

BOARD OF DIRECTORS' REPORT

Dear Shareholders,

On behalf of the Board of Directors of Al Suwadi Power Company SAOG (the "Company"), I have the pleasure to present the Directors' Report of the Company for the quarter ended 31 March 2016.

Operational Results

The plant successfully passed the Annual Performance Test for the 4th Contract Year under the Power Purchase Agreement by demonstrating the Guaranteed Net Capacity on both fuel oil and gas.

The Plant ran smoothly and efficiently with reliability of 99.1% and delivered 501.7 GWh to the Omani grid. The actual plant load for the period was 31.1% as against 22.5% in corresponding period of 2015. The thermal efficiency, which determines the efficiency in the economical utilisation of the gas, was splendid at 103.1%. Again, this admirable performance was achieved with no Lost Time Accidents to any of our staff, thereby clocking 1,734 Lost Time Accident free days since inception, and is reflective of our continued internal focus on Health, Safety, Environment and Quality Management.

Financial Results

	3-month 2016 RO Unaudited	3-month 2015 RO Unaudited	Percentage change
Revenues	8,608,401	7,633,523	12.8%
Direct Costs	(7,815,032)	(6,950,567)	(12.4%)
Gross Profit	793,369	682,956	16.2%
Loss before tax	(2,461,758)	(2,699,591)	8.8%
Tax expense	(404,225)	(688,289)	
Net loss for the period	(2,865,983)	(3,387,880)	15.4%

Better thermal efficiency and optimization of operational costs has resulted in an improvement of gross profit of 16.2% as compared to the Q1 2015. The steady reduction in finance cost as compared to Q1 2015 and tax expense reduction resulted in lower net loss by 15.4% as compared to Q1 2015.

The share price was 207 Balzas at the end of March 2016.

Corporate Social Responsibility

During the month of January 2016, the Company gifted 4 Smart Electronics Boards and 5 Projectors to two schools in the Vilayat of Barka. This initiative has been appreciated by the school management and the Company will strive to serve the community with more concerted efforts in the sphere of health, education, sports and social service.

Medium term Outlook

The Company pursued with its efforts to refinance the Company's long term debt. Unfortunately, in spite of its best efforts, the final responses received from the lenders did not present material financial value to the Company and involved numerous financing, pricing and legal challenges. As a result, the Board has decided to suspend the exercise. The Company will continue to monitor the developments in

financial markets and should these show significant improvement, the Company will revive the refinancing exercise.

All reasonable measures are taken by the management to maintain the high reliability levels in 2016.

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

31 March 2016

Registered office:

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

Principal place of business:

Haj Al Asam
Barka
Sultanate of Oman

AL SUWADI POWER COMPANY SAOG

Unaudited condensed interim financial statements

31 March 2016

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AL SUWADI POWER COMPANY SAOG

Unaudited condensed income statement

for the three month period ended 31 March

	<i>Notes</i>	2016 RO	2015 RO
Revenues		8,608,401	7,633,523
Direct costs	3	<u>(7,815,032)</u>	<u>(6,950,567)</u>
Gross profit		793,369	682,956
Other income		-	20,272
General and administrative expenses	4	<u>(248,244)</u>	<u>(236,512)</u>
Profit before interest and tax		545,125	466,716
Finance costs (net)	5	<u>(3,006,883)</u>	<u>(3,166,307)</u>
(Loss) before tax		<u>(2,461,758)</u>	<u>(2,699,591)</u>
Tax expense		<u>(404,225)</u>	<u>(688,289)</u>
Net (loss) for the period		<u><u>(2,865,983)</u></u>	<u><u>(3,387,880)</u></u>
Earnings per share			
Basic earnings per share (Baizas)	17	<u><u>(4.01)</u></u>	<u><u>(4.74)</u></u>

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

AL SUWADI POWER COMPANY SAOG

Unaudited condensed statement of profit or loss and other comprehensive income for the three month period ended 31 March

	2016	2015
	RO	RO
Net (loss) for the period	(2,865,983)	(3,387,880)
Other comprehensive (loss) for the period, net of income tax:		
<i>Item that will be reclassified to profit or loss</i>		
Effective portion of change in fair value of cash flow hedge	<u>(3,558,095)</u>	<u>(4,602,387)</u>
Total comprehensive (loss) for the period	<u>(6,424,078)</u>	<u>(7,990,267)</u>

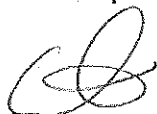
The notes on pages 6 to 12 form an integral part of these condensed interim financial statements.

AL SUWADI POWER COMPANY SAOG
Unaudited condensed statement of financial position

as at

	Notes	31 March 2016 RO	Audited 31 December 2015 RO
Assets			
Non-current assets			
Property, plant and equipment	6	295,336,456	297,340,384
Total non-current assets		295,336,456	297,340,384
Current assets			
Trade and other receivables	7	5,701,887	3,436,726
Inventory		1,864,296	1,823,426
Short term deposit	8	2,503,095	2,503,095
Cash and cash equivalents	9	324,430	353,714
Total current assets		10,393,708	8,116,961
Total assets		305,730,164	305,457,345
Equity and liabilities			
Equity			
Share capital	10(a)	71,440,634	71,440,634
Legal reserve	10(b)	3,004,171	3,004,171
Retained earnings		8,460,503	11,326,486
Shareholders' fund		82,905,308	85,771,291
Hedging reserve	10(c)	(16,330,286)	(12,772,191)
Total equity		66,575,022	72,999,100
Liabilities			
Non-current liabilities			
Term loans	11	190,039,842	189,690,535
Derivative instruments		18,779,163	14,695,751
Deferred tax liability		8,591,024	8,676,809
Asset retirement obligation		598,734	586,484
End of service benefits		5,876	7,661
Total non-current liabilities		218,014,639	213,657,240
Current liabilities			
Term loans	11	14,658,319	14,658,319
Trade and other payables	12	5,482,184	3,862,686
Short term borrowing		1,000,000	280,000
Total current liabilities		21,140,503	18,801,005
Total liabilities		239,155,142	232,458,245
Total equity and liabilities		305,730,164	305,457,345
Net assets per share (Baizas)	16	116.05	120.06

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



Chairperson



Director

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

AL SUWADI POWER COMPANY SAOG

Unaudited condensed statement of cash flows

for the three month period ended 31 March

	<i>Notes</i>	2016 RO	2015 RO
Cash flows from operating activities:			
Net (loss) for the period		(2,865,983)	(3,387,880)
<i>Adjustments for:</i>			
Depreciation		2,004,961	2,004,757
Ineffective portion of hedge		35,307	41,725
Tax expense		404,225	688,289
Amortisation of deferred finance costs		349,307	371,879
Asset retirement obligation-unwinding of discount		12,250	11,151
End of service benefits		(1,785)	564
		<u>(61,718)</u>	<u>(269,515)</u>
 <i>Changes in</i>			
Trade and other receivables		(2,265,161)	(440,676)
Inventory		(40,870)	32,014
Trade and other payables		1,619,498	1,037,452
Net cash (used in)/from operating activities		<u>(748,251)</u>	<u>359,275</u>
 Cash flows from investing activities:			
Acquisition of property, plant and equipment		(1,033)	(373)
Net cash (used in) investing activities		<u>(1,033)</u>	<u>(373)</u>
 Cash flows from financing activities:			
Proceeds from / (Repayment of) short term borrowing		720,000	(340,000)
Net cash from/(used in) financing activities		<u>720,000</u>	<u>(340,000)</u>
 Net change in cash and cash equivalents	 9	 <u>(29,284)</u>	 18,902
Cash and cash equivalents at beginning of the period		<u>353,714</u>	508,848
Cash and cash equivalents at end of the period	9	<u><u>324,430</u></u>	<u><u>527,750</u></u>

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

AL SUWADI POWER COMPANY SAOG
Unaudited condensed statement of changes in equity
for the three month period ended 31 March

	Share capital RO	Legal reserve RO	Retained earnings RO	Hedging reserve RO	Total RO
Balance at 1 January 2016	71,440,634	3,004,171	11,326,486	(12,772,191)	72,999,100
<i>Total comprehensive (loss) for the period</i>					
Net (loss) for the period	-	-	(2,865,983)	-	(2,865,983)
<i>Other comprehensive (loss) for the period net of income tax</i>					
Effective portion of change in fair value of cash flow hedge	-	-	-	(3,558,095)	(3,558,095)
<i>Total comprehensive (loss) for the period</i>	-	-	(2,865,983)	(3,558,095)	(6,424,078)
Balance at 31 March 2016	71,440,634	3,004,171	8,460,503	(16,330,286)	66,575,022
Balance at 1 January 2015	71,440,634	2,279,555	10,734,517	(11,041,221)	73,413,485
<i>Total comprehensive (loss) for the period</i>					
Net (loss) for the period			(3,387,880)		(3,387,880)
<i>Other comprehensive (loss) for the period net of income tax</i>					
Effective portion of change in fair value of cash flow hedge	-	-	-	(4,602,387)	(4,602,387)
<i>Total comprehensive (loss) for the period</i>	-	-	(3,387,880)	(4,602,387)	(7,990,267)
Balance at 31 March 2015	71,440,634	2,279,555	7,346,637	(15,643,608)	65,423,218

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

AL SUWADI POWER COMPANY SAOG

Notes to the unaudited condensed interim financial statements

1 Legal status and principal activities

Al Suwadi Power Company (the "Company") was registered as a closed Omani Joint Stock company ("SAOC") on 2 August 2010 under the Commercial Companies Law of Oman. The founder shareholders in the Extraordinary General Meeting ("EGM") held on 31 March 2014 resolved to convert the Company from SAOC to a public joint stock company ("SAOG") in connection with which the Founder Shareholders offered to sell 35% of their shares for public subscription through an initial public offering and listing on the Muscat Securities Market ("IPO"). The IPO was finalised during the month of June 2014 and the Company was listed on the Muscat Securities Market on 23 June 2014.

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

2. Basis of preparation and significant accounting policies

Basis of preparation

(a) Statement of compliance

These condensed interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting, applicable requirements of the Oman Commercial Companies Law of 1974 (as amended) ("CCL") and disclosure requirements of the Capital Market Authority of the Sultanate of Oman ("CMA"). Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the last annual financial statements as at and for the year ended 31 December 2015. The condensed interim financial statements do not include all information required for full annual financial statements prepared in accordance with International Financial Reporting Standards (IFRSs).

(b) Basis of measurement

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

(c) Use of estimates and judgements

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

Critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in these condensed interim financial statements are same as those that were applied to the financial statements as at and for the year ended 31 December 2015.

Significant accounting policies

The significant accounting policies applied by the Company in these condensed interim financial statements are consistent with those applied by the Company in its financial statements as at and for the year ended 31 December 2015.

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

	31 March	31 March
	2016	2015
	RO	RO
3. Direct costs		
Fuel gas	3,994,237	3,166,546
Depreciation (note 6)	2,001,720	2,001,592
Operation and maintenance fees	1,534,032	1,424,570
Insurance	160,941	177,666
Grid connection fee	53,526	72,630
Asset retirement obligation-unwinding of discount	12,250	11,151
Fuel oil	8,997	32,015
Other operating expenses	49,329	64,397
	<u>7,815,032</u>	<u>6,950,567</u>
4 General and administrative expenses		
Public company related costs	86,074	76,458
Secondment fees	61,974	60,286
Employment costs	33,324	33,221
Agency fees	12,482	12,224
Office rent	5,738	5,738
Directors' sitting fees (note 13)	5,000	4,200
Depreciation (note 6)	3,241	3,165
Other general and administrative expenses	40,411	41,220
	<u>248,244</u>	<u>236,512</u>
5. Finance costs (net)		
Interest on term loans	1,502,154	1,447,377
Swap interest	1,085,635	1,268,079
Amortisation of deferred finance costs	349,307	371,879
Ineffective portion of interest rate hedge	35,307	41,725
DSRA LC fee	25,723	26,266
Interest on working capital	3,413	5,207
Exchange loss	5,452	5,774
Interest income	(108)	-
	<u>3,006,883</u>	<u>3,166,307</u>

AL SUWADI POWER COMPANY SAOG

Notes to the unaudited condensed interim financial statements

6. Property, plant and equipment

	Property, plant and equipment RO	Decommi ssioning asset RO	Technical spares RO	Other assets RO	Total RO
Cost					
1 January 2016	317,851,209	466,771	1,691,579	87,540	320,097,099
Additions during the period	-	-	-	1,033	1,033
31 March 2016	<u>317,851,209</u>	<u>466,771</u>	<u>1,691,579</u>	<u>88,573</u>	<u>320,098,132</u>
Depreciation					
1 January 2016	22,521,111	32,576	135,326	67,702	22,756,715
Charge during the period	1,981,854	2,950	16,916	3,241	2,004,961
31 March 2016	<u>24,502,965</u>	<u>35,526</u>	<u>152,242</u>	<u>70,943</u>	<u>24,761,676</u>
Carrying amount					
31 March 2016	<u>293,348,244</u>	<u>431,245</u>	<u>1,539,337</u>	<u>17,630</u>	<u>295,336,456</u>
31 December 2015	<u>295,330,098</u>	<u>434,195</u>	<u>1,556,253</u>	<u>19,838</u>	<u>297,340,384</u>

	31 March 2016 RO	Audited 31 December 2015 RO
7. Trade and other receivables		
Trade receivables	5,526,243	3,107,106
Prepayments	144,162	327,709
Due from related parties (note 13)	16,371	-
Other receivables	15,111	1,911
	<u>5,701,887</u>	<u>3,436,726</u>

8. Short term deposit

As per the Common Terms Agreement, the Company is required to maintain a debt service provisioning account ("DSPA") to ensure funds are available to service the loan instalments and interest on due date. At each repayment date at the end of October the Company is required to put the scheduled amount towards the next six monthly payment. The amount lying in the DSPA cannot be utilised for any purpose other than servicing the loan instalments and interest and is as such restricted cash. The amount in the DSPA has been put into as a short term deposit maturing on the next repayment date i.e. 28 April 2016.

9. Cash and cash equivalents

Cash in hand	967	756
Cash at bank	323,463	352,958
	<u>324,430</u>	<u>353,714</u>

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

AL SUWADI POWER COMPANY SAOG

Notes to the unaudited condensed interim financial statements

10. Equity

(a) Share capital

The details of shareholders holding more than 5% shares are as follows:

31 March 2016	Nationality	No. of shares held of		Aggregate
		nominal value 100 Bzs. each	% of total	nominal value of shares held RO
Kahrabel FZE	UAE	213,607,492	29.90%	21,360,750
Multitech LLC	Omani	102,160,110	14.30%	10,216,011
Civil Service Employees Pension Fund	Omani	58,312,918	8.16%	5,831,292
SEP International Netherlands B.V.	Netherlands	51,080,055	7.15%	5,108,005
Blue Horizon Barka Power B.V.	Netherlands	51,080,055	7.15%	5,108,005
Public Authority for Social Insurance	Omani	46,436,409	6.50%	4,643,641
Ministry of Defence Pension Fund	Omani	45,218,671	6.33%	4,521,867
Shareholders with less than 5% shareholding		146,510,630	20.51%	14,651,063
		714,406,340	100.00%	71,440,634

31 December 2015

Kahrabel FZE	UAE	213,607,492	29.90%	21,360,750
Multitech LLC	Omani	102,160,110	14.30%	10,216,011
SEP International Netherlands B.V.	Netherlands	51,080,055	7.15%	5,108,005
Blue Horizon Barka Power B.V.	Netherlands	51,080,055	7.15%	5,108,005
Public Authority for Social Insurance	Omani	46,436,409	6.50%	4,643,641
Ministry of Defence Pension Fund	Omani	45,218,671	6.33%	4,521,867
Civil Service Employees Pension Fund	Omani	44,719,248	6.26%	4,471,925
Shareholders with less than 5% shareholding		160,104,300	22.41%	16,010,430
		714,406,340	100.00%	71,440,634

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

(b) Legal reserve

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

(c) Hedging reserve

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

AL SUWADI POWER COMPANY SAOG

Notes to the unaudited condensed interim financial statements

	31 March 2016 RO	Audited 31 December 2015 RO
11. Term loans		
Term loans	213,292,808	213,292,808
Less: current portion	(14,658,319)	(14,658,319)
Non-current portion	198,634,489	198,634,489
Less: Unamortised transaction cost	(8,594,647)	(8,943,954)
	<u>190,039,842</u>	<u>189,690,535</u>

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

At 31 March 2016 and 31 December 2015, the outstanding amounts were as follows:

Hermes Covered Variable Facility	62,058,877	62,058,877
Commercial Facility	45,644,730	45,644,730
KEXIM Direct Facility	44,227,929	44,227,929
Hermes Covered Fixed Facility	38,190,078	38,190,078
KEXIM Covered Facility	23,171,194	23,171,194
	<u>213,292,808</u>	<u>213,292,808</u>

12. Trade and other payables

Fuel gas accrued and payable	2,521,495	1,413,257
Accrued finance cost	2,210,296	1,839,020
Due to related parties (note 13)	15,064	36,208
Other payables and accruals	735,329	574,201
	<u>5,482,184</u>	<u>3,862,686</u>

13 Related party transactions

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

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

	31 March 2016 RO	31 March 2015 RO
Key management benefits	<u>79,801</u>	<u>74,394</u>

AL SUWADI POWER COMPANY SAOG

Notes to the unaudited condensed interim financial statements

13 Related party transactions (continued)

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

	31 March 2016 RO	31 March 2015 RO
Suez-Tractebel Operations & Maintenance Oman LLC	1,539,201	1,424,570
Kahrabel Operation & Maintenance (Oman) LLC	61,974	60,286
Al Batinah Power Company SAOG	39,227	34,991
International Power S.A. Dubai Branch	12,431	10,043
Electrabel S.A.	11,832	12,082
Multitech LLC	5,659	5,779
Directors (sitting fees) (note 4)	5,000	4,200
Sojitz Corporation	2,830	2,889
Shikoku Electric Power Company Inc.	2,830	2,889
Public Authority for Social Insurance	2,572	2,627
	<u>1,683,556</u>	<u>1,560,356</u>

The nature of the above transactions is as follows:

O&M fixed fee	1,299,103	1,289,090
O&M variable fee	234,929	135,480
Secondment fee	61,974	60,286
DSRA LC fee	25,723	26,266
Professional fees	12,119	10,043
Directors' sitting fees (note 4)	5,000	4,200
Others	44,708	34,991
	<u>1,683,556</u>	<u>1,560,356</u>

	31 March 2016 RO	Audited 31 December 2015 RO
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Balances due to related parties at 31 March 2016 and 31 December 2015 comprised:

Al Batinah Power Company SAOG	15,064	-
Kahrabel Operation & Maintenance (Oman) LLC	-	17,643
Suez-Tractebel Operations & Maintenance Oman LLC	-	18,565
	<u>15,064</u>	<u>36,208</u>

Balance due from a related party at 31 March 2016 and 31 December 2015 comprised:

Kahrabel Operation & Maintenance (Oman) LLC	<u>16,371</u>	-
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AL SUWADI POWER COMPANY SAOG

Notes to the unaudited condensed interim financial statements

14 Financial risk management

The Company's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended 31 December 2015.

15 Commitments

- a) Operation and maintenance commitments and land lease commitments are consistent with those disclosed in the financial statements as at and for the year ended 31 December 2015 as reduced by amounts accounted for during the three month period ended 31 March 2016.
- b) The Company has placed purchase orders for RO 309,982 (mainly relating to purchase of spare parts) which are outstanding as at 31 March 2016.

16 Net assets per share

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

	31 March 2016	Audited 31 December 2015
Net assets - shareholder funds (RO)	82,905,308	85,771,291
Weighted average number of shares outstanding during the period	714,406,340	714,406,340
Net assets per share (Baizas)	116.05	120.06

The Management believes that the hedging deficit of RO 16.33 million as at 31 March 2016 [RO 12.77 million as at 31 December 2015] represents the loss which the Company would incur, if it opts to terminate its swap agreements on this date. However, under the terms of its Financing Documents, the Company is not permitted to terminate the swap agreements. Accordingly the hedging deficit has been excluded from the Shareholder Funds.

17 Basic earnings per share

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

	31 March 2016	31 March 2015
Net (loss) for the period (RO)	(2,865,983)	(3,387,880)
Weighted average number of shares outstanding during the period	714,406,340	714,406,340
Basic earnings per share (Baizas)	(4.01)	(4.74)

18 Comparative information

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