported total comprehensive income for the period. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated, exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in other comprehensive income and presented in the hedging deficit in equity remains there until the forecast transaction affects profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, then hedge accounting is discontinued prospectively. The cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised immediately in the statement of profit or loss.

Changes in the fair value of separable embedded derivatives are recognised immediately in the statement of profit or loss.

Notes to the financial statements

For the period ended 30 September 2017(continued)

4 Financial risk management

The Company's activities expose it to a variety of financial risks including the effects of changes in market risk (including foreign exchange risk and interest rate risk), liquidity risk and credit risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. Risk management is carried out by the management under policies approved by the Board of Directors.

4.1 Financial risk factors

(a) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(i) Foreign exchange risk

The Company is exposed to foreign exchange risk arising from currency exposures primarily with respect to US Dollars (USD) .The Company has negotiated, with its bank, a fixed rate of exchange with respect to USD. Hence, the exposure to foreign currency risk is considered minimal. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. As of 30 September 2017, the Company's market risk due to foreign exchange rates is analysed as follows:

Financial assets / liabilities:

2017	**Carrying amount in statement of financial position RO'000**	**Amount denominated in Rials RO'000**	**Amount denominated in other currencies RO'000**
Tariff and other receivables (excluding prepayments and advances)	**1,155**	**1,155**	**-**
Cash and cash equivalents	**1,248**	**1,232**	**16**
Bank overdraft	**(8)**	**(8)**	**-**
Trade and other payables	**(2,143)**	**(1,990)**	**(153)**
Short-term loan	**(350)**	**(350)**	**-**
Due to related parties	**(436)**	**(436)**	**-**
	(534)	**(397)**	**(137)**

2016	Carrying amount in statement of financial position RO'000	Amount denominated in Rials RO'000	Amount denominated in other currencies RO'000
Trade and other receivables (excluding prepayments and advances)	935	935	-
Cash and cash equivalents	1,612	1,604	8
Long-term loans (excluding unamortised deferred finance cost)	(4,610)	(541)	(4,069)
Due to related parties	(403)	(403)	-
Trade and other payables	(981)	(869)	(112)
Bank overdraft	(1)	(1)	-
Short-term loan	-	-	-
	(3,448)	725	(4,173)

Notes to the financial statements

For the period ended 30 September 2017(continued)

4 Financial risk management*(continued)*

4.1 Financial risk factors*(continued)*

(a) Market risk (continued)

(ii) Interest rate risk

The Company's interest rate risk arises from bank deposits, short-term and long-term borrowings. Bank deposits and borrowings at variable rates expose the Company to cash flow interest rate risk. Management regularly monitors the returns on these bank deposits.

The sensitivity of the hedging deficit as assessed by the counter parties to the Interest Rate Swap Agreements is given below:

Impact on statement of financial position:

	2017 RO'000	2016 RO'000
In case of increase of 100 basis points in interest rate	**0**	60
In case of decrease of 100 basis points in interest rate	**0**	(60)

The sensitivity of the portion of the loan not covered under interest rate swap agreement is given below:

Impact on statement of financial position:

	2017 RO'000	2016 RO'000
In case of increase of 100 basis points in interest rate	**-**	5
In case of decrease of 100 basis points in interest rate	**-**	(5)

At the end of the reporting period the interest rate profile of the Company's interest bearing financial instruments was:

	2017 RO'000	**2017 US $'000**	2016 RO'000	2016 US $'000
Floating rate instruments				
Financial assets - call and deposit accounts	**2**	**5**	2	5

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets or liabilities at fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting year would not affect profit or loss.

The Company has entered into an interest rate swap to hedge its interest rate risk exposure. Under interest rate swap contracts, the Company agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Company to mitigate the risk of cash flow exposures on variable rate debt.

All interest rate swap contracts exchanging floating rate interest amounts for fixed rate interest amounts are designated as cash flow hedges in order to reduce the Company's cash flow exposure resulting from variable interest rates on borrowings. The interest rate swaps and the interest payments on the loan occur simultaneously.

Notes to the financial statements

For the period ended 30 September 2017(continued)

4 Financial risk management *(continued)*

4.1 Financial risk factors*(continued)*

(b) Liquidity risk

In accordance with prudent liquidity risk management, the management aims to maintain sufficient cash balances and availability of funding through an adequate amount of committed credit facilities. The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date.

The amounts disclosed in the table are contractual discounted cash flows:

The following are the contractual maturities of financial liabilities:

	Carrying amount RO'000	Carrying amount US$ '000	6 months or less RO'000	6 - 12 months RO'000	1 - 2 Years RO'000
2017					
Long term loans(excluding unamortized deferred finance cost)	**-**	**-**	**-**	**-**	**-**
Short term loan	**(350)**	**(910)**	**(350)**	**-**	**-**
Trade and other payables	**(2,143)**	**(5,566)**	**(2,143)**	**-**	**-**
Due to related parties	**(436)**	**(1,131)**	**(436)**	**-**	**-**
	(2,929)	**(7,607)**	**(2,929)**	**-**	**-**
2016					
Long term loans(excluding unamortised deferred finance cost)	(4,620)	(12,011)	(2,676)	(1,944)	-
Short term loan	-	-	-	-	-
Trade and other payables	(981)	(2,550)	(981)	-	-
Due to related parties	(403)	(1,048)	(403)	-	-
	(6,004)	(15,609)	(4,060)	(1,944)	-

The contractual undiscounted cash flows for the period ended 30 September 2017 and 2016 would be gross amounts based on effective interest rates disclosed under relevant notes.

The above commitments are expected to be met out of internally generated funds and cash and cash equivalents available with the Company at the relevant maturity date.

(c) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the receivables from a customer. The Company does not require collateral in respect of financial assets. The Company seeks to control credit risk by monitoring credit exposure. At 30 September 2017, the entire trade receivables were from a Government owned Company, Oman Power and Water Procurement Company SAOC (OPWP).
The maximum exposure to credit risk as of the end of the period was RO 1.155 million (US $ 3.00 million) [2016: RO 0.935 million (US $ 2.43 million)]. OPWP has a credit rating of Baa2 given by Moody's investors' service.

The table below shows the balances with banks categorised by credit ratings as published by Moody's Investors Service at the reporting date:

Bank	**Rating**	**2017 RO'000**	2016 RO'000
Societe Generale	Baa2	**13**	5
Bank Muscat SAOG	Baa2	**1,225**	1,610
		1,238	1,615

4 Financial risk management *(continued)*

4.2 Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and benefit other stakeholders. The management's policy is to maintain a strong capital base so as to maintain creditor and stakeholders' confidence and to sustain future development of the business.

Management aims to improve the current level of profitability by enhancing top line growth and prudent cost management.

4.3 Fair value estimation

The carrying value of financial assets and liabilities with a maturity of less than one year approximates their fair values. The carrying amount of the non-current long-term borrowings carrying variable interest rate approximates to its fair value, as the loan carries interest at LIBOR plus a fixed margin which is the current market rate. The fair value of interest rate swaps is based on estimated future cash flows based on the terms and maturity of each contract and using market interest rates.

5 Critical accounting judgements and key sources of estimation uncertainty

The presentation of financial statements, in conformity with IFRS, requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenditure. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from those estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the significant judgements and estimates used in the preparation of the financial statements:

Judgements

(a) Operating lease

The Company has entered into a PPA containing a take-or-pay clause favouring the Company. The management has applied the guidance in IFRIC 4, 'Determining whether an arrangement contains a lease'. Based on the management's evaluation, the PPA with OPWP is a lease within the context of IFRIC 4 as OPWP has the right to direct how the Company operates the power plant and obtains from the Company electricity generated by the plant and has been classified as an operating lease under IAS 17 since significant risks and rewards associated with the ownership of the plant lie with the Company and not with OPWP. The residual risk is also borne by the Company and not OPWP.

Estimates and assumptions

(a) Effectiveness of hedge relationship

At the inception of the hedge, the management documents the hedging strategy and performs hedge effectiveness testing to assess whether the hedge is effective. This exercise is performed at each reporting date to assess whether the hedge will remain effective throughout the term of the hedging instrument. As at the reporting date, the cumulative fair value of the interest rate swap was Nil [2016: RO 0.004 million (US$ 0.01 million)].

Notes to the financial statements

For the period ended 30 September 2017(continued)

5 Critical accounting judgements and key sources of estimation uncertainty *(continued)*

Estimates and assumptions *(continued)*

(b) Impairment of plant and machinery

The Company determines whether its plant and machinery are impaired when there are indicators of impairment as defined in IAS 36. This requires an estimation of the value-in-use of the cash-generating unit. Estimating the value-in-use requires the Company to make an estimate of the expected future cash flows from this cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying value of the plant as at 30 September 2017 was RO 31.340 million (US$ 81.48 million) [2016 -RO 32.863 (US$ 85.44 million)].

(c) Useful lives of property, plant and equipment

Depreciation is charged so as to write-off the cost of assets over their estimated useful lives. The calculation of useful lives is based on management's assessment of various factors such as the operating cycles, the maintenance programmes, and normal wear and tear using its best estimates.

Certain parts of property, plant and equipment are depreciated based on estimated machine hours. Calculation of machine hour rate depreciation involves significant assumptions in relation to estimated hours and hourly rate of depreciation.

(d) Decommissioning costs

Decommissioning costs are based on management's technical assessment of the probable future costs to be incurred in respect of the decommissioning of the plant facilities.

6 Operating revenue

	2017 RO'000	**2017 US $'000**	2016 RO'000	2016 US $'000
Energy charges	**2,663**	**6,925**	6,106	15,876
Capacity charges	**5,392**	**14,020**	4,668	12,138
	8,055	**20,945**	10,774	28,014

7 Operating costs

	2017 RO'000	**2017 US $'000**	2016 RO'000	2016 US $'000
Fuel costs	**2,842**	**7,390**	4,350	11,312
Operation and maintenance charges	**1,479**	**3,846**	1,374	3,573
Depreciation	**1,158**	**3,011**	1,214	3,156
Amortisation of intangible assets	**23**	**58**	49	127
	5,502	**14,305**	6,987	18,168

Notes to the financial statements

For the period ended 30 September 2017(continued)

8 Administrative and general expenses

	2017 RO'000	**2017 US $'000**	2016 RO'000	2016 US $'000
Employee costs	**139**	**361**	135	349
Legal and professional fees	**57**	**148**	26	68
Directors/shareholders' meeting expenses	**22**	**57**	12	31
Share registration fees	**12**	**30**	12	31
Rent, rates and taxes	**9**	**23**	9	23
Depreciation	**7**	**17**	10	26
Social development costs	**11**	**27**	2	5
Utilities	**6**	**15**	6	16
Travelling	**1**	**3**	1	3
Miscellaneous expenses	**27**	**71**	26	68
	291	**752**	239	620

Employees related expenses comprise the following:

	2017 RO'000	**2017 US $'000**	2016 RO'000	2016 US $'000
Wages and salaries	**129**	**335**	124	321
Contribution to defined retirement plan	**5**	**12**	4	10
Other benefits	**3**	**8**	5	13
End of service benefits	**2**	**6**	2	5
	139	**361**	135	349

The number of employees as at 30 September 2017 was 6 (30 September 2016: 6)

9 Finance costs

	2017 RO'000	**2017 US $'000**	2016 RO'000	2016 US $'000
Interest on secured loan, including hedge unwinding	**17**	**45**	142	369
Amortisation of deferred finance costs	**3**	**7**	21	55
Other	**20**	**53**	39	101
	40	**105**	202	525

10 Intangible assets

Pursuant to the Natural Gas Sales Agreement (NGSA) with the Ministry of Oil and Gas (MOG), the Company, effective from November 2007, transferred "Natural Gas Reception System" comprising multiple streams with redundancy, each providing pressure reduction and control filtering, condensate extraction, heating, metering and on-line gas calorific value analysis, to MOG. Although the ownership of this asset was transferred to MOG, the Company retains the beneficial economic use of the asset until the expiry of the NGSA, i.e., 30 April 2017.

In terms of the Company's stated policy on intangible assets and amortisation, the book value of the Natural Gas Reception System of RO 0.620 million (US$ 1.61 million) has been classified as intangible asset which has been amortised over the initial period of NGSA.

Notes to the financial statements
For the period ended 30 September 2017(continued)

10 Intangible assets *(continued)*

	2017 RO'000	2017 US $'000	2016 RO'000	2016 US $'000
Cost				
At 1 January and 30 September	**620**	**1,612**	620	1,612
Accumulated amortization				
At 1 January	**(597)**	**(1,554)**	(532)	(1,384)
Amortised for the period	**(23)**	**(58)**	(49)	(127)
At 30 September	**(620)**	**(1,612)**	(581)	(1,511)
Net book amount				
At 30 September	**0**	**0**	39	101

11 Property, plant and equipment

2017	**Plant and machinery RO'000**	**Building and civil works RO '000**	**Other Assets RO'000**	**Total RO'000**	**Total US$'000**
Cost					
At 1 January	**57,416**	**929**	**353**	**58,698**	**152,615**
Acquisitions	**-**	**-**	**2**	**2**	**4**
Disposals	**-**	**-**	**(18)**	**(18)**	**(47)**
At 30 September	**57,416**	**929**	**337**	**58,682**	**152,572**
Accumulated depreciation					
At 1 January	**24,936**	**303**	**340**	**25,579**	**66,508**
Charge for the period	**1,140**	**18**	**7**	**1,165**	**3,029**
Disposals	**-**	**-**	**(18)**	**(18)**	**(47)**
At 30 September	**26,076**	**321**	**329**	**26,726**	**69,490**
Net Book Value					
At 30 September	**31,340**	**608**	**8**	**31,956**	**83,082**

2016	Plant and machinery RO'000	Building and civil works RO '000	Other Assets RO'000	Total RO'000	Total US$'000
Cost					
At 1 January	57,148	929	357	58,434	151,930
Acquisitions	268	-	-	268	697
Disposals	-	-	-	-	-
At 30 September	57,416	929	357	58,702	152,627
Accumulated depreciation					
At 1 January	23,356	279	334	23,969	62,323
Charge for the period	1,197	18	10	1,225	3,184
Disposals	-	-	-	-	-
At 30 September	24,553	297	344	25,194	65,507
Net Book Value					
At 30 September	32,863	632	13	33,508	87,120

11 Property, plant and equipment *(continued)*

(i) Land, on which the power station's buildings and auxiliaries are constructed, has been leased from the Government of the Sultanate of Oman for a period of 25 years, extendable for another 25 years. Lease rent is paid at the rate of RO 1,000 per annum.

(ii) Property, plant and equipment are mortgaged as security for the borrowings of the Company (note 20).

12 Inventories

	2017 RO'000	**2017 US $'000**	2016 RO'000	2016 US $'000
Liquid fuel	**1,095**	**2,848**	1,008	2,621
Maintenance spares and consumables	**487**	**1,267**	487	1,266
	1,582	**4,115**	1,495	3,887

In accordance with the terms of the various project agreements, the Company is required to maintain a base stock of liquid fuel. Such liquid fuel stock is to be held to cover the contingency of interruption in the supply of gas fuel. The requirement is to hold minimum of five days' consumption in order to operate the turbines at full capacity.

13 Tariff receivables

Tariff receivables represent the amounts due from Oman Power & Water Procurement Company SAOC (OPWP) in respect of capacity and energy charges.

14 Other receivables and prepayments

	2017 RO'000	**2017 US $'000**	2016 RO'000	2016 US $'000
Advances	**425**	**1,105**	317	824
Prepayments	**95**	**247**	87	226
	520	**1,352**	404	1,050

15 Cash and bank balances

	2017 RO'000	**2017 US $'000**	2016 RO'000	2016 US $'000
Current account	**1,246**	**3,239**	1,606	4,175
Call and deposit accounts	**2**	**6**	6	15
	1,248	**3,245**	1,612	4,190

Deposits carry interest at rates ranging between NIL per annum (2016- 0.1% to 0.4% per annum).

Cash and cash equivalents include the following for the purposes of the statement of cash flows:

	2017 RO'000	**2017 US $'000**	2016 RO'000	2016 US $'000
Cash and cash equivalents	**1,248**	**3,245**	1,612	4,190
Bank overdraft	**(8)**	**(20)**	(1)	(2)
	1,240	**3,225**	1,611	4,188

The company has overdraft facility from Bank Muscat SAOG of a limit upto RO 1.880 million. It carries interest at 5.25% per annum (2016- 3.5% per annum).

16 Share capital

	2017 RO'000	2017 US $'000	2016 RO'000	2016 US $'000
Authorised share capital of 250,000,000 shares of RO 0.100each (2016- 250,000,000 shares of RO 0.100each)	**25,000**	**65,000**	25,000	65,000
Issued and fully paid-up share capital of 96,250,000 shares of RO 0.100 each (2016- 96,250,000 shares of RO 0.100 each)	**9,625**	**25,025**	9,625	25,025

The Company's shareholders at 30 September 2017 comprised the following:

	2017		2016	
	Number of shares	**%**	Number of shares	%
National Power Al Kamil Investments Ltd.	**46,915,930**	**48.74**	46,915,930	48.74
Al Kamil Investments Ltd.	**15,640,630**	**16.25**	15,640,630	16.25
National Power Oman Investments Ltd.	**5,940**	**0.01**	5,940	0.01
Others	**33,687,500**	**35.00**	33,687,500	35.00
	96,250,000	**100.00**	96,250,000	100.00

The three main shareholding companies, representing 65% of the share capital, are registered in the United Kingdom and are subsidiaries of Engie (formerly GDF Suez). None of the other ordinary shareholders owns 10% or more of the Company's paid-up share capital as at 30 September 2017.

17 Legal reserve

The Commercial Companies Law of 1974 as amended 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 one-third of the Company's paid-up share capital. This reserve is not available for distribution.

18 Hedging deficit

(a) The term loan facilities of the Company bear interest at US LIBOR plus applicable margins (refer note 20).In accordance with the term loan agreement, the Company is obliged to fix the rate of interest through Interest Rate Swap Agreements (IRS) for a minimum of 75% of its loan facility. The lenders have agreed to the Company's request to fix the rate of interest through IRS for an amount less than 75% of the loan amount post refinancing of the loan in 2005. During 2012, the Company has hedged 100% of the secured loan. As at the reporting date, no loans are outstanding.

As at 30 September 2017, based on the interest rate differential over the life of the IRS, a fair value loss of NIL was assessed [2016- RO 0.004 million (US$ 0.01 million)] by the counter parties to the IRS. In order to comply with International Accounting Standard - 39 "Financial Instruments: Recognition and Measurement" fair value of the hedge instruments' fair value losses of NIL was assessed [2016- RO 0.004 million (US$ 0.01 million)] and has been recorded as liabilities under Hedging Deficit and net of tax amount has been recorded in the statement of changes in equity.

(b) The PPA and the OAMA of the Company contain embedded derivatives in the form of price adjustments for inflation based on changes in the Unites States and Omani Consumer Price Indices. These embedded derivatives are not separated from the host contract, and accounted for as a standalone derivative under IAS 39, as the management believes that the economic characteristics and risk associated with the embedded derivatives are closely related to those of the host contract.

Notes to the financial statements

For the period ended 30 September 2017(continued)

18 Hedging deficit *(continued)*

	2017 RO'000	**2017 US $'000**	2016 RO'000	2016 US $'000
Cumulative change in fair value:				
At 1 January	-	-	49	128
Change in the fair value during the period	-	-	(54)	(140)
Impact of deferred tax on fair value	-	-	7	17
At 30 September	-	-	2	5

19 Taxation

(a) Income tax

The Company is liable to income tax, in accordance with the income tax laws of Sultanate of Oman, at the rate of 15% of taxable income.

The Company's effective tax rate for the period ended 30 September 2017 was 14.80% (period ended 30 September 2016: 11.66%).

	2017 RO'000	**2017 US $'000**	2016 RO'000	2016 US $'000
Current liability				
Current year	**453**	**1,177**	494	1,287

Tax charge in the statement of profit or loss is made up of the following:

	2017 RO'000	**2017 US $'000**	2016 RO'000	2016 US $'000
Current tax - current period	**453**	**1,178**	494	1,287
Deferred tax relating to the origination and reversal of temporary differences	**(118)**	**(307)**	(93)	(243)
	335	**871**	401	1,044
Current tax - prior period	**(5)**	**(13)**	(11)	(30)
	330	**858**	390	1014

(i) By virtue of Royal Decree 54/2000 the Company was exempt from income tax for an initial period of five years which ended on 30 September 2007.

(ii) The management had requested the tax department to accord the appropriate benefit as envisaged by Royal Decree 54/2000 in the calculation of tax payable upon the completion of the assessments i.e., the availability of tax losses incurred by the Company during the tax exemption period to be set-off against the profits of the subsequent years. However, the assessments for the years 2008-2013 were finalised by the Department of Taxation Affairs, Ministry of Finance without according the benefits assured under the Royal Decree 54/2000.The Company submitted an objection and then an appeal contesting the non-adjustment of the carry forward of losses incurred during the tax-exempt period. The Income Tax Committee confirmed the position taken by the Tax authorities for the years 2008 to 2013. The Company filed a suit with the Primary Court and subsequently the Appeals Court contesting ITS's decision for the years 2008 to 2012. Following rejection of the claim by the Appeals Court, the company has since filed a suit with the Supreme Court.

The Company has, however, settled the tax liabilities for the year 2008-2013 as per the assessments and hence no additional tax liability has been recorded.

Notes to the financial statements

For the period ended 30 September 2017(continued)

19 Taxation *(continued)*

(b) Reconciliation of effective tax:

	2017 RO'000	2017 US $'000	2016 RO'000	2016 US $'000
Profit before taxation	**2,229**	**5,800**	3,346	8,702
Income tax	**335**	**871**	401	1,044
Non – deductible expenses	**-**	**-**	-	-
Prior year charge	**(5)**	**(13)**	(11)	(30)
Tax charge for the period	**330**	**858**	390	1,014

(c) Deferred tax

(i) Deferred income tax is calculated on all temporary differences under the liability method using a principal tax rate of 15% (2016 - 12%).

(ii) Deferred Tax – Prior Period represents restatement of Deferred Tax Liability as at 31.12.2016 at the new tax rate of 15% pursuant to the amendment of tax law.

(iii) At 30 September 2017, the Company's deferred tax liability amounted to approximately RO 3.680 million (US$ 9.57 million) [(2016-RO 3.066 million (US$ 7.97 million)] arising on temporary timing differences.

The movement in deferred tax liability during the period is as follows:

Statement of profit or loss:

	2017 RO'000	2017 US $'000	2016 RO'000	2016 US $'000
Deferred tax charge	**(118)**	**(307)**	(93)	(243)

Statement of other comprehensive income:

Taxation credit relating to interest rate swaps

	2017 RO'000	2017 US $'000	2016 RO'000	2016 US $'000
In respect of current period	**-**	**-**	(7)	(17)

Statement of financial position:

	2017 RO'000	2017 US $'000	2016 RO'000	2016 US $'000
Deferred tax liability	**3,680**	**9,570**	3,066	7,971

(iii) The deferred tax liability in the statement of financial position and the net deferred tax charge in the statement of profit or loss and the statement of other comprehensive income are attributable to the following items:

Notes to the financial statements

For the period ended 30 September 2017(continued)

19 Taxation *(continued)*

(c) Deferred tax (continued)

	At 31 December 2016	**Charged to the statement of profit or loss**	**Recognised in the statement of other comprehensive income**	**At 30 September 2017**	**At 30 September 2017**
	RO'000	**RO'000**	**RO'000**	**RO'000**	**US $'000**
2017					
Tax effect of:					
Accelerated tax depreciation	**3,039**	**(118)**	-	**2,921**	**7,595**
Restatement of liability at new tax rate	**-**	**759**	**-**	**759**	**1,975**
Fair value of hedging instruments	**-**	**-**	**-**	**-**	**-**
	3,039	**641**	**-**	**3,680**	**9,570**

	At 31 December 2015	Credited to the statement of profit or loss	Recognised in the statement of other comprehensive income	At 30 September 2016	At 30 September 2016
	RO'000	RO'000	RO'000	RO'000	US $'000
2016					
Tax effect of:					
Accelerated tax depreciation	3,160	(93)	-	3,067	7,974
Fair value of hedging instruments	(8)	-	7	(1)	(3)
	3m152	(93)	7	3,066	7,971

20 Long-term loans

The amount of loans outstanding is analysed as follows:

	2017 RO'000	**2017 US $'000**	2016 RO'000	2016 US $'000
Secured loans	-	-	4,620	12,011
Unamortised financing cost	-	-	(10)	(26)
	-	-	4,610	11,985
Less: Current maturities	-	-	(4,610)	(11,985)
Net long-term loans	-	-	-	-

Notes to the financial statements

For the period ended 30 September 2017(continued)

30 September 2017	**Total**	**Payable within one year**
	RO'000	**RO'000**
Secured loans	-	-
	US$'000	**US$'000**
Secured loans	-	-

30 September 2016	Total	Payable within one year
	RO'000	RO'000
Secured loans	4,620	4,620
	US$'000	US$'000
Secured loans	12,011	12,011

Secured loans

In 2001, the Company obtained a syndicated long-term loan facility from financial institutions in the aggregate amount of approximately RO 36 million (US$ 94 million). Société Générale and Bank Muscat SAOG were the arrangers of the facilities and have respectively been appointed as the offshore and on-shore security agents for the secured finance parties and as the security trustees. Société Générale is also the Facility and Security Agent for administration and monitoring of the overall loan facilities. The loan agreement contained certain restrictive covenants, which include, amongst others, restrictions over debt service and debt equity ratios, certain restrictions on the transfer of shares, payment of dividends, and disposal of property, plant and equipment and incurrence of additional debt.

The loan facilities bore interest at US LIBOR plus applicable margins. Margin percentages are as follows:

Period	Margin percentage
2005 to 2011	0.70%
2011 to 2014	0.90%
2014 to 2017	1.20%

The loan facilities were secured by comprehensive legal and commercial mortgages on all the assets of the Company.

The secured loans bore interest at US LIBOR plus applicable margins.

This loan was fully paid on 01st May 2017.

During April 2013, the Company refinanced the Bank Muscat SAOG unsecured loan facility by obtaining a long-term subordinated security loan from National Bank of Oman SAOG. The new loan was secured by second priority legal and commercial mortgage on the assets of the Company. The total amount of the facility was RO 1.348 million (US$ 3.50 million) with following terms:

Notes to the financial statements

For the period ended 30 September 2017(continued)

- The bi-annual instalment of RO 0.101 million (US$ 0.26 million),
- A final bullet payment of RO 0.541million (US$ 1.41million) on 1 January 2017, and
- The fixed rate of interest is 5% p.a.

This loan was fully paid on 01st January 2017.

21 Provision for decommissioning costs

The provision for decommissioning costs represents the present value of the management's best estimate based on recognised consultants' advice, of the future sacrifice of economic benefits that will be required to remove the facilities and restore the affected area at the leased site on which the Company's plant is constructed.

Under the Usufruct Agreement, the Company has a legal obligation to remove the plant and machinery at the end of its useful life and restore the land. The Company shall at its sole cost and expense dismantle, demobilise, safeguard and transport the assets, eliminate soil and ground water contamination, fill all excavation and return the surface to grade of the designated areas.

The movement in decommissioning provision is as follows:

	2017 RO'000	**2017 US $'000**	2016 RO'000	2016 US $'000
At 1 January	**71**	**184**	68	172
Unwinding of discount	**4**	**10**	1	2
At 30 September	**75**	**194**	69	174

22 Trade and other payables

	2017 RO'000	**2017 US $'000**	2016 RO'000	2016 US $'000
Trade payables	**802**	**2,081**	739	1,921
Accruals and other payables	**657**	**1,707**	47	122
Payable to creditors for property plant and equipment	**58**	**150**	58	151
Dividend Payable	**626**	**1,628**	-	-
Interest payable	**-**	**-**	137	356
	2,143	**5,566**	981	2,550

23 Due to related parties

	2017 RO'000	**2017 US $'000**	2016 RO'000	2016 US $'000
Al Kamil Construction & Services LLC	**422**	**1,096**	403	1,048
Kahrabel Operation & Maintenance Oman LLC	**14**	**35**	-	-
	436	**1,131**	403	1,048

Notes to the financial statements

For the period ended 30 September 2017(continued)

24 Net assets per share

Net assets per share are calculated by dividing the shareholders' funds of the Company at the year ended by the number of shares outstanding as follows:

	2017 RO'000	**2017 US $'000**	2016 RO'000	2016 US $'000
Shareholders' funds	**29,309**	**76,210**	28,360	73,740
Number of shares outstanding as at 30 September ('000)	**96,250**	**96,250**	96,250	96,250
Net assets per share- RO/US$	**0.305**	**0.79**	0.295	0.77

25 Earnings per share - basic

Earnings per share are calculated as follows:

	2017 RO'000	**2017 US $'000**	2016 RO'000	2016 US $'000
Profit for the year	**1,140**	**2,967**	2,956	7,687
Weighted average number of shares ('000)	**96,250**	**96,250**	96,250	96,250
Earnings per share - RO/US$	**0.012**	**0.03**	0.031	0.08

26 Related parties

The Company has related party relationships with entities over which certain shareholders and directors are able to exercise significant influence. The Company also has related party relationships with its directors. In the ordinary course of business, such related parties provide goods and render services to the Company. The Company has entered into an Operation and Maintenance Agreement with Al Kamil Construction & Services LLC, a related party, for operations and maintenance of the plant upto 31 December 2021.

Kahrabel Operation and Maintenance Oman (KOMO) and International Power SA are related parties with significant shareholder influence.

(a) The related party transactions during the year were as follows:

	2017 RO'000	**2017 US $'000**	2016 RO'000	2016 US $'000
Fee charged by AKCS under the Operations and maintenance agreement	**1,268**	**3,297**	1,416	3,682
CEO salary charged by Kahrabel O&M Oman	**43**	**112**	48	125
Costs incurred by AKCS on behalf of the Company	**20**	**52**	79	205
Fixed Services fee paid to International Power SA Dubai	**21**	**55**	19	49
Costs incurred by the Company on behalf of AKCS	**1**	**3**	3	8
Legal Fee charged by International Power SA	**10**	**26**	4	10
Directors' meeting fee	**15**	**39**	6	16
	1,378	**3,584**	1,575	4,095

(b) The details of amounts due to related parties are given in note 23.

Notes to the financial statements

For the period ended 30 September 2017(continued)

27 Key management compensation

Key Management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director (whether executive or otherwise). Total compensation paid to key management personnel for the year ended is as follows:

	2017 RO'000	**2017 US $'000**	2016 RO'000	2016 US $'000
Compensation of key management personnel				
Short-term benefits	**85**	**221**	104	269
Post-employment benefits	**4**	**10**	3	8
	89	**231**	107	277

28 Segment information

The Company operates only in one business segment, namely, power generation within the Sultanate of Oman.

29 Dividends- paid

During 2017, the Board of Directors proposed a cash dividend of upto 10% amounting to RO 0.963 million (RO 0.010 per share) to the shareholders who are on the registered shareholders' list as at 31st July 2017. The proposed dividend was approved by shareholders at the Annual General Meeting.

30 Commitments

	2017 RO'000	**2017 US $'000**	2016 RO'000	2016 US $'000
Letter of credit	**-**	**-**	2,178	5,662
Capital commitment	**-**	**-**	-	-

Operating lease commitments

At 30 September, future minimum lease commitments under non-cancellable operating leases were as follows:

	2017 RO'000	**2017 US $'000**	2016 RO'000	2016 US $'000
Within one year	**1**	**3**	1	3
Between two and five years	**4**	**10**	4	10
After five years	**3**	**8**	4	10
	8	**21**	9	23