**1 ACTIVITIES**

Dhofar Generating Company SAOG (the "Company" or "DGC") was registered as a public joint stock company in the Sultanate of Oman on 28 February 2001. The Company's registered address is P O Box 1571, Postal Code 211, Salalah, Dhofar, Sultanate of Oman.

The operations of the Company are governed by the provisions of "the Law for the Regulation and Privatisation of the Electricity and Related Water Sector" (the Sector Law) promulgated by Royal Decree 78/2004.

The principal activity of the Company is electricity generation under a licence issued by the Authority for Electricity Regulation, Oman (AER).

The ultimate investors include International Company for Water and Power Projects ("ACWA Power"), Mitsui & Co., Ltd., and Dhofar Intemational Development & Investment Holding Company S.A.O.G ("DIDIC"). The registered address of ACWA Power International is 22616, King Abdul Aziz Road, Riyadh, Kingdom of Saudi Arabia. The registered address of Mitsui & Co., Ltd. head office is 1-3, Marunouchi I-chome, Chiyoda—ku, Tokyo 100- 8631, Japan Nippon Life Marunouchi Garden Tower. The registered address of DIDIC is P.O.Box: 2163 Salalah, Postal Code: 211, Sultanate of Oman.

**Agreements**

The Concession Agreement, to which DGC was a party, was terminated effective 1 January 2014. Accordingly, from 1 January 2014, the Company has been granted a Generation License by the Authority for Electricity Regulation (AER) for the Electricity Generation business. The Company has entered into a Power Purchase Agreement ('PPA') on 31 December 2013 with OPWP to sell the available capacity of Electricity. The PPA was subsequently amended on 1 January 2014.

A second amending agreement to the PPA was signed on 19 April 2015 which became effective on 22 June 2015 after completion of all requirements under the terms of the agreement. This amending agreement envisions the construction of a new 445MW power plant and sets the PPA term of the existing 273MW power plant and new plant for a period of 15 years from the scheduled commercial operation date ('SCOD') of the new plant. The SCOD is achieved on 1 January 2018 as per the plan.

The Company entered into an EPC Contract with SEPCO III for the construction of a new 445MW facility. The Company also entered into a long term loan agreement on 8 July 2015 with a consortium of local and international banks including Bank Muscat, Bank Dhofar, Mizuho Bank, Standard Chartered Bank, KFW IPEX Bank, Sumitomo Mitsui Trust Bank and Sumitomo Mitsui Bank Corporation.

The Company has signed an Operations and Maintenance Agreement with Dhofar O&M Company LLC effective 4 June 2015 for all operations and maintenance of the plant.

**2 SIGNIFICANT ACCOUNTING POLICIES**

**Basis of preparation**

The interim financial statements are prepared under the historical cost convention, except for fair valuation of derivative instruments.

The interim financial statements have been presented in Rial Omani which is the functional and reporting currency for these interim financial statements.

**Statement of compliance**

These interim financial statements have been prepared in accordance with IAS 34 - Interim Financial Reporting, the disclosure requirements of the Capital Market Authority and the requirements of the Commercial Companies Law of 1974, as amended and the provision for disclosure included in the Executive Regulations of the Capital

On adoption of IFRIC 4 - "Determining whether an arrangement contains a lease" the management concluded that PPA contains a finance lease arrangement for 273MW existing power plant and an operating lease arrangement for new 445MW power plant.

**2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Changes in accounting policies**
The accounting policies are consistent with those in the previous years except as follows:

**Adoption of new and revised international financial reporting standards (IFRSs)**
For the period ended 30 September 2018, 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 1 January 2018.

- IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration
- Amendments to IAS 40 Transfers of Investment Property
- Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions
- Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
- Amendments to IAS 28 Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice
- Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters

The adoption of those 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.

**Adoption of IFRS 15 Revenue from Contracts with Customers**
IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which anentity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Company adopted IFRS 15 Revenue from contracts with customers using the modified retrospective method of adoption [IFRS 15.C3(b)] with initial date of application of 1 January 2018. Modified retrospective method was applied to all contracts at the date of initial application which allows the cumulative impact of the adoption to be recognised in retained earnings as of 1 January 2018 and the comparatives not to be restated.

The adoption of IFRS 15 did not have material impact on statement of financial position, statement of profit or loss, statement of other comprehensive income, and statement of cash flows.

Revenue recognition policy in accordance with IFRS 15 is explained below.

The Company's business is to supply power its sole customer OPWP under long term PPA. Revenue from OPWP comprises of the following:

- Capacity charge covering the investment charge and fixed operation and maintenance charge; and
- Output charge covering the fuel charge and variable operation and maintenance charge.

(a) Capacity charges
The PPA of the Company is finance lease for the existing 273 MW power plant and operating lease arrangement for the new 445MW power plant. Therefore, investment charge has been treated as containing a lease which conveys the right to use the underlying assets for a period of time in exchange of consideration. This component of revenue is recognised on straight line basis over the lease term to the extent that capacity has been made available based on contractual terms of PPA and accounted using IAS 17: Leases and IFRIC 4: Determining whether an arrangement contains a lease, and thus not within the scope of IFRS 15.
Fixed operation and maintenance charges are recognised as revenue when the capacity is made available by performing required planned and unplanned maintenance on timely basis so that the plant is in a position to run and generate required output and accrue to the business over time.

**2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Changes in accounting policies (continued)**

**Adoption of IFRS 15 Revenue from Contracts with Customers (continued)**
(b) Output charges
Output charges are recognised as revenue upon delivery of electricity to the national grid which accrue over time when the customer accepts deliveries and there is no unfulfilled performance obligation that could affect the customer's acceptance of the project.

The Company has long term agreements with OPWP which determine performance obligation, transaction price and allocates the transaction price to each of the separate performance obligations. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur.

There is no significant financing component attached to the receivable from customer. Goods and services are provided on agreed credit terms of the contract and payment occurs within 25 days from the submission of invoice. Company submits invoices on monthly basis in arrears and generally are submitted on or before the 5th day of the subsequent month. Since the company has three distinct contracts with OPWP a separate invoice is generated under each contract on monthly basis.

**Standards issued but not yet effective**
The following new standards and amendments have been issued by the International Accounting Standards Board (IASB) which may impact the interim financial statements of the Company but are not yet mandatory for the period ending 30 September 2018:

**IFRS 16**
The IASB issued IFRS 16 Leases (IFRS 16), which requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less).

For lessors, there is little change to the existing accounting in IAS 17 Leases. Company will perform a detailed assessment in the future to determine the extent. The new standard will be effective for annual periods beginning on or after 1 January 2019. Early application is permitted, provided the new revenue standard, IFRS 15 Revenue from Contracts with Customers, has been applied, or is applied at the same date as IFRS 16. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.
IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.
In 2018, the Company will continue to assess the potential effect of IFRS 16 on its financial statements.

**Following are the significant accounting policies adopted by the Company:**

**Equipment**
Equipment is stated at cost less accumulated depreciation, any identified impairment loss and residual value.

Depreciation is calculated on a straight line basis over the estimated useful lives of assets as follows:

| | Years |
|---|---|
| Plant, machinery, civil and structural works | 40 |
| Decommissioning assets | 40 |
| Plant capital spares | 18 |
| Computer and equipment | 5 |
| Motor vehicle | 5 |
| Furniture and fixtures | 5 |
| Computer software | 5 |

**2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Equipment (continued)**
The carrying values of equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Expenditure incurred to replace a component of an item of property, equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property, equipment. All other expenditure is recognised in the statement or profit or loss as the expense is incurred.

When each major inspection is performed, its cost is recognised in the carrying amount of the property, equipment as a replacement if the recognition criteria are satisfied.

An item of property, equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement or profit or loss in the year the asset is derecognised.

The assets' residual values, useful lives and methods are reviewed, and adjusted prospectively, if appropriate, at each financial year end.

**Inventories**
Inventories are stated at the lower of cost and net realisable value. Costs are those expenses incurred in bringing each product to its present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

**Financial instruments**
IFRS 9 introduces new classification and measurement requirements for financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement. Specifically, IFRS 9 requires all financial assets to be classified and subsequently measured at either amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the

*Initial measurement of financial instruments*
All financial assets and liabilities are initially recognised on the trade date, i.e., the date that the Company becomes a party to the contractual provisions of the instrument. On this date, financial assets are classified at amortised cost or fair value.

*Subsequent measurement of financial assets*
IFRS 9 divides all financial assets that were in the scope of IAS 39 into two classifications - those measured at amortised cost and those measured at fair value. Where the Company measures financial assets at fair value, gains and losses are either recognised entirely in profit or loss (fair value through profit or loss, "FVTPL"), or recognised in other comprehensive income (fair value through other comprehensive income, "FVTOCI").

*Debt instruments*
The Company measures a debt instrument that meets the following two conditions at amortised cost (net of any write down for impairment) unless the asset is designated at FVTPL under the fair value option:

a. Business model test: The objective of the entity's business model is to hold the financial asset to collect the contractual cash flows (rather than to sell the instrument prior to its contractual maturity to realise its fair value changes).

**2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Financial instruments (continued)**

*Debt instruments (continued)*

b. Cash flow characteristics test: The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Company measures a debt instrument that meets the following two conditions at FVTOCI unless the asset is designated at FVTPL under the fair value option:

a. Business model test: The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

b. Cash flow characteristics test: The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other debt instruments are measured at FVTPL.
The Company’s financial assets include finance lease receivable, trade receivable, due from related parties, other receivables and bank balances. These financial assets qualify for and are classified as debt instruments measured at amortised cost.

*Fair value option*

The Company measures a financial asset at FVTPL at initial recognition even if it meets the two requirements to be measured at amortised cost or FVTOCI if doing so eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as an 'accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Company does not have any financial assets measured at FVTPL as of year end.

*Subsequent measurement of financial liabilities*

The Company categorises its financial liabilities into two measurement categories: FVTPL and amortised cost.

The Company designates a financial liability as measured at FVTPL when it meets the definition of held for trading or when they are designated as such on initial recognition using the fair value option.

Gains and losses on financial liabilities designated as at FVTPL are split into the amount of change in fair value attributable to changes in credit risk of the liability, presented in other comprehensive income, and the remaining amount in profit or loss.

The Company recognises the full amount of change in the fair value in profit or loss only if the presentation of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. That determination is made at initial recognition and is not reassessed.

Cumulative gains or losses presented in other comprehensive income is subsequently transferred within equity.

Financial liabilities not held at FVTPL are subsequently measured at amortised cost using the effective interest method.

The Company’s financial liabilities include accounts payable, due to related parties, fair value of derivatives and term loans.

Except for fair value of derivatives which is measured at fair value, all other financial liabilities of the Company are measured at amortised cost.

*Derecognition of financial assets*

The Company determines if the asset under consideration for derecognition is:

- an asset in its entirety, or
- specifically identified cash flows from an asset (or a Company of similar financial assets), or

**2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Financial instruments (continued)**
*Derecognition of financial assets(continued)*
• a fully proportionate (pro rata) share of the cash flows from an asset (or a Company of similar financial assets), or

*Derecognition of financial assets (continued)*
• a fully proportionate (pro rata) share of specifically identified cash flows from a financial asset (or a Company of similar financial assets)

Once the asset under consideration for derecognition has been determined, the Company performs an assessment as to whether the asset has been transferred, and if so, whether the transfer of that asset is subsequently eligible for derecognition. An asset is transferred if either the Company has transferred the contractual rights to receive the cash flows, or the Company has retained the contractual rights to receive the cash flows from the asset, but has assumed a contractual obligation to pass those cash flows on under an arrangement that meets the following three conditions:

a. the Company has no obligation to pay amounts to the eventual recipient unless it collects equivalent amounts on the original asset;
b. the Company is prohibited from selling or pledging the original asset; and
c. the Company has an obligation to remit those cash flows without material delay.

Once the Company has determined that the asset has been transferred, it then determines whether or not it has transferred substantially all of the risks and rewards of ownership of the asset. If substantially all the risks and rewards have been transferred, the asset is derecognised. If substantially all the risks and rewards have been retained, derecognition of the asset is precluded.

*Impairment of financial assets*
The Company assesses whether there is objective evidence that financial assets carried at amortised cost are impaired. A financial asset or a group of financial assets is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s), and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

Objective evidence that financial assets are impaired can include significant financial difficulty of the issuer, default or delinquency by an issuer, indications that an issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a Company of assets such as adverse changes in the payment status of issuers, or economic conditions that correlate with defaults in the Company.

IFRS 9 defines expected credit losses as the weighted average of credit losses with the respective risks of a default occurring as the weightings.

At each reporting date the Company provides for expected losses on all of the following using reasonable and supportable information about past events, current conditions and reasonable and supportable forecasts of future economic conditions when measuring expected credit losses:
• Financial assets measured at amortised cost,
• Financial assets mandatorily measured at FVTOCI, and
• Loan commitments when there is a present obligation to extend credit.

The Company measures expected credit losses through a loss allowance at an amount equal to:
• the 12-month expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date); or
• full lifetime expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument).
The Company provides for a loss allowance for full lifetime expected credit losses for a financial instrument if the credit risk of that financial instrument has increased significantly since initial recognition.

**2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Financial instruments (continued)**

*Impairment of financial assets(continued)*

For all other financial instruments, expected credit losses are measured at an amount equal to the 12 month expected credit losses.

The Company determines the amount of expected credit losses by evaluating the range of possible outcomes as well as incorporating the time value of money. These expected losses are discounted to the reporting date using the effective interest rate of the asset (or an approximation thereof) that was determined at initial recognition.

*Derivative financial instruments and hedge accounting*

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's cash flows attributable to the hedged risk.

A hedging relationship qualifies for hedge accounting only if all of the following criteria are met:

a. the hedging relationship consists only of eligible hedging instruments and eligible hedged items;

b. at the inception of the hedging relationship there is formal designation and documentation of the hedging relationship and the entity's risk management objective and strategy for undertaking the hedge;

c. the hedging relationship meets all of the hedge effectiveness requirements.

As part of risk management strategies, the Company uses derivative financial instruments, such as interest rate swaps, to hedge interest rate sensitivities. These derivative financial instruments qualify for hedge accounting and are designated as cash flow hedges. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

The Company adjusts the cash flow hedge reserve in equity to the lower of the following:

a. the cumulative gain or loss on the hedging instrument from inception of the hedge;

b. the cumulative change in fair value of the hedged item from inception of the hedge.

*Effectiveness testing, rebalancing and discontinuation*

The Company performs prospective assessment of effectiveness of its cash flow hedges at each reporting date. The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income and any remaining gain or loss is hedge ineffectiveness which is recognised in profit or loss.

When the Company discontinues hedge accounting for a cash flow hedge, the amount that has been accumulated in the cash flow hedge reserve remains in equity if the hedged future cash flows are still expected to occur, until such cash flows occur. If the hedged future cash flows are no longer expected to occur, that amount is immediately reclassified to profit or loss.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Company adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

The Company discontinues hedge accounting prospectively only when the hedging relationship (or a part of a hedging relationship) ceases to meet the qualifying criteria (after any rebalancing). This includes instances when the hedging instrument expires or is sold, terminated or exercised.

*Current versus non-current classification*

Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instrument is separated into a current portion and a non-current portion only if a reliable allocation can be made.

**2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Financial instruments (continued)**

*Offsetting of financial instruments*

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if:

- there is a currently enforceable legal right to offset the recognised amounts; and
- there is an intention to settle on a net basis, or to realise the assets and settle the liabilities imultaneously.

***Trade and other receivables***

Trade and other receivables are initially measured at their fair value and subsequently measured at amortised cost, using the effective interest method. An allowance 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.

***Cash and cash equivalents***

For the purpose of the statement of cash flows, the Company considers all bank and cash balances that are free of lien and with a maturity of less than three months from the date of placement, and bank overdrafts, to be cash and cash equivalents.

***Borrowings***

Borrowings are recognised initially at fair value less attributable costs such as loan arrangement fee. Subsequent to initial recognition, interest bearing borrowings are measured at amortised costs with any difference between cost and redemption value being recognised in the profit or loss over the expected period of borrowings on an effective interest rate basis.

***Trade and other payable***

Trade and other payables are initially measured at their fair value and subsequently measured at amortised cost, using the effective interest method.

***Share capital***

Share capital is recorded at the proceeds received.

**Provisions**

Provisions are recognised in the 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 benefit 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 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.

**Provision for decommissioning**

A provision for decommissioning is recognised when there is a present obligation as a result of activities undertaken pursuant to the Usufruct and Power Purchase agreements, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of provision can be measured reliably. The estimated future obligations include the costs of removing the facilities and restoring the affected

The provision for future decommissioning cost is a best estimate of the present value of the expenditure required to settle the decommissioning obligation at the reporting date based on the current requirements as per the Usufruct agreement. Future decommissioning cost is reviewed annually and any changes in the estimate are reflected in the present value of the decommissioning provision at each reporting date. Changes in the estimate of the provision for decommissioning is treated in the same manner, except that the unwinding of the effect of the provision is recognised as a finance cost in the profit or loss rather than being capitalised into

**2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Dividend on ordinary shares**
Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Company's shareholders.

**Leases**
The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset (or assets) and the arrangement conveys a right to use the asset (or assets), even if that asset is (or those assets are) not explicitly specified in an arrangement.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

*Finance lease as a lessor*
Amounts due from lessees under finance leases are recognised as receivables at the amount of the Company's net investment in the leases. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of the leases. Each lease payment is allocated between the lease receivable and finance income so as to achieve a constant rate on the finance lease receivable balance outstanding.

**Borrowing costs**
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 period in which they are incurred.

**Taxation**
Taxation is provided in accordance with Omani fiscal regulations.

Income tax is recognised in the statement of profit or loss except to the extent that it relates to items recognised in the statement of comprehensive income or directly in equity, in which case it is recognised in the statement of comprehensive income or directly in equity, respectively. Current tax 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 income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax laws that have been enacted at the reporting
Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available, against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be

The carrying amount of deferred income tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

**2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Foreign currencies**
Transactions denominated in foreign currencies are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are translated at the rates prevailing on the reporting date. Gains and losses arising from foreign currency transactions are dealt with in the profit or loss.

**Employee benefits**
Provision for end of service indemnity for non-Omani employees' is made in accordance with the Oman labour law, and is based on current remuneration and cumulative years of service at the reporting date.

End of service indemnity for Omani employees are contributed in accordance with the terms of the Social Security Law of 1991.

**Directors' remuneration**
The Directors' remuneration is governed by the Memorandum of Association of the company and the Commercial Companies Law.

The Annual General Meeting shall determine and approve the remuneration and the sitting fees for the Board of Directors and its sub-committees provided that such fees shall not exceed 5% of the annual net profit after deduction of the legal reserve and the optional reserve and the distribution of dividends to the shareholders provided that such fees shall not exceed RO 200,000. The sitting fees for each director shall not exceed RO 10,000 in one year.

**3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amount of financial assets and liabilities at the date of the financial statements and the resultant provisions and changes in fair value for the year. Such estimates are necessarily based on assumptions about several factors involving varying, and possibly significant, degrees of judgment and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated assets and liabilities.
The following are the significant estimates used in the preparation of the financial statements:

The Company has entered into the Power Purchase Agreement (PPA) with Oman Power and Water Procurement Company SAOC to generate electricity and make available the power capacity from its Plant. Management considers the requirements of IFRIC 4, "Determining Whether an Arrangement Contains a Lease", which sets out guidelines to determine when an arrangement might contain a lease.

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date whether fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Once a determination is reached that an arrangement contains a lease, the lease arrangement is classified as either financing or operating according to the principles in IAS 17, Leases. A lease that conveys the majority of the risks and rewards of operation is a finance lease. A lease other than a finance lease is an operating lease.

The management has concluded that the PPA contains a lease and the arrangement is a finance lease.

**Provision for decommissioning obligation**
Upon expiry of their respective Usufruct and Power Purchase agreements, the Company will have an obligation to remove the facilities and restore the affected area. The estimated cost, discount rate and risk rate used in the provision for decommissioning costs calculation is based on management's best estimates.

## 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

**Provision for major maintenance**
The company has an unavoidable contractual obligation of being available over the term of the PPA which requires performance of certain activities. Accordingly, it is considered appropriate to create a provision for major maintenance as the unavoidable costs of mid-life revision based on best estimates.

**Useful lives and residual value of equipment**
Depreciation is charged so as to write off the cost of assets, less their residual value, 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 programs, and normal wear and tear using its best estimates. The calculation of the residual value is based on the management best estimates.

**Going concern**
The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

**Taxes**
Uncertainties exist with respect to the interpretation of tax regulations and the amount and timing of future taxable income. Given the wide range of business relationships and nature of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded.

The company establishes provisions, based on reasonable estimates, for possible consequences of finalisation of tax assessments of the company. The amount of such provisions is based on various factors, such as experience of previous tax assessments and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

## 4 FINANCE LEASE RECEIVABLES

The Company has entered in to the Power Purchase Agreement (PPA) with Oman Power and Water Procurement Company SAOC ("OPWP"). As per the terms of PPA, the power generation is dependent on the Company's plant and OPWP, being the sole procurer of power generation in Oman, obtains significant amount of the power generated by the Company's plant. Accordingly management has concluded that the PPA satisfies the requirements of IFRIC 4, "Determining Whether an Arrangement Contains a Lease". Further, management has assessed the lease classification as per the requirements of International Accounting Standard 17 "Lease" (IAS 17) and has concluded that the arrangement is a finance lease, as the term of PPA is for the major part of the remaining economic life of the Company's plant. Accordingly, a finance lease receivable has been recognised in the financial statements.

| | **30-Sep-18** | 2017 |
|---|---|---|
| | **RO** | RO |
| Non-current | **55,098,062** | 56,779,844 |
| Current | **2,219,945** | 2,088,485 |
| | **57,318,007** | 58,868,329 |

The following table shows the maturity analysis of finance lease receivables:

| **30-Sep-18** | **Less than 1 year** | **Between 1 and 2 years** | **Between 2 and 5 years** | **More than 5 years** | **Total** |
|---|---|---|---|---|---|
| | **RO** | **RO** | **RO** | **RO** | **RO** |
| Gross finance lease receivables | **6,819,111** | **6,819,111** | **34,095,557** | **49,438,558** | **97,172,337** |
| Less: unearned finance income | **(4,599,166)** | **(4,410,926)** | **(18,622,499)** | **(12,221,740)** | **(39,854,331)** |
| | **2,219,945** | **2,408,185** | **15,473,058** | **37,216,818** | **57,318,007** |

**4 FINANCE LEASE RECEIVABLES (continued)**

| 30-Sep-17 | | | | | |
|---|---|---|---|---|---|
| Gross finance lease receivables | 6,819,111 | 6,819,111 | 34,095,557 | 54,552,892 | 102,286,671 |
| Less: unearned finance income | (4,730,626) | (4,553,533) | (19,538,776) | (14,595,408) | (43,418,343) |
| | 2,088,485 | 2,265,579 | 14,556,781 | 39,957,484 | 58,868,329 |

Subsequent to initial recognition in 2014, an amendment to the PPA was signed on 19 April 2015 effective from 22 June 2015 which extended the tenure of the agreement and increased the lease rentals.

In order to meet the obligations under the revised PPA, major maintenance and upgradation will have to be performed on the power generation assets. This expenditure is expected to be incurred over the PPA term and would enable the company to fulfil its obligations under the PPA. Accordingly, an estimate for required maintenance and upgradation has been made, while a provision has been created at its present value. Refer note 24. The carrying amount of the lease was increased in 2016 by this provision.

**5 PLANT, EQUIPMENT AND CAPITAL WORK IN PROGRESS**

| | Plant | Plant capital spares RO | Decommissioning asset RO | Computers and equipment RO | Computer software RO | Motor Vehicles RO | Furniture and fixture RO | Capital work-in-progress * RO | Total RO |
|---|---|---|---|---|---|---|---|---|---|
| Cost: | | | | | | | | | |
| At 1 January 2018 | **-** | **1,374,461** | **-** | **107,350** | **102,254** | **19,750** | **57,880** | **146,839,736** | **148,501,431** |
| Additions | **-** | **-** | **2,905,721** | **-** | **-** | **-** | **-** | **12,086,656** | **14,992,377** |
| Transfer | **158,926,392** | **-** | **-** | **-** | **-** | **-** | **-** | **(158,926,392)** | **-** |
| **At 30 September 2018** | **158,926,392** | **1,374,461** | **2,905,721** | **107,350** | **102,254** | **19,750** | **57,880** | **-** | **163,493,808** |
| Depreciation: | | | | | | | | | |
| At 1 January 2018 | **-** | **305,436** | **-** | **57,190** | **43,768** | **5,371** | **14,388** | **-** | **426,153** |
| Depreciation for the year | **2,831,613** | **57,269** | **54,483** | **16,102** | **15,338** | **2,963** | **8,682** | **-** | **2,986,450** |
| **At 30 September 2018** | **2,831,613** | **362,705** | **54,483** | **73,292** | **59,106** | **8,334** | **23,070** | **-** | **3,412,603** |
| Net book value: | | | | | | | | | |
| **At 30 September 2018** | **156,094,779** | **1,011,756** | **2,851,238** | **34,058** | **43,148** | **11,416** | **34,810** | **-** | **160,081,205** |
| Cost: | | | | | | | | | |
| At 1 January 2017 | | 1,374,461 | - | 90,603 | 67,595 | 19,750 | 57,880 | 85,461,208 | 87,071,497 |
| Additions | | - | - | 16,747 | 34,659 | - | - | 61,378,528 | 61,429,934 |
| At 31 December 2017 | | 1,374,461 | - | 107,350 | 102,254 | 19,750 | 57,880 | 146,839,736 | 148,501,431 |
| Depreciation: | | | | | | | | | |
| At 1 January 2017 | | 229,077 | - | 38,511 | 24,473 | 1,656 | 2,812 | - | 296,529 |
| Depreciation for 9 months | | 57,269 | | 13,590 | 14,183 | 2,728 | 8,682 | - | 96,452 |
| Depreciation for 3 months | | 19,090 | | 5,089 | 5,112 | 987 | 2,894 | - | 33,172 |
| At 31 December 2017 | | 305,436 | - | 57,190 | 43,768 | 5,371 | 14,388 | - | 426,153 |
| Net book value: | | | | | | | | | |
| At 31 December 2017 | | 1,069,025 | - | 50,160 | 58,486 | 14,379 | 43,492 | 146,839,736 | 148,075,278 |

* Capital work in progress includes finance cost capitalised during the period of RO nil (2017: 8,196,805) incurred in respect of long terms loans (note 16) to finance project costs.

**5 EQUIPMENT AND CAPITAL WORK IN PROGRESS (continued)**

Capital work in progress comprises the following:

| | **30-Sep-18** | 31-Dec-17 |
|---|---|---|
| | **RO** | RO |
| Engineering, procurement and construction cost | **-** | 116,047,943 |
| Project development cost | **-** | 13,072,668 |
| Interest and arrangement fee relating to long term financing | **-** | 8,196,805 |
| Other project costs | **-** | 9,522,320 |
| | **-** | 146,839,736 |

The depreciation charge has been allocated in the statement of profit or loss as follows:

| | **9 months ended 30-Sep-18** | 9 months ended 30-Sep-17 |
|---|---|---|
| | **RO** | RO |
| Operating costs | **2,943,365** | 57,269 |
| Administrative and general expenses | **43,085** | 39,184 |
| | **2,986,450** | 96,453 |

## 6 INVENTORIES

| | **30-Sep-18** | 31-Dec-17 |
|---|---|---|
| | **RO** | RO |
| Spares and consumables | **2,832,412** | 2,803,723 |
| Fuel | **2,686,781** | 1,121,060 |
| | **5,519,193** | 3,924,783 |

## 7 TRADE AND OTHER RECEIVABLES

| | **30-Sep-18** | 31-Dec-17 |
|---|---|---|
| | **RO** | RO |
| Trade receivables from OPWP | **7,035,278** | 1,958,395 |
| Amount due from related parties (Note 26) | **-** | 8,514 |
| Other receivables | **441,903** | 1,326,403 |
| | **7,477,181** | 3,293,312 |

All trade receivables are considered good and none of the balances were impaired at the reporting date.

## 8 ADVANCES AND PREPAYMENTS

| | **30-Sep-18** | 31-Dec-17 |
|---|---|---|
| | **RO** | RO |
| Prepaid expenses | **96,090** | 62,995 |
| Advances and others | **14,293** | 200,529 |
| | **110,383** | 263,524 |

## 9 CASH AND CASH EQUIVALENTS

| | **30-Sep-18** | 31-Dec-17 |
|---|---|---|
| | **RO** | RO |
| Cash at bank | **4,605,760** | 2,560,433 |
| Cash in hand | **464** | 1,875 |
| | **4,606,224** | 2,562,308 |

## 10 SHARE CAPITAL

The authorised share capital is RO 120,000,000 (2017 - RO 500,000). At an Extra Ordinary General Meeting held on 20 December 2017, it was resolved to split the nominal value of each share from RO 1 to 100 Baiza and to split each share into 10 shares. It was further resolved to increase the Company's issued and paid up capital from RO 500,000 to RO 22,224,000 divided into 222,240,000 shares by converting the shareholder loan amounting to RO 21,724,000 (note 13). This was approved by Ministry of Commerce and Industry and new commercial registration was available on 20 March 2018.

**10 SHARE CAPITAL (Continued)**

The Company has one class of ordinary shares which carry no right to fixed income.

Shareholders who own 10% or more of the Company's share capital at the reporting date are:

| | **30-Sep-18** | | 31-Dec-17 | |
|---|---|---|---|---|
| | **Percentage shareholding** | **No. of shares** | Percentage shareholding | No. of shares |
| MAP Power Holding Company Limited | **27%** | **60,004,800** | 89.998% | 449,990 |
| Mitsui & Co. Middle East and Africa Projects Investment & Development Limited | **27%** | **60,004,800** | 0% | - |
| Dhofar International Energy Services Co. L | **6%** | **13,334,400** | 10% | 50,000 |

**11 LEGAL RESERVE**

Article 106 of 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 the legal reserve becomes equal to at least one-third of the Company's paid-up share capital. The amount to legal reserve is transfered based on the year end

**12 CASH FLOW HEDGE RESERVE**

The cash flow hedge reserve represents the cumulative effective portion of gains or losses arising on changes in fair value of hedging instruments entered into for cash flow hedges. The cumulative gain or loss arising on changes in fair value of the hedging instruments that are recognised and accumulated under the heading of cash flow hedging reserve will be reclassified to profit or loss only when the hedged transaction affects the profit or loss, or included as a basis adjustment to the non-financial hedged item, consistent with the Company's accounting

| | **30-Sep-18** | 31-Dec-17 |
|---|---|---|
| | **RO** | RO |
| At 1 January | **(5,228,670)** | (2,700,530) |
| Change in fair value during the year | **6,141,354** | (2,528,140) |
| Closing | **912,684** | (5,228,670) |
| Less: related deferred tax asset (Note 15) | **(136,903)** | 784,300 |
| Change in fair value of hedge - net of tax | **775,781** | (4,444,370) |

The fair value of the interest rate swaps is based on market value of equivalent instruments of the reporting date. All these interest rate swaps are designated as cash flow hedges.

| | | | **Notional amount by term to maturity** | | |
|---|---|---|---|---|---|
| | **Negative fair value** | **Notional amount total** | **1-12 months** | **More than 1 upto 5 years** | **Over 5 years** |
| | **RO** | **RO** | **RO** | **RO** | **RO** |
| **30-Sep-2018** | | | | | |
| Interest swaps | **(912,684)** | **90,828,146** | **2,327,545** | **16,092,944** | **72,407,657** |
| 30-Sep-2017 | | | | | |
| Interest swaps | 5,228,670 | 90,828,146 | 2,327,545 | 16,092,944 | 72,407,657 |

**13 SHAREHOLDERS' LOAN**

| | **30-Sep-18** | 31-Dec-17 |
|---|---|---|
| | **RO** | RO |
| At 1 January | **-** | 22,650,492 |
| Repaid during the year | **-** | (926,492) |
| Converted to share capital (Note 10) | **-** | (21,724,000) |
| Closing balance | **-** | - |

As per the agreement between the shareholders, the loan is unsecured and carries interest at the rate of 2.10% per annum.

### 14 PROVISION FOR DECOMMISSIONING COSTS

| | 30-Sep-18 RO | 31-Dec-17 RO |
|---|---|---|
| At 1 January | **3,000,900** | 2,920,584 |
| Provision made during the period | **2,905,721** | - |
| Unwinding of discount on decommissioning cost provision (Note 24) | **149,066** | 80,316 |
| | **6,055,687** | 3,000,900 |

Decommissioning costs represents the present value of management's best estimate of the future outflow of the economic benefits that will be required to remove the facilities and restore the affected area at the Company's rented sites. The cost estimate has been discounted to present value using the rate that reflects the risk profile of the Company.

### 15 PROVISION FOR MAJOR MAINTENANCE

To meet the obligations under the PPA, major maintenance and upgradation will have to be performed on the power generation assets. This expenditure is expected to be incurred over the PPA term and would enable the Company to fulfil its obligations under the PPA. A provision has been created based on the present value of future cash outflows that will be required for major maintenance activities.

| | 30-Sep-18 RO | 31-Dec-17 RO |
|---|---|---|
| At the beginning | **4,423,638** | 6,585,146 |
| Unwinding of discount on major maintenance | **95,114** | 156,571 |
| Payments made during the year | **(517,516)** | (2,318,079) |
| | **4,001,236** | 4,423,638 |

### 16 DEFERRED TAX LIABILITY - NET

Deferred income taxes are calculated on all temporary differences under the balance sheet liability method using a principal tax rate of 15% (2017 - 15%). The net deferred tax liability and the net deferred tax charge to the profit or loss are attributable to the following items:

| | | Deferred tax recognised in | | |
|---|---|---|---|---|
| **30-Sep-18** | **At 1 January RO** | **Profit or loss RO** | **Other comprehen-sive income RO** | **At 30 September RO** |
| Deferred tax asset | | | | |
| Provision for major maintenance cost | **-** | **600,185** | **-** | **600,185** |
| Provision for decommissioning cost | **-** | **908,353** | **-** | **908,353** |
| Cash flow hedge reserve | **784,300** | **-** | **(921,203)** | **(136,903)** |
| | **784,300** | **1,508,538** | **(921,203)** | **1,371,635** |
| Deferred tax liability | | | | |
| Accelerated tax depreciation | **(61,563)** | **(2,258,232)** | **-** | **(2,319,795)** |
| Unrealised gain on recognition of finance lease | **(3,109,097)** | **65,663** | **-** | **(3,043,434)** |
| Finance lease receivable for decommissioning asset | **-** | **(289,190)** | **-** | **(289,190)** |
| Finance lease receivable for major maintenance | **-** | **(899,740)** | **-** | **(899,740)** |
| Decommissioning asset | **-** | **(427,686)** | **-** | **(427,686)** |
| | **(3,170,660)** | **(3,809,185)** | **-** | **(6,979,845)** |
| Deferred tax asset/ (liability) - net | **(2,386,360)** | **(2,300,647)** | **(921,203)** | **(5,608,210)** |
| 30-Sep-17 | | | | |
| Deferred tax asset | | | | |
| Cash flow hedge reserve | 324,064 | - | 460,236 | 784,300 |
| Deferred tax liability | | | | |
| Accelerated tax depreciation | (43,154) | (18,409) | - | (61,563) |
| Unrealised gain on recognition of finance lease | (2,553,769) | (555,328) | - | - (3,109,097) |
| Deferred tax asset/ (liability) - net | (2,272,859) | (573,737) | 460,236 | (2,386,360) |

**17 LONG TERM LOAN**

| | **30-Sep-18** | 31-Dec-17 |
|---|---|---|
| | **RO** | RO |
| At 1 January | **152,502,471** | 88,638,256 |
| Term loan received during the period | **8,830,278** | 63,864,215 |
| | **161,332,749** | 152,502,471 |
| Less: Unamortised arrangement fee | **(1,777,523)** | (1,928,441) |
| Closing balance | **159,555,226** | 150,574,030 |
| | | |
| Current portion | **6,929,947** | 3,792,543 |
| Non-current portion | **152,625,279** | 146,781,487 |
| | **159,555,226** | 150,574,030 |

The loan facility of RO 168,609,121 (USD 437,832,047) was provided by a consortium of local and international banks in pursuance with the Power Purchase Agreement to finance the project cost. This loan is repayable in 31 semi-annual instalments starting from 31 July 2018.

According to Common Term Agreement the term loan facility comprises of:

| | **Currency** | **Total facility** | **Interest rates** | **Final repayment date** |
|---|---|---|---|---|
| 1 | RO | 72,999,959 | 4.6% per annum | 31 December 2032 |
| 2 | USD | 248,271,000 | LIBOR + 1.4% per annum | 31 December 2032 |

The Rial Omani facility includes stand-by facility of RO 3,032,646.

The repayment schedule before netting off loan transaction cost and before unaccrued interest costs is as follows:

| | **30-Sep-18** | 31-Dec-17 |
|---|---|---|
| | **RO** | RO |
| Payable within one year | **7,089,985** | - |
| Payable between 1 and 2 years | **7,363,186** | 2,271,798 |
| Payable between 2 and 5 years | **22,596,221** | 11,647,954 |
| Payable after 5 years | **124,283,557** | 74,718,504 |

The Company hedges USD portion of the loan for interest rate risk via an interest rate, swap arrangement as explained in Note 12.

The loan is secured by a charge on all project assets, assignment of insurance / reinsurances, agreement for security over promoters' shares and charge over the Company's project accounts. The weighted average effective interest rate on the bank loans is 3.50% per annum (2017: 2.51%) for USD facility and 4.60% (2017: 4.60%) per annum for OMR Facility (overall effective rate 3.96%) (2017: 3.39%) per annum.

**18 TRADE AND OTHER PAYABLES**

| | **30-Sep-18** | 31-Dec-17 |
|---|---|---|
| | **RO** | RO |
| Trade payables | **2,387,302** | 2,472,326 |
| Amount due to related parties (Note 26) | **548,912** | 399,177 |
| Accrued expenses | **3,737,582** | 329,854 |
| Other payables | **191,903** | 90,502 |
| | **6,865,699** | 3,291,859 |

## 19 TAXATION

| | **9 Months ended 30-Sep-18 RO** | 9 Months ended 30-Sep-17 RO |
|---|---|---|
| The taxation charge for the year is comprised of: | | |
| **Current tax:** | | |
| In respect of the current year | **(154,809)** | 152,841 |
| **Deferred tax:** | | |
| In respect of the current year | **2,150,239** | 587,305 |
| In respect of the prior years | **150,408** | - |
| | **2,300,647** | 587,305 |
| **Income tax expense** | **2,145,838** | 740,146 |

The provision for the current and deferred tax has been recorded based on the finance lease model. Further, in respect of the unrealised gain of RO 22,989,752 (the difference between the fair value of plant and finance lease receivable) management has taken a view that this gain will be realised as a part of Tariff received over the life of the PPA and only realised gain will subject to tax as per the Income Tax Law.

The reconciliation of the accounting profit at the applicable rate of 15% (2017 - 15%) with the taxation charge in the financial statements is as follows:

| | **9 Months ended 30-Sep-18 RO** | 9 Months ended 30-Sep-17 RO |
|---|---|---|
| Accounting profit before tax | **2,943,503** | **315,877** |
| Tax at the rates mention above | **441,525** | **47,382** |
| Add tax effect of: | | |
| Expenses not allowed in tax | **-** | **105,444** |
| Deferred tax not recognised on carried forwarded tax losses | **1,708,714** | **-** |
| Prior year impact | **150,408** | **587,321** |
| Reversal during the period | **(154,809)** | **-** |
| Tax expense for the year | **2,145,838** | **740,147** |
| Provision for taxation movement: | | |
| Opening balance | **154,809** | **49,399** |
| Charge for the period | **-** | **152,841** |
| Reversal during the period | **(154,809)** | **-** |
| Tax paid in current year | **-** | **(49,415)** |
| Closing balance | **-** | **152,825** |

Tax assessments of the Company have been completed up to tax year 2012. In respect of tax year 2008 to 2012, the Company received an assessment order from the Secretariat General for Taxation and allowed a tax refund of RO 109,088. The management considers that the amount of additional taxes, if any, that may become payable on finalisation of the open tax years would not be material to the Company's financial position as at 30 September

## 20 REVENUE

| | **9 Months ended 30-Sep-18 RO** | 9 Months ended 30-Sep-17 RO |
|---|---|---|
| Fuel cost allowance | **11,349,685** | 7,667,156 |
| Interest income on finance lease | **3,564,012** | 3,688,265 |
| Fixed operation and maintenance allowance | **15,287,037** | 859,818 |
| Electrical energy allowance | **62,539** | 57,663 |
| Material adverse change event revenue reversal | **(34,562)** | - |
| | **30,228,711** | 12,272,902 |

## 21 OPERATING COSTS

| | **9 Months ended 30-Sep-18 RO** | 9 Months ended 30-Sep-17 RO |
|---|---|---|
| Fuel cost | **11,316,674** | 7,881,101 |
| Operation and maintenance charges (Note 26) | **5,287,147** | 2,657,815 |
| Repair, maintenance and electricity import cost | **255,732** | 305,163 |
| Insurance | **497,625** | 171,030 |
| Employee costs (Note 23) | **489,558** | 106,440 |
| Transmission connection charges | **256,590** | 87,966 |
| Usufruct charges | **100,066** | 50,139 |
| Depreciation (Note 5) | **2,943,365** | 57,269 |
| Others costs | **-** | 21,035 |
| | **21,146,757** | 11,337,958 |

## 22 ADMINISTRATIVE AND GENERAL EXPENSES

| | **9 Months ended 30-Sep-18 RO** | 9 Months ended 30-Sep-17 RO |
|---|---|---|
| Legal and professional charges | **135,661** | 28,058 |
| Entertainment | **101,635** | - |
| Travelling expenses | **44,810** | 2,970 |
| Communication expenses | **33,712** | 5,582 |
| Licence fees to regulator | **41,364** | 38,783 |
| Depreciation (Note 5) | **43,085** | 39,184 |
| IT and software related expenses | **39,748** | 9,279 |
| Office expenses | **34,913** | - |
| Office rent | **18,126** | 6,310 |
| Director sitting fees | **11,400** | 3,496 |
| Training expenses | **4,650** | 2,495 |
| Miscellaneous expenses | **42,153** | 19,293 |
| | **551,257** | 155,451 |

## 23 EMPLOYEE COSTS

Salaries and the related costs included under operating costs consist of the following:

| | **9 Months ended 30-Sep-18 RO** | 9 Months ended 30-Sep-17 RO |
|---|---|---|
| Salaries, wages and other benefits | **458,526** | 99,377 |
| Contributions to a defined contribution retirement plan | **13,134** | 2,561 |
| Charge for employee end of service benefits | **17,898** | 4,502 |
| | **489,558** | 106,440 |

## 24 FINANCE COSTS

| | **9 Months ended 30-Sep-18 RO** | 9 Months ended 30-Sep-17 RO |
|---|---|---|
| Interest on long term loan | **4,827,592** | 238,176 |
| Interest rate swap payments (net) | **246,538** | - |
| Interest on loan from the Shareholders | **-** | 357,001 |
| Commitment fee | **13,899** | - |
| LC commission | **104,067** | - |
| Amortisation of financing cost | **150,918** | - |
| Unwinding of discount on major maintenance (Note 15) | **95,114** | 121,365 |
| Unwinding of discount on decommissioning cost provisions (Note 14) | **149,066** | 60,237 |
| | **5,587,194** | 776,779 |

## 25 EARNINGS PER SHARE

| | **9 Months ended 30-Sep-18 RO** | 9 Months ended 30-Sep-17 RO |
|---|---|---|
| Profit/ (Loss) for the period | **797,665** | (424,269) |
| Weighted average number of ordinary shares | **90,730,815** | 500,000 |
| | **0.009** | (0.849) |

No figure for diluted earnings per share has been presented because the Company has not issued any instruments which would have an impact on earnings per share when exercised.

## 26 RELATED PARTY TRANSACTIONS

Related parties comprise the shareholders, directors, key management personnel and business entities in which they have the ability to control or exercise significant influence in financial and operating decisions.

The Company maintains balances with these related parties which arise in the normal course of business from the commercial transactions, and are entered into at terms and conditions which are approved by the management. Significant related party balances and transactions for the period ended 30 September 2018 are as follows:

**Balances at year end**

| | **30-Sep-18 RO** | 31-Dec-17 RO |
|---|---|---|
| **Shareholders' loan (Note 13)** | | |
| MAP Power Holding Company Limited | **-** | 20,384,990 |
| APM Power Holding Company Limited | **-** | 453 |
| Dhofar International Energy Services Co. LLC | **-** | 2,265,049 |
| | **-** | 22,650,492 |

| | **30-Sep-18 RO** | 31-Dec-17 RO |
|---|---|---|
| **Due from related parties (Note 7)** | | |
| MAP Power Holding Company Limited | **-** | 4,272 |
| Ad Dhahirah Generating Company SAOC | **-** | 2,144 |
| APM Power Holding Company Limited | **-** | 2,098 |
| | **-** | **8,514** |
| **Due to related parties (Note 18)** | | |
| Dhofar O&M LLC | **461,334** | 298,426 |
| NOMAC Oman | **46,198** | 58,167 |
| International Company for Water and Power Projects | **20,928** | 23,298 |
| Mitsui & Co. Middle East and Africa Projects Investment & Development Limited | **20,331** | - |
| Mitsui & Co., Ltd | **-** | 19,255 |
| ACWA Power Global Services LLC | **121** | 31 |
| | **548,912** | **399,177** |
| **Transactions during the period** | | |
| O&M Fee and related charges | **5,287,147** | 2,657,815 |
| Secondment charges and expense reimbursement | **308,896** | 42,092 |
| Director sitting fees | **11,400** | 3,496 |
| Goods and services received | **5,607,443** | 2,703,403 |
| Goods and services rendered | **232,133** | 30,529 |
| Repayment of shareholders' loan (Note 13) | **-** | 387,839 |
| Interest on shareholders' loan (Note 24) | **-** | 237,538 |

## 26 RELATED PARTY TRANSACTIONS (continued)

*Key management personnel 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). The compensation for key managerial personnel during the year is as follows:

| | **9 Months ended 30-Sep-18 RO** | 9 Months ended 30-Sep-17 RO |
|---|---|---|
| Short-term employee benefits | **216,546** | 43,650 |
| Director sitting fees | **11,400** | - |
| | **227,946** | 43,650 |

## 27 FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value and cash flow interest rate risks and price risk), credit risk and liquidity risk. The Company's overall risk management program 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 senior management. The most important types of risk are summarised below.

**(a) Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and will cause the other party to incur a financial loss. The Company seeks to manage its credit risk with respect to customers by setting credit limits for individual customers and by monitoring outstanding receivables.

The table below shows the Company's maximum exposure to credit risk for components of the balance sheet.

| | **30-Sep-18 RO** | 31-Dec-17 RO |
|---|---|---|
| Trade receivables from OPWP | **7,035,278** | 1,958,395 |
| Due from related parties | **-** | 8,514 |
| Other receivables from OPWP | **-** | 1,075,928 |
| Other receivables | **441,903** | 250,475 |
| Cash at bank | **4,605,760** | 2,560,433 |
| | **12,082,941** | 5,853,745 |

*Finance lease receivable*

Finance Lease receivable has been recorded in accordance with the terms of the Power Purchase Agreement with Oman Power & Water Procurement Company (OPWP), a Government customer in Oman and hence does not reflect any significant credit risk.

*Trade and other receivables from OPWP*

(a). The Company's exposure to credit risk on trade receivables is influenced mainly by the individual characteristics of each customer. Below is the concentration of credit risk by different geographies.

| | **30-Sep-18 RO** | 31-Dec-17 RO |
|---|---|---|
| Sultanate of Oman | **7,035,278** | 3,034,323 |

The above balance represents receivables from OPWP, a Government customer in Oman. This customer is transacting with the Company for couple of years and no impairment loss has been reocognised against the customer. Accordingly the balance due from this customer is assessed to have a strong high credit quality or limited credit risk.

(b) As of 30 September 2018, the ageing of trade receivables that were not impaired was as follows.

| | **Gross** | | **Impaired** | |
|---|---|---|---|---|
| | **30-Sep-18 RO** | 31-Dec-17 RO | **30-Sep-18 RO** | 31-Dec-17 RO |
| Not past due | **7,035,278** | 3,034,323 | **-** | - |

**27 FINANCIAL RISK MANAGEMENT (continued)**

(c) There is no impairment assessed for trade receivables as these are considered fully recoverable. The Company does not hold any collateral over these balances.

*Cash at bank*
Credit risk on bank balances is limited as same are held with banks with sound credit ratings.

*Credit Concentration*
Except as disclosed, no significant concentrations of credit risk were identified by the management as at the statement of financial position date.

**(b) Liquidity risk**
Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to Company's reputation. Accordingly, the Company ensures that sufficient bank facilities are always available.

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted and include contractual interest payments:

| | Carrying Amount RO | Contractual cash flows RO | Less than 1 year RO | More than 1 year RO |
|---|---|---|---|---|
| **30-Sep-18** | | | | |
| ***Non-derivative financial liabilities*** | | | | |
| Term loan | **161,332,749** | **239,490,785** | **21,049,217** | **218,441,567** |
| Trade payables | **2,387,302** | **2,387,302** | **2,387,302** | **-** |
| Due to related parties | **548,912** | **548,912** | **548,912** | **-** |
| ***Derivative financial (assets)/liabilities*** | | | | |
| Cash flow hedge (IRS swaps) | **(912,684)** | **20,767,438** | **2,217,301** | **18,550,137** |
| | **163,356,279** | **263,194,437** | **26,202,733** | **236,991,704** |
| **30-Sep-17** | | | | |
| *Non-derivative financial liabilities* | | | | |
| Term loan | 152,502,471 | 208,518,106 | 12,081,225 | 196,436,881 |
| Trade payables | 2,472,326 | 2,472,326 | 2,472,326 | - |
| Due to related parties | 399,177 | 399,177 | 399,177 | - |
| *Derivative financial liabilities* | | | | |
| Cash flow hedge (IRS swaps) | 5,228,670 | 20,767,438 | 2,217,301 | 18,550,137 |
| | 160,602,644 | 232,157,047 | 17,170,029 | 214,987,018 |

**(C) Market risk**
Market risk is the risk that changes in the market prices, such as foreign exchange rates and interest rates, will affect the Company's income. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing the return.

The Company uses derivatives to manage market risks. All such transactions are carried out in accordance with Company policies and practices. Generally, the Company seek to apply hedge accounting to manage volatility in profit or loss.

*Foreign currency risk*
Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the Company's functional currency. The Company is exposed to foreign exchange risk arising from currency exposures primarily with respect to the US Dollar. Most of the foreign currency transactions are in US Dollars or other currencies linked to the US Dollar. Since the Rial Omani is pegged to the US Dollar management believes that the foreign exchange rate fluctuations would not have significant impact on the pretax profit of the Company.

**27 FINANCIAL RISK MANAGEMENT (continued)**

*Interest rate risk*

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in the market interest rates. The Company is subject to interest rate risk on its interest bearing liabilities, including finance lease receivables, term loans and amounts due from / to related parties. The Company hedges long term interest rate sensitivities through hedge strategies, including use of derivative financial instruments and regularly monitors market special commission rates.

The Company does not have any interest earning assets.

At the reporting date the interest rate risk profile of the Company's interest bearing financial instruments is as

| | **30-Sep-18** | 31-Dec-17 |
|---|---|---|
| | **RO** | RO |
| **Fixed rate instruments** | | |
| Term loan | **68,174,050** | 64,442,657 |
| **Variable rate** | | |
| Term loan | **93,158,699** | 88,059,814 |

*Sensitivity analysis*

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

A reasonably possible change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

| | **Profit or loss** | | **Equity** | |
|---|---|---|---|---|
| | 100 bps increase | 100 bps decrease | 100 bps increase | 100 bps decrease |
| **30-Sep-18** | | | | |
| Variable rate financial liabilities | **(705,877)** | **705,877** | **(599,995)** | **599,995** |
| Interest rate swaps | **670,583** | **(670,583)** | **569,996** | **(569,996)** |
| Net sensitivity | **(35,294)** | **35,294** | **(29,999)** | **29,999** |

| | **Profit or loss** | | **Equity** | |
|---|---|---|---|---|
| | 100 bps increase | 100 bps decrease | 100 bps increase | 100 bps decrease |
| **30-Sep-17** | | | | |
| Variable rate financial liabilities | (54,464) | 54,464 | (46,294) | 46,294 |
| Interest rate swaps | 51,741 | (51,741) | 43,980 | (43,980) |
| Net sensitivity | (2,723) | 2,723 | (2,314) | 2,315 |

**Fair value of financial instruments**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Company.
The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.
When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorized in to different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.
Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

**27 FINANCIAL RISK MANAGEMENT (continued)**

As at 30 September 2018, the Company held interest rate swap derivatives instruments measured at fair value. The fair values of the interest rate swaps arrangements are worked out using level 2 valuation technique.
The fair values of other financial assets and liabilities carried at amortised cost approximate their carrying value and would qualify for level 2 classification in these financial statements.
Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contract interest rates, discounted at a rate that reflects the credit risk of various

***Valuation technique and significant unobservable inputs***

| Type | Valuation technique | Significant unobservable input | Inter-relationship between significant unobservable inputs and fair value measurement |
|---|---|---|---|
| Derivative used for hedging *<br><br>Due from related paries **<br><br>Bank borrowings – fixed rate ** | Discounted cash flows: the valuation model considers the present value of expected payments or receipts discounted using the risk adjusted discount rate or the market discount rate applicable for a recent comparable transaction. | Not applicable | Not applicable |
| Finance lease receivables ** | Discounted cash flows: the valuation model considers the present value of expected receipts discounted using the risk adjusted discount rate. | Not applicable | Not applicable |

* The instruments were measured at fair value in statement of financial position.
** The fair value of these instruments were measured for disclosure purpose only.

**28 CAPITAL MANAGEMENT**

The Board's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business through the optimisation of the debt and equity balance. The Board of Directors monitors the return on capital, which the Company defines as net operating income divided by the total shareholders' equity. The Board of Directors also monitors the level of dividends paid. There were no changes in the Company's approach to capital management during the year.

The capital structure of the Company comprises of net debt (borrowings as detailed in notes 18 and shareholders' loan offset by cash and bank balances) and equity of the Company (comprising the share capital, reserves and retained earnings). The Company is not subject to externally imposed capital requirements other than the requirements of the Commercial Companies Law of 1974, as amended.

The Board regularly reviews the capital structure of the Company. As part of this review, the Board considers the cost of capital and the risks associated with each class of capital. The gearing ratio at 30 September 2018 of 287.52% (31 December 2017: 309.17%) (see below).

*Gearing ratio*

Gearing ratio at the end of the reporting period was as follows:

| | **30-Sep-18** | 31-Dec-17 |
|---|---|---|
| | **RO** | RO |
| Debt (i) | **159,555,226** | 150,574,030 |
| Cash and bank balances | **(4,606,224)** | (2,562,308) |
| Net debt | **154,949,002** | 148,011,722 |
| Equity (ii) | **53,891,114** | 47,873,298 |
| Net debt to equity ratio | **287.52%** | 309.17% |

**28 CAPITAL MANAGEMENT (continued)**

(i) Debt is defined as long- and short-term borrowings (excluding derivatives) and shareholders' loan as described in notes 13 and 16

(ii) Equity includes all capital and reserves of the Company that are managed as capital.

**29 CONTINGENT LIABILITIES**

**Sponsors' Fuel Reserve Account (FRA) Commitment**
Under the Common Terms Agreement (CTA) the project's sponsors are required to provide the Fuel Reserve Account (FRA) commitment to the offshore trustee. The FRA commitment can be provided in the form of cash, letter of credit (LC) or letter of guarantee (LG) . At 30 September 18 Mitsui & Co., Ltd and ACWA Power provided their support through letter of guarantee and letter of credit respectively, whereas DIDIC deposited the cash of OMR 311,930 in FRA bank account to comply with the CTA requirements. FRA bank balance and FRA support can only be utilized with lenders' and sponsors' consent, therefore DGC do not have any control on these amounts and the amount received from DIDIC is held in a fiduciary capacity and not accounted in these financial

**30 CAPITAL COMMITMENT**

The Company has capital commitments of RO 158,408 (31 December 2017: RO 10,460,395) with contractors for construction and other activities.

**31 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 year.

| | **9 Months ended 30-Sep-18 RO** | 9 Months ended 30-Sep-17 RO |
|---|---|---|
| Net assets – shareholder funds | **53,891,114** | 47,873,298 |
| Average number of ordinary shares | **222,240,000** | 500,000 |
| | **0.242** | 95.747 |