

BOARD OF DIRECTORS' REPORT

Dear Shareholders,

On behalf of the Board of Directors of Al Suwadi Power Company SAOG ("ASPC" or the "Company"), I have the pleasure to present the Report of the Company for the half year ended 30 June 2017.

Operational Results

The Plant ran smoothly and efficiently with a healthy reliability of 99.6% and delivered 2,141 GWh to the Omani grid, 20.7% higher than 1,773 GWh delivered in the six months ended June 2016, translating into a plant load factor of 66.8%. Again, this excellent plant performance was achieved with no Lost Time Accidents to any of our staff, thereby clocking 2,190 Lost Time Accident free days since inception, and is reflective of our continued internal focus on Health, Safety, Environment and Quality Management.

Financial Results

	6-month 2017 RO'000 Unaudited	6-month 2016 RO'000 Unaudited	Percentage change
Revenues	35,715	32,842	8.7%
Direct costs	(24,319)	(21,158)	(14.9%)
Gross profit	11,396	11,684	(2.5%)
Profit before tax	5,359	5,248	2.1%
Tax expense			
- Current period	(765)	(808)	
- Prior period	(3,013)	-	
Net profit after tax	1,581	4,440	(64.4%)

Better Plant availability and thermal efficiency have primarily contributed to a decent gross profit achieved by the Company, albeit at a marginally lower ratio as compared to the previous year. Additionally, a steady reduction in finance cost further contributed to a healthy increase of 2.1% in profit before tax as compared to the results of six months ended June 2016.

However, the increase in the income tax rate from 12% to 15% has necessitated substantial deferred tax provision to be made for the shortfall now arising in the previous years' deferred tax provision and as such, the net profit has been steeply reduced to RO 1.58 million.

The share price was 180 Baizas at the end of June 2017.

Corporate Social Responsibility

The Company has finalized, in coordination with the Barka municipality, to re-build and refurbish a disused children's play park at Muraisi in Barka vilayat. In addition to the civil work of rebuilding the park, various children's play activities are going to be provided. After a due process of tendering conducted by the municipality, order has been placed on a most competitive local contractor. The total amount committed on this project is RO 14,825 and the project is expected to be completed by mid-November 2017.

Concerted efforts in the Corporate Social Initiatives for future years in the approved spheres of Corporate Social Responsibility activities are being pursued.

Medium term Outlook

As agreed within the Power Purchase Agreement, the Change of Law protection for the financial impact arising from the new tax law changes which primarily include increase in corporate income tax rate and applicability of the withholding tax on interest and services payments to foreign persons has been notified to OPWP. Further, interpretations of the new tax law provisions relating to various issues are also being sought from the tax department. Once obtained and the costs are ascertained and the necessary details are collated, a financial claim will be lodged with OPWP. We are confident in our efforts to get recompense from OPWP with minimum impact on the financial results except for the 'non-cash' substantial additional deferred tax provision that is required to be made to fully adhere to the International Accounting Standards.

We expect the plant reliability to remain similarly high for the balance of the year and to sustain improvements currently seen in other operational parameters. All reasonable measures are being taken by the management to achieve this. As explained earlier, the tax impact on the financial results for the current year has been severe and the final results for 2017 would also be considerably impacted.

Finally, on behalf of the Board of Directors, I would like to extend our deep appreciation and gratitude to His Majesty Sultan Qaboos Bin Said and His Government for their continued support and encouragement to the private sector by creating an environment that allows us to participate effectively in the growth of the Sultanate's economy and to dedicate our achievements to the building of a strong nation.



Charles Paul Dexter
Chairperson

AL SUWADI POWER COMPANY SAOG

Unaudited condensed interim financial statements

30 June 2017

Registered office:

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

Principal place of business:

Hai Asam
Barka
Sultanate of Oman

AL SUWADI POWER COMPANY SAOG

Unaudited condensed interim financial statements

30 June 2017

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

	<i>Notes</i>	2017 RO'000s	2016 RO'000s
Revenues		35,715	32,842
Direct costs	3	(24,319)	(21,158)
Gross profit		11,396	11,684
General and administrative expenses	4	(395)	(419)
Profit before interest and tax		11,001	11,265
Finance costs (net)	5	(5,642)	(6,017)
Profit before tax		5,359	5,248
Tax expense:	6		
- Current period		(765)	(808)
- Prior period		(3,013)	-
Net profit for the period		1,581	4,440
Earnings per share			
Basic earnings per share (Baizas)	18	2.21	6.22

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

AL SUWADI POWER COMPANY SAOG**Unaudited condensed statement of profit or loss and other comprehensive income***for the six month period ended 30 June*

	2017 RO'000s	2016 RO'000s
Net profit for the period	1,581	4,440
Other comprehensive income / (loss) for the period, net of income tax:		
<i>Item that will be reclassified to profit or loss</i>		
Cash flow hedges - effective portion of changes in fair value	<u>1,258</u>	(6,112)
Total comprehensive income / (loss) for the period	<u>2,839</u>	<u>(1,672)</u>

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


AL SUWADI POWER COMPANY SAOG

Unaudited condensed statement of financial position


as at

	Notes	30 June 2017 RO'000s	Audited 31 December 2016 RO'000s
Assets			
Non-current assets			
Property, plant and equipment	7	285,384	289,349
Capital spares		294	289
Total non-current assets		285,678	289,638
Current assets			
Trade and other receivables	8	9,704	3,800
Inventory		1,790	1,845
Short term deposit	9	-	1,923
Cash and cash equivalents	10	10,620	3,682
Total current assets		22,114	11,250
Total assets		307,792	300,888
Equity and liabilities			
Equity			
Share capital	11(a)	71,441	71,441
Legal reserve	11(b)	3,911	3,911
Retained earnings		11,780	12,914
Shareholders' fund		87,132	88,266
Hedging reserve	11(c)	(8,681)	(9,939)
Total equity		78,451	78,327
Liabilities			
Non-current liabilities			
Term loans	12	175,663	176,339
Derivative instruments		10,282	11,401
Deferred tax liability		14,287	10,683
Asset retirement obligation		664	637
End of service benefits		5	5
Total non-current liabilities		200,901	199,065
Current liabilities			
Term loans	12	14,659	14,720
Trade and other payables	13	10,741	6,696
Short term borrowing		3,040	2,080
Total current liabilities		28,440	23,496
Total liabilities		229,341	222,561
Total equity and liabilities		307,792	300,888
Net assets per share (Baizas)	17	121.96	123.55

The financial statements were approved and authorised for issue in accordance with resolution of the Board of Directors on 26 July 2017.



 Chairperson



 Director

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

AL SUWADI POWER COMPANY SAOG**Unaudited condensed statement of cash flows***for the six month period ended 30 June*

	<i>Notes</i>	2017 RO '000s	2016 RO '000s
Cash flows from operating activities:			
Net profit for the period		1,581	4,440
<i>Adjustments for:</i>			
Tax expense		3,778	808
Finance costs (net)		5,642	6,017
Depreciation		4,011	4,010
End of service benefits		-	4
		15,012	15,279
 <i>Changes in:</i>			
Trade and other receivables		(5,904)	(5,865)
Inventory		55	(17)
Trade and other payables		3,921	2,157
Cash generated from operating activities		13,083	11,554
Finance costs paid		(4,877)	(5,239)
End of service benefits paid		-	(8)
Net cash generated from operating activities		8,206	6,307
 Cash flows from investing activities:			
Acquisition of property, plant and equipment		(46)	(1)
Acquisition of capital spares		(5)	-
Net cash (used in) investing activities		(51)	(1)
 Cash flows from financing activities:			
Repayment of term loans		(1,385)	(1,596)
Proceeds from / (repayment of) short term borrowing		960	(280)
Maturity of short term deposit		1,923	2,503
Dividend paid		(2,715)	(2,643)
Net cash (used in) financing activities		(1,217)	(2,016)
 Net change in cash and cash equivalents	 <i>10</i>	 6,938	 4,290
Cash and cash equivalents at beginning of the period		3,682	354
Cash and cash equivalents at end of the period	<i>10</i>	10,620	4,644

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

AL SUWADI POWER COMPANY SAOG

Unaudited condensed statement of changes in equity

for the six month period ended 30 June

	Share capital RO'000s	Legal reserve RO'000s	Retained earnings RO'000s	Hedging reserve RO'000s	Total RO'000s
Balance at 1 January 2017	71,441	3,911	12,914	(9,939)	78,327
<i>Total comprehensive income for the period</i>					
Net profit for the period	-	-	1,581	-	1,581
<i>Other comprehensive income for the period net of income tax</i>					
Cash flow hedges - effective portion of changes in fair value	-	-	-	1,258	1,258
<i>Total comprehensive income for the period</i>	-	-	1,581	1,258	2,839
<i>Transactions with owners of the Company</i>					
<i>Contribution and distribution</i>					
Dividend	-	-	(2,715)	-	(2,715)
<i>Total transactions with owners of the Company</i>	-	-	(2,715)	-	(2,715)
Balance at 30 June 2017	71,441	3,911	11,780	(8,681)	78,451
Balance at 1 January 2016	71,441	3,004	11,326	(12,772)	72,999
<i>Total comprehensive (loss) for the period</i>					
Net profit for the period			4,440		4,440
<i>Other comprehensive (loss) for the period net of income tax</i>					
Cash flow hedges - effective portion of changes in fair value	-	-	-	(6,112)	(6,112)
<i>Total comprehensive (loss) for the period</i>	-	-	4,440	(6,112)	(1,672)
<i>Transactions with owners of the Company</i>					
<i>Contribution and distribution</i>					
Dividend	-	-	(2,643)	-	(2,643)
<i>Total transactions with owners of the Company</i>	-	-	(2,643)	-	(2,643)
Balance at 30 June 2016	71,441	3,004	13,123	(18,884)	68,684

AL SUWADI POWER COMPANY SAOG

Notes to the unaudited condensed interim financial statements

1 Legal status and principal activities

Al Suwadi Power Company (the “Company”) was registered as a closed Omani Joint Stock Company (“SAOC”) on 2 August 2010 under the Commercial Companies Law of Oman. Subsequently, the Company was converted to a Public Joint Stock Company (“SAOG”) and was listed on the Muscat Securities Market on 23 June 2014.

The Company’s objectives are to develop, finance, design, construct, operate, maintain, insure and own a power generating facility (the Barka 3 Power Plant with a capacity of about 750MW), associated gas interconnection facilities and other relevant infrastructure; to make available the demonstrated power capacity; and to sell the electrical energy generated to Oman Power and Water Procurement Company SAOC. Accordingly, the Plant is considered and managed as one reportable segment. Commercial Operation of the Plant was achieved by the Company on 4 April 2013.

2. Basis of preparation and significant accounting policies

Basis of preparation

(a) Statement of compliance

These condensed interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting, applicable requirements of the Oman Commercial Companies Law of 1974 (as amended) (“CCL”) and disclosure requirements of the Capital Market Authority of the Sultanate of Oman (“CMA”). Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the last annual financial statements as at and for the year ended 31 December 2016. The condensed interim financial statements do not include all information required for full annual financial statements prepared in accordance with International Financial Reporting Standards (IFRSs).

(b) Basis of measurement

These condensed interim financial statements are prepared on historical cost basis except for provision for asset retirement obligation and deferred finance costs which are measured at amortised cost and certain financial instruments which are measured at fair value.

(c) Use of estimates and judgements

The preparation of the financial statements in conformity with IFRSs requires the management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in these condensed interim financial statements are same as those that were applied to the financial statements as at and for the year ended 31 December 2016.

(d) Presentation currency

These condensed interim financial statements have been presented in Rial Omani which is the presentation currency, and all values are rounded to the nearest thousand (RO’000) except where otherwise stated.

Significant accounting policies

The significant accounting policies applied by the Company in these condensed interim financial statements are consistent with those applied by the Company in its financial statements as at and for the year ended 31 December 2016.

AL SUWADI POWER COMPANY SAOG**Notes to the unaudited condensed interim financial statements**

	30 June 2017 RO '000s	30 June 2016 RO '000s
3. Direct costs		
Fuel gas	16,215	13,257
Depreciation (note 7)	4,005	4,004
Operation and maintenance ("O&M") fees	3,473	3,379
Insurance	249	269
Grid connection fee	106	107
Fuel oil	55	33
Custom duties	13	11
Other O&M expenses	203	98
	24,319	21,158
4 General and administrative expenses		
Secondment fees	122	124
Public company related costs	84	88
Employment costs	66	71
Agency fees	25	25
Office rent	13	11
Directors' sitting fees (note 14)	9	10
Depreciation (note 7)	6	6
Corporate social responsibility	-	7
Other general and administrative expenses	70	77
	395	419
5. Finance costs (net)		
Interest on term loans	3,310	3,039
Interest rate swap	1,585	2,122
Amortisation of deferred finance costs	648	696
Debt Service Reserve Account ("DSRA") LC cost	78	80
Interest on working capital	28	10
Asset retirement obligation-unwinding of discount	27	25
Exchange loss	10	12
Interest income	(8)	(5)
Ineffective portion of interest rate hedge	(36)	38
	5,642	6,017
6. Tax expense		

The Royal Decree 9/2017 was issued on 19 February 2017 and published in the official gazette on 26 February 2017 amending certain provisions of the Income Tax Law 28/2009, including increase in corporate income tax rate from 12% to 15%. The effect of increase in tax rate has been recognized in these financial statements.

AL SUWADI POWER COMPANY SAOG

Notes to the unaudited condensed interim financial statements

7. Property, plant and equipment

	Property, plant and equipment RO'000s	Decommi ssioning asset RO'000s	Technical spares RO'000s	Other assets RO'000s	Total RO'000s
Cost					
1 January 2017	317,851	467	1,717	94	320,129
Additions during the period	43	-	2	1	46
30 June 2017	<u>317,894</u>	<u>467</u>	<u>1,719</u>	<u>95</u>	<u>320,175</u>
Depreciation					
1 January 2017	30,447	45	207	81	30,780
Charge during the period	3,964	6	35	6	4,011
30 June 2017	<u>34,411</u>	<u>51</u>	<u>242</u>	<u>87</u>	<u>34,791</u>
Carrying amount					
30 June 2017	<u>283,483</u>	<u>416</u>	<u>1,477</u>	<u>8</u>	<u>285,384</u>
31 December 2016	<u>287,404</u>	<u>422</u>	<u>1,510</u>	<u>13</u>	<u>289,349</u>

	Audited
30 June	31 December
2017	2016
RO'000s	RO'000s

8. Trade and other receivables

Trade receivables	9,495	3,043
Prepayments	23	243
Other receivables	186	514
	<u>9,704</u>	<u>3,800</u>

9. Short term deposit

As per the Common Terms Agreement, the Company is required to maintain a Debt Service Provisioning Account ("DSPA") to ensure funds are available to service the loan instalments and interest on due date. At each repayment date at the end of October, the Company is required to put the scheduled amount towards the next six monthly payment. The amount in the DSPA cannot be utilised for any purpose other than servicing the loan instalments and interest and is as such restricted cash. The amount in the DSPA at 31 December 2016 was invested as a short term deposit which matured on 25 April 2017.

10 Cash and cash equivalents

Cash in hand	1	0
Cash at bank	10,619	3,682
	<u>10,620</u>	<u>3,682</u>

Cash at bank includes RO 4,000 (31 December 2016: RO 4,000) as margin money towards a bank guarantee.

AL SUWADI POWER COMPANY SAOG

Notes to the unaudited condensed interim financial statements

11. Equity

(a) Share capital

The details of shareholders are as follows:

30 June 2017	Nationality	No. of shares held of		Aggregate
		nominal value 100 Bzs. each	% of total	nominal value of shares held RO'000s
Kahrabel FZE	UAE	213,607,492	29.90%	21,361
Multitech LLC	Omani	102,160,110	14.30%	10,216
Civil Service Employees Pension Fund	Omani	76,156,700	10.66%	7,616
SEP International Netherlands B.V.	Netherlands	51,080,055	7.15%	5,108
Blue Horizon Barka Power B.V.	Netherlands	51,080,055	7.15%	5,108
Public Authority for Social Insurance	Omani	47,037,197	6.58%	4,701
Ministry of Defence Pension Fund	Omani	46,093,564	6.45%	4,608
Shareholders with less than 5% shareholding		127,191,167	17.81%	12,723
		714,406,340	100.00%	71,441

31 December 2016	Nationality	No. of shares held of	% of total	Aggregate
		nominal value		nominal value of
		100 Bzs. each		shares held
				RO'000s
Kahrabel FZE	UAE	213,607,492	29.90%	21,361
Multitech LLC	Omani	102,160,110	14.30%	10,216
Civil Service Employees Pension Fund	Omani	67,868,714	9.50%	6,787
SEP International Netherlands B.V.	Netherlands	51,080,055	7.15%	5,108
Blue Horizon Barka Power B.V.	Netherlands	51,080,055	7.15%	5,108
Public Authority for Social Insurance	Omani	46,506,409	6.51%	4,651
Ministry of Defence Pension Fund	Omani	45,218,671	6.33%	4,522
Shareholders with less than 5% shareholding		136,884,834	19.16%	13,688
		714,406,340	100.00%	71,441

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company. All shares are ordinary and rank equally with regard to the Company's residual assets.

(b) Legal reserve

Article 106 of the Commercial Companies Law of 1974 requires that 10% of Company's net profit be transferred to a non-distributable legal reserve until the amount of legal reserve becomes equal to at least one-third of the Company's issued share capital.

(c) Hedging reserve

Hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

AL SUWADI POWER COMPANY SAOG**Notes to the unaudited condensed interim financial statements**

	30 June	Audited
	2017	31 December
	RO'000s	2016
		RO'000s
12. Term loans		
Term loans	197,250	198,635
Less: current portion	(14,659)	(14,720)
Non-current portion	182,591	183,915
Less: Unamortised transaction cost	(6,928)	(7,576)
	175,663	176,339

On 16 September 2010, the Company entered into a Common Terms Agreement, for credit facilities with a consortium of international banks, export credit agencies and a local bank, with Credit Agricole Corporate & Investment Bank as the Global Facility Agent, Offshore Security Trustee, Offshore Account Bank, KEXIM Facility Agent and Commercial Facility Agent; with Bank Muscat SAOG as Onshore Security Agent and Onshore Account Bank; and with KfW IPEX-Bank GmbH as the Hermes Facility Agent.

At 30 June 2017 and 31 December 2016, the outstanding amounts were as follows:

Hermes Covered Variable Facility	56,646	56,916
Commercial Facility	44,225	44,881
KEXIM Direct Facility	40,370	40,562
Hermes Covered Fixed Facility	34,859	35,025
KEXIM Covered Facility	21,150	21,251
	197,250	198,635
13. Trade and other payables		
Fuel gas payable and accrual	7,128	3,467
Accrued finance cost	1,793	1,718
Due to related parties (note 14)	1,411	1,067
Trade payables	-	99
Other payables and accruals	409	345
	10,741	6,696
14. Related party transactions		

Related parties comprise the shareholders, directors, key management personnel and business entities that have the ability to control or exercise significant influence over financial and operating decisions of the Company and entities over which certain shareholders are able to exercise significant influence. Prices and terms of these transactions, which are entered into in the normal course of business, are on mutually agreed terms and conditions.

Key management personnel are those having authority for planning, directing and controlling the activities of the Company directly or indirectly. Total compensation paid to the top five employees, including key management personnel for the six month period ended are as follows:

	30 June	30 June
	2017	2016
	RO '000s	RO '000s
Top five employees	157	156

AL SUWADI POWER COMPANY SAOG

Notes to the unaudited condensed interim financial statements

14 Related party transactions (continued)

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

	30 June	30 June
	2017	2016
	RO '000s	RO '000s
Suez-Tractebel Operations & Maintenance Oman LLC	3,620	3,409
Al Batinah Power Company SAOG	117	87
Kahrabel Operation & Maintenance (Oman) LLC	140	124
International Power S.A. Dubai Branch	14	22
ENGIE S.A. (Electrabel S.A.)*	35	37
Multitech LLC	17	18
Directors'	9	10
Sojitz Corporation	9	9
Shikoku Electric Power Co. Inc.	9	9
Public Authority for Social Insurance	8	8
Laborelec Middle East	-	11
	3,978	3,744

The nature of the above transactions is as follows:

O&M fixed fee	2,706	2,700
O&M variable fee	767	680
Sharing of costs	117	87
Other O&M expenses	134	18
Secondment fee	122	124
DSRA LC fee	78	80
Professional fees	14	33
Custom duties	13	11
Directors' sitting fees (note 4)	9	10
Others	18	1
	3,978	3,744

	30 June	Audited 31 December
	2017	2016
	RO '000s	RO '000s

Balances due to related parties at 30 June 2017 and 31 December 2016 comprised:

Suez-Tractebel Operations & Maintenance Oman LLC	1,227	896
Kahrabel Operation & Maintenance (Oman) LLC	59	60
ENGIE S.A. (Electrabel S.A.)*	43	7
International Power S.A. Dubai Branch	14	-
Directors'	14	17
Multitech LLC	10	3
Sojitz Corporation	10	2
Shikoku Electric Power Co. Inc.	10	2
Al Batinah Power Company SAOG	7	65
ENGIE-European Maintenance Support	7	-
Public Authority for Social Insurance	5	15
Laborelec Middle East	5	-
	1,411	1,067

* Effective 29 July 2016, Electrabel S.A. letter of credit has been replaced by ENGIE S.A.

AL SUWADI POWER COMPANY SAOG

Notes to the unaudited condensed interim financial statements

15 Financial risk management

The Company's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended 31 December 2016.

16 Commitments

- a) Operation and maintenance commitments and land lease commitments are consistent with those disclosed in the financial statements as at and for the year ended 31 December 2016 as reduced by amounts accounted for during the six month period ended 30 June 2017.
- b) The Company has placed purchase orders for RO 99,419 which are outstanding as at 30 June 2017 (RO 82,324 as at 31 December 2016).

17 Net assets per share

Net assets per share is calculated by dividing the net assets attributable to the ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

	30 June 2017	Audited 31 December 2016
Net assets - shareholder funds (RO'000s)	87,132	88,266
Weighted average number of shares outstanding during the period ('000s)	714,410	714,410
Net assets per share (Baizas)	121.96	123.55

The management believes that the hedging deficit of RO 8.68 million as at 30 June 2017 [RO 9.94 million as at 31 December 2016] represents the loss which the Company would incur, if it opts to terminate its swap agreements on this date. However, under the terms of its Financing Documents, the Company is not permitted to terminate the swap agreements. Accordingly the hedging deficit has been excluded from the Shareholder Funds.

18 Basic earnings per share

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

	30 June 2017	30 June 2016
Net profit for the period (RO'000s)	1,581	4,440
Weighted average number of shares outstanding during the period ('000s)	714,410	714,410
Basic earnings per share (Baizas)	2.21	6.22

19 Comparative figures

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