



ANNUAL REPORT
2015



HIS MAJESTY SULTAN QABOOS BIN SAID

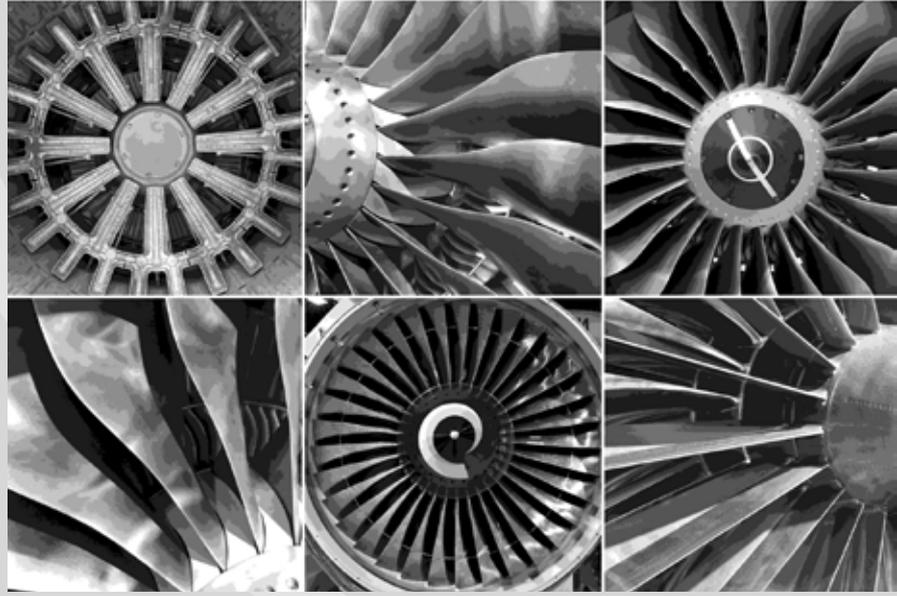


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BOARD OF DIRECTORS AND KEY EXECUTIVE OFFICERS

Board of Directors	Representing	
Mrs. Catherine Lorgere Chouteau	Chairperson	Kahrabel
Mr. Padmanabhan Ananthan	Deputy Chairman	Multitech
Mr. Ajeet A. Walavalkar	Director	
Mr. David Joseph Orford	Director	
Mr. Guillaume Baudet	Director	
Mr. Hachiman Yokoi	Director	BHSP
Mr. Hadi Said Humaid Al-Harthy	Director	PASI
Mr. Mohamed Amur Mohamed Al-Mamari	Director	CSEPF
Mr. Mohammad Ribhi Izzat AlHusseini	Director	MODPF
Mr. Peter Shaw	Director	
Mr. Takahito lima	Director	SEPI

Key Executive Officers	
Mr. Jurgen De Vyt	Chief Executive Officer
Mr. So Murakami	Chief Financial Officer

BOARD OF DIRECTORS' REPORT



Dear Shareholders,

On behalf of the Board of Directors of Al Batinah Power Company SAOG (the "Company"), I have the pleasure to present the Annual Report of the Company for the year ended 31 December 2015.

Corporate Governance

During the year, the Company extensively reviewed internal policies and procedures in order to ensure highest standards of corporate governance in compliance with local regulatory requirements as well as with international standards and industry best practices. This exercise led to revision of existing as well as development of certain additional policies and procedures. The Company expects this exercise to enhance the internal controls within the Company.

Operational Highlights

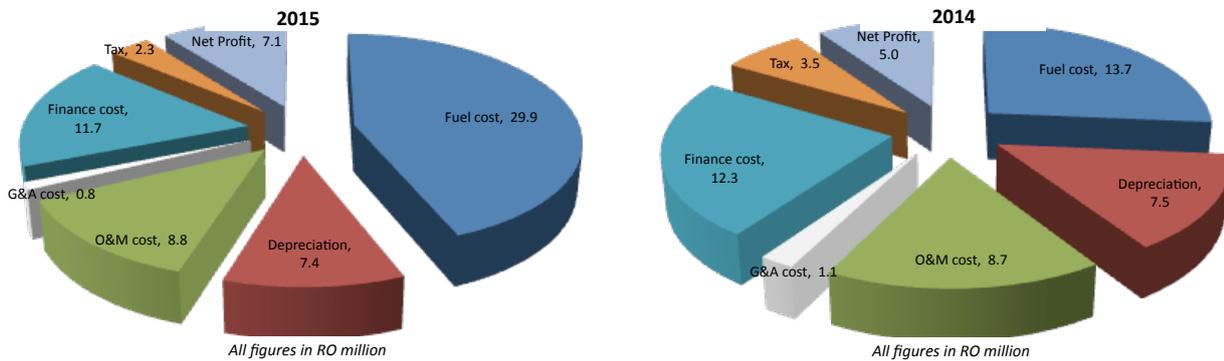
2015 was a successful year for the Company. The Plant operated with an admirable reliability of 99.7%, a key indicator for the Company's financial performance, despite the fact that it was requested to deliver 4,142 GWh to the Omani grid, 14.6% more than the previous year. This excellent performance was achieved with zero Lost Time Accidents to any of our staff, thereby clocking 1,639 Lost Time Accident free days since inception, which is reflective of our continued focus on Health, Safety and Environment ("HSE"). We acknowledge the great performance of our dedicated and diligent Operations and Maintenance team, Suez-Tractebel Operation and Maintenance Oman ("STOMO").

The operations and maintenance of the power plant are subcontracted to STOMO under a 15-year O&M agreement. All HSE processes were audited and certified by a third party in accordance with OHSAS 18001 and ISO 14001 standards. The auditors found the Plant compliant with the HSE requirements and few areas of improvement suggested are being implemented.

Financial Results

The increase in gas price effective from January 2015, as announced by the Ministry of Oil and Gas, had no impact on the net result since the gas price is a pass-through element in the PPA.

The excellent plant operations enabled the company to achieve a net profit of RO 7.08 million for the year 2015, 41.4% higher than the RO 5.01 million earned in the year 2014. The graph here below illustrates how the reduction in general and administrative costs as well as lower finance and tax expenses also contributed to the increase in net profit.



The Company paid a dividend of 8.83 Baizas per share in 2015, compared to 8.00 Baizas per share in 2014.

The share price ended the year at 191 Baizas.

Corporate Social Responsibility

The Company takes its role as a responsible corporate citizen seriously. In the frame of its corporate social responsibility, the Company sponsored a tennis tournament organized by NT-Sports and the Oman Tennis Association and hosted by the International Tennis Academy. 40 children between the ages of 4-9, participated in a mission to scout upcoming Omani tennis talent.

Medium term Outlook

A process was initiated to refinance the Company's long term debts. If completed successfully, the Company's prospective cash flow will see improvement with a possibility of higher future dividend payments. All reasonable measures are taken by the management to maintain the high reliability levels in 2016. Any change in the power supply and demand landscape in the Sultanate has no impact on the financial performance of the Company since its net profit is mainly derived from its Plant reliability.

As Chairperson of the Board, I would like to thank our shareholders, not only for their confidence, but also for their continued support and for the expertise they bring into the Company. The Board of Directors expresses its gratitude to OPWP, the Authority for Electricity Regulation (AER), the Capital Market Authority (CMA) and other governmental and non-governmental bodies for their guidance and support. I also thank all operations and maintenance staff in the power plant as well as the staff members of the Company for their loyalty and dedication. Thanks to their day-to-day work, the Company was able to achieve its goals and objectives.

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.

Catherine Lorgere Chouteau
Chairperson of the Board



PROFILE OF THE MAJOR SHAREHOLDERS

Kahrabel FZE

Kahrabel oversees and manages the development, construction and operation of the electricity and water production business of ENGIE group (formerly GDF Suez) in the MENA region. It is an entity 100% owned directly by International Power, which is itself indirectly wholly owned by International Power Ltd.

International Power Ltd. is owned indirectly by ENGIE group, one of the world's leading energy companies and a global benchmark in the fields of power, gas, and energy services. The group is active throughout the entire energy value chain, in electricity and natural gas, upstream to downstream. It employs close to 152,000 people worldwide and achieved revenues of 74.7 billion in 2014. The Group is listed on the Paris, Brussels and Luxembourg stock exchanges and is represented in the main international indices: CAC 40, BEL 20, DJ Euro Stoxx 50, Euronext 100, FTSE Eurotop 100, MSCI Europe, ASPI Eurozone, Euronext Vigeo Eurozone 120, Vigeo World 120, Vigeo Europe 120 and Vigeo France 20.

Multitech LLC

Multitech is part of the Suhail Bahwan Group, a leading business house in the Sultanate of Oman.

Multitech is the investment arm of the Suhail Bahwan Group for participation in power and water privatisation projects in the Sultanate of Oman. Multitech is the founding shareholder in:

- a. ACWA Power Barka SAOG (Barka-1 IWPP);
- b. Al Suwadi Power Company SAOG (Barka-3 IPP);
- c. Al Batinah Power Company SAOG (Sohar-2 IPP); and
- d. Phoenix Power Company SAOG (Sur IPP).

Multitech also engages in the trading of welding products, electrical products, water treatment & oilfield chemicals and cranes.

Multitech is under the day to day management of Bahwan Engineering Company LLC, the flagship company of Suhail Bahwan Group.

For further information please visit www.suhailbahwangroup.com and www.bahwanengineering.com

Blue Horizon Sohar Power B.V.

Blue Horizon Sohar Power B.V. (BHSP) is a wholly owned subsidiary of Sojitz for investing in the Sohar-2 IPP. Sojitz (S jitsu Kabushiki-gaisha, Sojitz) is an investment and trading corporation based in Tokyo, Japan, and listed on the Tokyo Stock Exchange.

Sojitz employs 15,936 people worldwide and achieved revenues of \$15.1 billion in the fiscal year ended in March 2015.

Sojitz was established through the merger of Nichimen Corporation (established in 1892) and Nissho Iwai Corporation (established in 1896) in 2004. Sojitz conducts its operations in around 50 countries through over 400 consolidated subsidiaries and affiliated companies in Japan and overseas. Sojitz's business activities are wide-ranging, covering machinery, energy and metal, chemicals and consumer lifestyle. Sojitz's strength lies not only in developing financial schemes, but also in conducting accurate analysis of markets through its overseas networks and determining the commercial viability of businesses using accumulated expertise in various fields. Sojitz has used these skills to pursue opportunities in IPP businesses as a developer, investor, finance arranger and/or project coordinator. Sojitz has been involved in IPP projects worldwide including Oman, Saudi Arabia, Vietnam, Mexico, China, Trinidad & Tobago, Sri Lanka and Japan.

Sojitz, a direct shareholder of BHSP, is a global investment and trading company actively involved in project developments for power and energy sector around the world. Sojitz has roughly 6,000 MW gross power capacity and 13.2 MIGD of gross seawater desalination capacity in operation. Specifically in the Gulf region, Sojitz has long been involved in power and water projects including EPC desalination projects such as Ghubra Phase 1, 2, 3/4 and 5, Muhut and IPP projects such as PP11 IPP (1,729 MW) in Saudi Arabia and Barka-3 (744 MW, CCGT) / Sohar-2 (744MW, CCGT) in Oman.

Further information about Sojitz is available at: <http://www.sojitz.com/en/>

SEP International Netherlands B.V.

SEPI is a wholly owned subsidiary of Yonden for investing and managing IPP/IWPP projects outside Japan, which holds shares in Barka-3 IPP (744MW, CCGT) in Oman, Sohar-2 (744MW, CCGT) in Oman, and Ras Laffan C IWPP (2,730MW, CCGT & 63 MIGD) in Qatar.

Ras Laffan C IWPP, one of the world's largest and most complex independent water and power projects, achieved COD as scheduled in 2011 and has been operating stably since then.

Also, its wholly owned parent company, Yonden, listed on the Tokyo Stock Exchange, is an electric power utility and carries out the integrated process of generating, transmitting, distributing, and selling electricity to 4 million people in the Shikoku region, Japan. Yonden employs more than 4,700 people and has achieved consolidated operating revenues of USD 5.5 billion from the electricity sales of 27.5 billion kWh in the fiscal year ended March 31, 2015. Since its establishment in 1951, Yonden has contributed to regional development through the stable supply of low-cost, high-quality electricity by establishing a balanced energy mix that combines nuclear, coal,



oil, gas, hydro, and solar power, totaling approximately 7,000MW (net and gross) in generating capacity at 64 power stations.

Especially in the thermal power field, over 400 engineers engage in engineering, construction, operation and maintenance of thermal power plants whose generating capacity is roughly 3,800MW with their comprehensive experiences, skills and know-how obtained for more than 60 years. Yonden owns one CCGT unit (296MW) at its Sakaide Power Station, and is constructing another CCGT unit (289MW) to be operational in 2016.

Further information about Yonden is available at: www.yonden.co.jp/english/index.html

Public Authority for Social Insurance

PASI is a public authority established in Oman enjoying administrative and financial independence pursuant to Royal Decree 72/91 issued on 2nd July 1991. PASI manages a defined benefit pension scheme for Omani nationals employed in the private sector through prudent, wise and long-term investment strategies. Currently, the scheme members exceed 203,000 active participants.

PASI invests actively in the local and International capital markets. Locally, PASI has been a pioneer in participating in power, utility companies and major real estate projects. Internationally, PASI's investments cover both traditional (such as bonds and equities) and alternative assets (such as private equity, infrastructure & real estate).

Further information about PASI is available at: <http://www.taminat.com>

Civil Service Employees Pension Fund (CSEPF)

The Civil Service Employees Pension Fund (CSEPF) was established simultaneously with the introduction of the Law of Pensions and End of Service Benefits for Omani Nationals employed in the Government sector in the beginning of 1986.

The Fund is an independent government unit which has a juristic personality, an administrative and financial independence.

Further information about CSEPF is available at: www.civilpension.gov.om

Ministry of Defence Pension Fund (“MODPF”)

The Ministry of Defence Pension Fund is a public legal entity in the Sultanate of Oman duly organized under, and registered pursuant to, Sultani Decree 87/93 issued on 29th December 1993. The Ministry of Defence Pension Fund is one of the largest pension funds in Oman and is a major investor in the local capital markets, both in equities and bonds. It is also a major participant in project investments and Real Estate investments. The Fund is represented on the boards of several prominent Corporates in Oman.

CORPORATE SOCIAL RESPONSIBILITY

Al Batinah Power Company SAOG (the “Company”) takes its role as a responsible corporate citizen seriously. In the frame of its corporate social responsibility, the Company sponsored a tennis tournament organized by NT-Sports and the Oman Tennis Association and hosted by the International Tennis Academy. 40 children between the ages of 4-9, participated in a mission to scout upcoming Omani tennis talent.



Further projects of social involvement on local initiatives in the areas of education, sports, health, safety and environment have been identified and will be implemented during the coming months.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

The management of Al Batinah Power Company SAOG (the “Company”) is pleased to present its report on the power industry structure and development, opportunities and threats, operational and financial performance, risks and concerns, internal control systems, outlook and other matters of importance to shareholders.

Industry structure and development

In 2004, the ‘Sector Law’ came into force which provides the framework for the industry structure of electricity and related water in Oman. It led to the creation of an independent regulatory agency, the Authority for Electricity Regulation, a single procurement company, Oman Power and Water Procurement Company SAOC (“OPWP”) and a holding company, Electricity Holding Company SAOC.

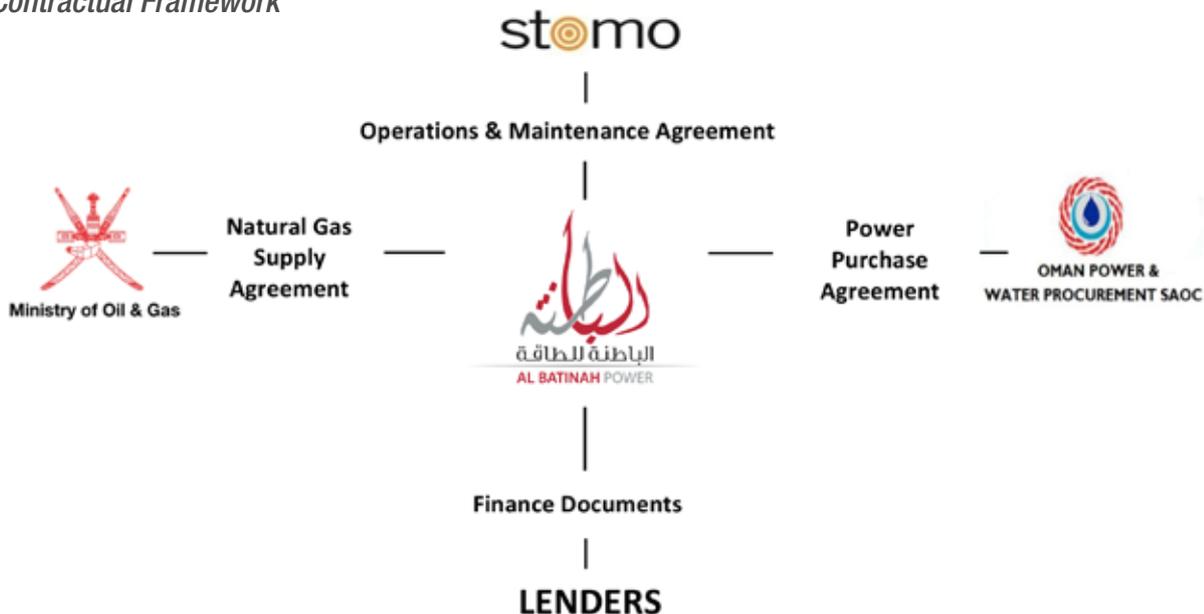
OPWP is responsible for ensuring that there is sufficient electricity and water production capacity available at the lowest cost to meet growing demands in Oman. OPWP undertakes long-term generation planning and identifies new projects to be developed by private sector entities, in order to meet the future power generation and water desalination requirements of Oman. The Omani electricity and water sector is partly government-owned and partly privatized. OPWP’s portfolio of contracted capacity comprises of long-term contracts with eleven plants in operation.

OPWP intends to introduce “spot market” arrangements for the future procurement of power from independent power producers aimed at increasing the potential for competition in the power generation market. Instead of entering into a long term PPAs, qualified producers (without PPAs and those having original PPAs expired) will be able to participate in a spot market and receive prices determined on a day-to-day basis in accordance with specified market rules. OPWP currently envisages that it will remain the single-buyer in accordance with its existing statutory duties.

Opportunities and Threats

The Company has a well-established contractual framework ensuring stable and predictable cash flows.

Contractual Framework



The Power Purchase Agreement (“PPA”) is resilient to potential shocks in gas prices and power demand until 2028 besides providing for protection against political risks. OPWP is the sole purchaser of all electricity output from the Sohar 2 power plant (“Plant”) and the Company is fully dependent on timely payments by OPWP. OPWP is an entity with a high credit rating and a good track record of timely payments and it receives financial support from Electricity Holding Company and the Government from time to time.

The Natural Gas Sales Agreement executed with the Ministry of Oil and Gas (“MOG”) secures the availability of fuel (natural gas) back to back with the PPA term. Effective January 2015, the MOG increased the price of gas but, as the gas cost is a pass-through position under the terms of PPA, the Company will have minimal impact from the increase in the gas price.

The Company has entered into financing agreements with a consortium of international banks and export credit agencies. The interest rates volatility is adequately hedged through interest rate swap agreements thus improving the predictability of cash flows available to shareholders.

Suez-Tractebel Operation and Maintenance Oman LLC (“STOMO”) is contracted to operate and maintain the Plant. STOMO is an experienced and skilled operator with largest O&M expertise in Oman thus largely mitigating the operational risk. The operations and maintenance standards of the plant are based on international best practices, in accordance with international policies and principles.

The technological risk is considered low as the Plant uses proven technology from renowned international suppliers (mainly Siemens).

Finally, the Company continues to benefit from the extensive experience of its main shareholders in ownership and operation of power projects in the country and worldwide.

Discussion on operational and financial performance

Operational Highlights

Health and Safety

Health and safety performance is given utmost importance within the Company and also encompasses STOMO, various contractors and sub-contractors, in order to achieve the goal set by the top management: zero harm and zero environmental incidents.

The overall HSE performance in 2015 was excellent with no lost time injuries (“LTI”) reported. The Company takes pride to inform that the plant has completed 1,639 days without any LTI.

Surveillance audits on ISO 14001 and OHSAS 18001 for plant operations have been conducted with no major observations. Many other proactive actions undertaken by the Company and STOMO have led to such excellent accomplishment of HSE objectives:

- Training of relevant employees in line with the best international standards such as IOSH and NEBOSH
- Frequent management reviews and safety walks
- Introduction of proactive key performance indicators
- Behavioral based program called “fresh eyes”
- Implementation of INTELEX – a safety incidents management system

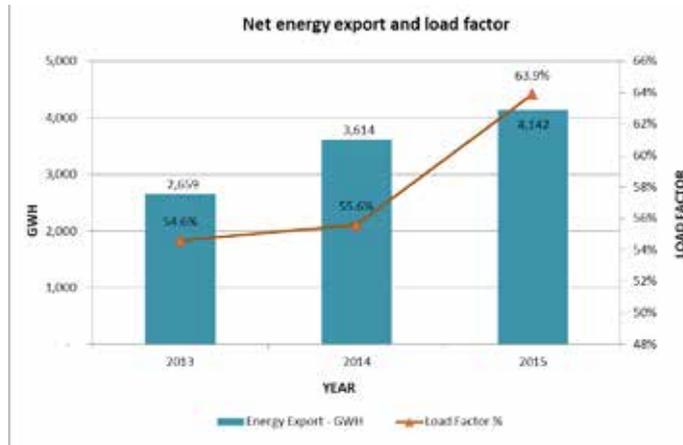
Every small incident or near miss is taken very seriously, analyzed and actions proactively implemented, shared internally and with board members so as to benefit from their experience and network, to ensure best practice.

Human Resources – training and career development

Training efforts are primarily aimed to ensure all employees perform their tasks in the most efficient and safe manner. The Company and STOMO are duty bound to empower qualified Omani Nationals in acquiring better-quality engineering and technical skills and take up higher responsibilities in operating and maintaining the Plant. To this end, since inception, the strategy of the Company and STOMO has been to train and develop qualified Omani staff to take up additional responsibilities in due course. Annual performance review of each employee includes assessment of their career growth.

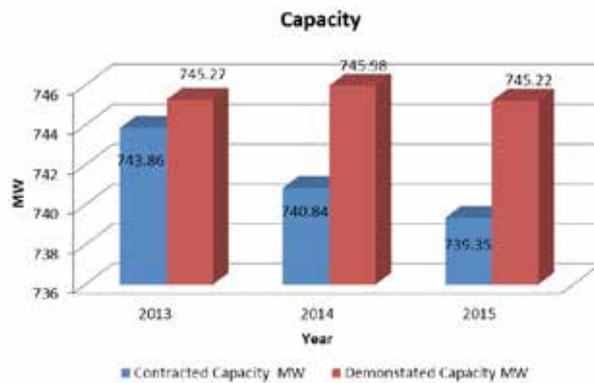
Net energy export and load factor

During 2015, the net energy export and load factor has increased by 14.6% compared to 2014.



Capacity

The capacity of a plant is defined as the total electrical power (MW), which can be delivered to the grid at reference site conditions. The contractual capacity of the Company guaranteed under the PPA and the demonstrated capacity for the years 2013-2015 is presented in the following graph:



Reliability

The reliability of the Plant is its ability to deliver the declared capacity, as per the PPA. The Plant's operational reliability over the last three years has been excellent by any industry standard and materially contributes to the Company's financial performance.

Thermal Efficiency (Heat Rate)

The efficiency of the power plant is measured in terms of the amount of thermal energy (gas) required to produce one unit of power. There was a small drop in efficiency of the Plant during summer months mainly due to compressor fouling. Various efficiency improvement solutions have already been implemented, others are being developed.

Maintenance

Maintenance of the plant was undertaken according to the operations and maintenance manuals. The gas turbines were submitted to scheduled minor inspections in accordance with the long term service agreement with the equipment manufacturer, Siemens. The extended hot gas path inspection, a major inspection of the two gas turbines, is scheduled to occur in the winters of 2016 and 2017. This major activity will also include the repair/replacement of turbine hardware as deemed necessary.

Warranty

Warranty on the main equipment and the balance of plant under the EPC contract expired in June 2014 and April 2015 respectively. The warranty claims unattended by the EPC Contractors have been discussed with them. Despite substantial progress made by the EPC contractor on warranty claim rectification, an extension of the warranty bond until final completion of all warranty claims was agreed and implemented.

Financial Highlights

Figures in RO millions		2015	2014	%agechange
Revenues	1	67.93	51.87	31.0%
Net Profit	2	7.08	5.01	41.4%
Net Profit before Finance costs	3	18.77	17.34	8.3%
Total Assets	4	284.29	291.56	-2.5%
Capital (Paid-up)	5	67.49	67.49	0.0%
Shareholders' Fund (Net Assets)	6	78.43	77.30	1.5%
Term Loans*	7	199.04	212.04	-6.1%
Weighted average number of shares	8	674.89	674.89	0.0%
Actual number of shares outstanding	9	674.89	674.89	0.0%
Ordinary Dividends	10	5.96	5.40	10.4%
Key Financial Indicators				
Net Profit Margin	2/1	10.4%	9.7%	n/a
Return on Capital (Paid-up)	2/5	10.5%	7.4%	n/a
Return on Capital Employed	3 (6+7)	6.8%	6.0%	n/a
Debt Equity ratio	7:6	71.7 : 28.3	73.3 : 26.7	n/a
Net assets per share (Baizas)	6/8	116.21	114.54	1.5%
Basic earnings per share (Baizas)	2/8	10.50	7.42	41.4%
Dividends per share (Baizas)	10/9	8.83	8.00	10.4%

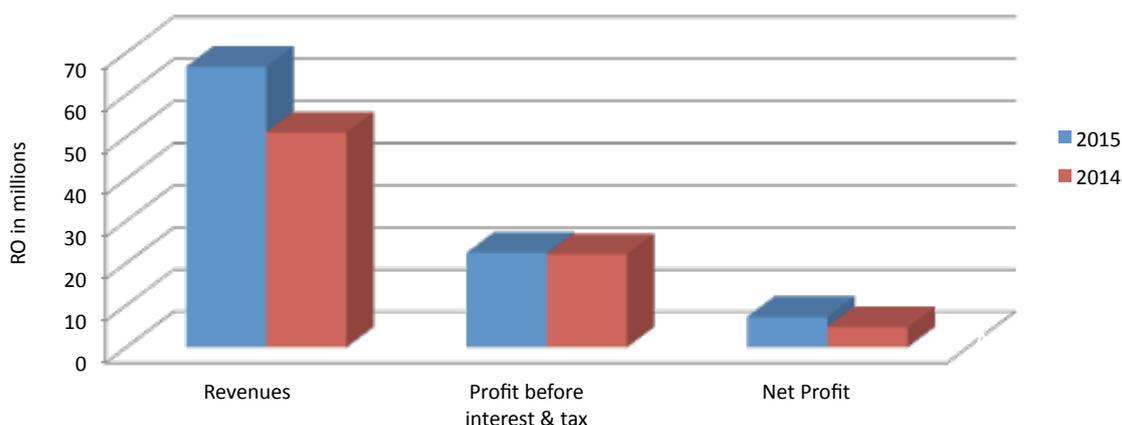
* Excluding unamortised transaction cost

Analysis of Profit & Loss

The MOG increased the gas price effective 1 January 2015. However, gas cost is a pass through under the PPA and while Revenues for the year 2015, consequent to the increase in gas price, increased by 31.0% as compared to the year 2014, the resultant increase in the Net Profit during 2015 of RO 7.08 million as compared to the year 2014 was 41.4%, which was mainly due to: (a) lower general and administrative (G&A) expenses during 2015 (G&A expenses for 2014 included one off plant inauguration and initial public offering costs); (b) lower finance costs as a result of reduction in outstanding debt due to scheduled debt repayments; and (c) lower tax expense - deferred tax calculation impact.

Finally, basic earnings per share (EPS) increased to 10.50 Baizas for 2015 compared to 7.42 Baizas in 2014.

Key profitability indicators



Analysis of Balance Sheet

Total Assets of the Company stood at RO 284.29 million as on 31 December 2015 as compared to RO 291.56 million last year mainly due to depreciation charge for the year.

Trade Receivables reflect one month of invoices that will be settled by OPWP as per the terms of PPA. Cash and cash equivalents and short term deposit net of short term borrowings stood at RO 2.00 million as at 31 December 2015 as compared to RO 2.64 million last year.

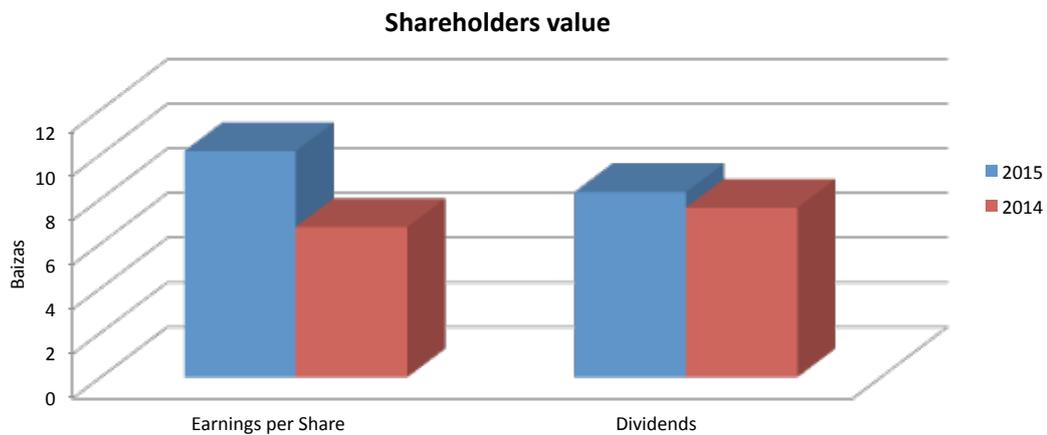
The Shareholders Funds (Net Assets) improved to RO 78.43 million as of 31 December 2015 – mainly due to higher net profit during 2015.

Term Loans (including non-current and current balances) saw a reduction to RO 199.04 million as a result of scheduled repayments in accordance with Finance Documents.

The Company continues to make adequate provision for asset retirement obligation to enable it to fulfill its legal obligation to remove the plant at the end of its useful life and restore the land.

Dividend Distribution

The Company's dividend policy of distributing available cash is conditional upon fulfilling of covenants and making adequate provisions for forecasted loan repayments and operating expenses in accordance with the Finance Documents. Consistent with the Company's policy and in accordance with CMA regulations, the Company declared and distributed dividend of RO 5.96 million (translating to 8.83 Baizas per share) in 2015 (paid out of the audited retained earnings for the year ended 31 December 2014). The actual dividend payout was over 10.4% higher than RO 5.40 million distributed in 2014.



Risks and Concerns

Loss of Availability due to Mechanical Breakdown

The principal risk to the Company is the Plant being unavailable due to mechanical breakdown. It is ensured that STOMO operates and maintains the Plant in line with international principles, directives and industry best practices. In addition, the Company has invested and continues to invest in spare parts according to manufacturer recommendations and experience of the main shareholders, especially ENGIE, in order to minimize the potential impact of a mechanical breakdown.

Loss of Availability due to Accidental Damage

In accordance with industry best practice, the Company ensures that adequate insurance policies are in place to protect the business against loss of property and loss of income arising from accidental damage.

OPWP Payments

OPWP has settled all invoices within the agreed credit period.

Outlook

Efforts are in progress to refinance the Company's Term Loans. If the Company finds an acceptable benefit in this exercise, the refinancing will be accomplished. The resultant benefit is expected to have an improved future cash flow leading to a possibility of higher dividend payments in the future.

The management is optimistic about the future of the Company. Recognizing that the long-term sustainability of the Company's financial results depends upon its strong operational base, the management will continue to focus on ensuring high levels of plant reliability whilst closely controlling overhead costs.

Internal control systems and their adequacy

The management is fully aware of the importance of a strong internal control system. Following conversion of the Company's status from SAOC to SAOG in 2014, the Company appointed a full time in-house internal auditor and also engaged a reputable audit firm to support the internal auditor in the development of internal audit plans, execution of audits and the provision of adequate training to self-perform in due course.

The management continues to evaluate all business processes along with related policies and procedures and also implement the recommendations of the internal auditor to further improve the overall internal controls environment of the Company.

Gratitude and Conclusion

The management acknowledges and appreciates the commitment and diligence of all the employees of the Company while assuring them of their career advancement and continued welfare.





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**Report to the Shareholders of Al Batinah Power Company SAOG ("the Company") of
Factual Findings in connection with the Corporate Governance Report of the Company
and application of the Corporate Governance practices in accordance with Capital Market
Authority Code of Corporate Governance**

We have performed the procedures prescribed in the Capital Market Authority ("CMA") Circular No. 16/2003 dated 29 December 2003 ("the Procedures") with respect to the Corporate Governance Report of the Company ("the Report") and its application of the Corporate Governance practices in accordance with the CMA Code of Corporate Governance ("the Code") issued under Circular No. 11/2002 dated 3 June 2002 and the CMA Rules and Guidelines on disclosure, issued under CMA Administrative Decision 5/2007, dated 27 June 2007 and the Executive Regulation of the Capital Market Law issued under the Decision No. 1/2009 dated 18 March 2009. The Report is set out on pages 22 to 32.

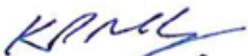
Our engagement was undertaken in accordance with the International Standards on Related Services applicable to agreed-upon procedures engagements. The Procedures were performed solely to assist you in evaluating the Company's compliance with the Code as issued by the CMA.

We found the Report reflects, in all material respects, the Company's application of the provisions of the Code and is free from any material misrepresentation.

Because the above procedures do not constitute either an audit or a review made in accordance with International Standards on Auditing or International Standards on Review Engagement, we do not express any assurance on the Company's Corporate Governance Report. Had we performed additional procedures or had we performed an audit or review of this Report in accordance with International Standards on Auditing or International Standards on Review Engagement, other matters might have come to our attention that would have been reported to you.

This report is solely for the purpose set forth in the second paragraph above, and for inclusion, with the Report, in the Company's annual report, and is not to be used for any other purpose. This report relates only to the Report included in the Company's annual report for the year ended 31 December 2015 and does not extend to the financial statements or any other reports of Company, taken as a whole.

18 February 2016


Ahmed Tufail

CORPORATE GOVERNANCE REPORT

In accordance with the guidelines issued by the Capital Market Authority (“CMA”) vide circular 1/2003 (“Code of Corporate Governance” or the “Code”), the Board of Directors and management of Al Batinah Power Company SAOG (the “Company”) hereby present their Corporate Governance Report for the year ended 31 December 2015.

Company’s philosophy

The Company’s philosophy of corporate governance is based on four main components: enhance shareholder value through continuous improvement of business processes, display the highest ethical standards at all Company levels, observe compliance with laws, permits and regulations, and ensure full transparency on important financial and corporate matters towards internal and external stakeholders.

The Company follows the principles of good Corporate Governance and has implemented guidelines issued by the CMA. To achieve this, the Company has in place effective policies, procedures and systems to ensure fair and timely release of material information about the Company to all stakeholders.

An Audit Committee (“AC”), composed of three non-executive directors with high level of expertise in financial matters, is fully operational in line with the provisions of the Code. The Company is being managed with due diligence and care, and in the best interest of all shareholders.

In accordance with the CMA rules and guidelines on disclosure, the Company’s Statutory Auditors, KPMG, have audited the report.

Board of Directors

The Board of Directors (“BOD”) is elected by the general meeting of the shareholders and is responsible for appointing the executive management. The election for the BOD, which is constituted of 11 directors, was held at the Annual General Meeting of the shareholders of the Company held on 27 March 2013 for a term of three years. The term of the current Board will expire at the conclusion of the Annual General Meeting to be held on 14 March 2016.

To facilitate proper governance, the Company’s management places before the BOD, at least, the minimum information required by Article 4 of the Code.

a). Composition, category of Directors and attendance in 2015:

Name of Directors	Category of Directors	Attendance					
		Board Meetings					AGM
		18 Feb	23 Apr	29 Jul	21 Oct	Total	29 Mar
Mrs. Catherine Lorgere Chouteau (Chairperson)	Non-Executive, Independent & Nominee Director	proxy	√	√	proxy	4	√
Mr. Padmanabhan Ananthan (Deputy Chairman)	Non-Executive, Independent & Nominee Director	√	√	√	√	4	x
Mr. Ajeet A. Walavalkar	Non-Executive & Independent	√	√	√	√	4	x
Mr. David Joseph Orford	Non-Executive & Independent	√	√	√	√	4	x
Mr. Guillaume Baudet	Non-Executive & Independent	proxy	√	proxy	√	4	x
Mr. Hachiman Yokoi	Non-Executive, Independent & Nominee Director	√	√	√	√	4	√
Mr. Hadi Said Humaid Al-Harthy	Non-Executive, Independent & Nominee Director	√	√	√	proxy	4	√
Mr. Mohamed Amur Mohamed Al-Mamari	Non-Executive, Independent & Nominee Director	√	√	√	√	4	x
Mr. Mohammad Ribhi Izzat Alhusseini	Non-Executive, Independent & Nominee Director	√	√	x	√	3	√
Mr. Peter Shaw	Non-Executive & Independent	√	√	proxy	proxy	4	x
Mr. Takahito Iima	Non-Executive, Independent & Nominee Director	proxy	proxy	proxy	√	4	x

√ : attend, x : absent, - : not in seat

b). Directors holding membership/chairmanship of boards or board committees in other companies in Oman as of 31 December 2015

Name of Directors	Position held	Name of companies
Mr. Padmanabhan Ananthan	Director and Audit Committee member	Sharqiyah Desalination Company SAOG
Mr. Hadi Said Humaid Al-Harthy	Director and Deputy Chairman - Investment Committee	Oman National Investment Development Company SAOC
	Director	Iskan Oman Investment Company SAOC
Mr. Mohammad Ribhi Izzat Alhusseini	Director and Audit Committee member	National Aluminum Products Company SAOG

The profile of Directors and senior management team is included as an Annexure to the Corporate Governance Report.

Audit Committee

a). Brief description of terms of reference

The primary function of AC is to provide independent assistance to the BOD in fulfilling their oversight responsibility to the shareholders, potential shareholders, the investment community and other stakeholders relating to:

- i) The integrity of the Company's financial statements and accounting and financial reporting processes;
- ii) The effectiveness of the Company's risk and internal control systems;
- iii) The performance of the Company's internal audit function;
- iv) The qualifications and independence of the external auditors; and
- v) The Company's compliance with ethical, legal and regulatory requirements.

Consistent with this function, the AC shall encourage continuous improvement of, and promote adherence to, the Company's policies, procedures, and practices for corporate accountability, transparency and integrity.

In fulfilling its role, it is the responsibility of the AC to maintain free and open communication between the AC, independent registered public accountants, the internal auditor and the management of the Company and to determine that all parties are aware of their responsibilities.

b). Composition, position and attendance in 2015

Name of Committee Members	Position	Attendance				
		17 Feb	22 Apr	29 Jul	21 Oct	Total
Mr. Guillaume Baudet	Chairman	√	√	x	√	3
Mr. Hachiman Yokoi	Member	√	√	√	√	4
Mr. Padmanabhan Ananthan	Member	√	√	√	√	4

√ : attend, x : absent, - : not in seat

Process of nomination of the directors

The election of the BOD is governed by the Commercial Companies Law, Rules issued by the CMA and the Company's Articles of Association.

The members of the BOD are elected from amongst the shareholders or non-shareholders. A shareholder who is elected as director is required to hold a minimum of 5% of the Company's issued share capital which may not be disposed of throughout their term in office.

Article 22 of the Company's Articles of Association stipulates that the following shall be observed on the formation of the Board:

- The majority of the Board shall be constituted of those who are not working for the Company and are not drawing fixed monthly or annual salary;
- At least one third of the directors shall be independent members who are not or their relative of first degree holding key positions in the Company (such as chief executive officer or general manager or reporting directly to them as the Company structure may require) in the last two years and have no financial transactions with Company/parent of the Company/subsidiary/fellow subsidiaries;
- The juristic person shall not be represented by more than one representative in the Board; and
- A director shall not be allowed to combine the positions of chief executive officer/general manager and Chairman.

The members thus elected hold office for a period of three years.

Remuneration matters

a). Directors and Audit Committee members

As agreed by the shareholders, sitting fees of OMR 400 for the members of the Board of Directors and OMR 200 for the AC members is paid. The sitting fee is payable to the Board and the AC members who attend the meeting either in person or over phone/video conference. The sitting fee is also paid in case a juristic person, in the absence of its nominated Board member, delegates another representative to attend the Board meeting.

Sitting fees for the year 2015 due to the directors attending BOD and AC amount to RO 17,400. No other remuneration was paid to the BOD members or AC members.

b). Top 5 officers

The Company paid to its top 5 officers an aggregate amount of RO 383,086 which includes secondment fee, salaries, performance related discretionary bonus and other benefits. The remuneration paid commensurate with their qualification, role, responsibility and performance.

Details of non-compliance by the Company

There were no penalties imposed on the Company by the CMA, Muscat Securities Market (“MSM”) or any other statutory authority on any matter related to capital markets in 2015.

Means of communication with the shareholders and investors

The Company communicates with the shareholders and investors in both English and Arabic mainly through the MSM website and the Company’s website (<http://www.albatinahpower.com/>). Material information is disclosed immediately, and financial information such as initial quarterly and annual un-audited financial results, un-audited interim financial statements, and annual report including audited financial statements and Management Discussion & Analysis Report are disclosed within the regulatory deadlines. The Company’s executive management is also available to meet its shareholders and analysts as and when required.

Market price data

a). High/Low share price and performance comparison during each month in 2015:

Month	Price (Baizas)			MSM Index (Service Sector)
	High	Low	Average	
January	180	169	175	3,542.37
February	183	178	181	3,566.37
March	183	176	180	3,425.86
April	193	180	187	3,439.78
May	200	175	188	3,467.60
June	208	195	202	3,468.00
July	230	197	214	3,525.42
August	230	208	219	3,259.79
September	218	208	213	3,225.49
October	216	211	214	3,277.94
November	215	204	210	3,130.56
December	201	190	196	3,055.62

b). Distribution of shareholding as of December 31, 2015

Category	Number of shareholders	Number of shares held	Share capital %
5% and above	7	535,053,135	79.28%
1% to 5%	2	32,903,435	4.88%
Less than 1 %	3,149	106,930,860	15.84%
Total	3,158	674,887,430	100.00%

Professional profile of the statutory auditor

The shareholders of the Company appointed KPMG as the Company's auditors for the year 2015. KPMG is a leading Audit, Tax and Advisory firm in Oman and is a part of KPMG Lower Gulf that was established in 1974. KPMG in Oman employs more than 180 people, amongst whom are 4 Partners, 7 Directors and 21 Managers, including Omani nationals. KPMG is a global network of professional firms providing Audit, Tax and Advisory services. KPMG operates in over 150 countries and has around 174,000 people working in member firms around the world. The independent member firms of the KPMG network are affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

KPMG in Oman is accredited by the CMA to audit joint stock companies (SAOGs). During the year 2015, KPMG billed an amount of RO 10,455 towards professional services rendered to the Company (RO 7,725 for audit, RO 1,250 for tax and RO 1,480 for other services).

Internal Auditor

Mrs. Fatma Al Harthy is a full-time internal auditor of the Company. The internal auditor has conducted her duties and the responsibilities diligently. She has prepared and submitted her internal audit report to the AC.

No observation of major significance was reported by the internal auditor.

Acknowledgement by the Board of Directors

- The BOD confirms the financial statements for 2015 have been prepared in accordance with the applicable standards and rules.
- The BOD, through the Audit Committee, has reviewed the Company's system of internal controls, and confirms that the necessary controls are in place and are effective.
- The Board of Directors confirms that they believe there are no material matters which may affect the continuation of the Company and its ability to continue its operations during the next financial year.



Chairperson



Director

Brief Profiles of Directors

Name	Mrs. Catherine Lorgere Chouteau
Year of Joining	2014
Education	Master's Degree in Law
Experience	Mrs. Chouteau has 20 years of experience in Law. After 7 years with SUEZ Group as a Legal Counsel, she joined Gaz de France in 2003 as Senior Legal Counsel and in 2006 became the Legal Department Manager of the International Division. Following the creation of GDF SUEZ in 2008, Mrs. Chouteau has occupied different positions within the group starting by being General Counsel for Energy Europe Business Area in Paris, and then Business Line Deputy General Counsel. Mrs. Chouteau is General Counsel for ENGIE Middle East, South & Central Asia, Turkey Area at the Dubai office since January 2014.

Name	Mr. Padmanabhan Ananthan
Year of Joining	2011
Education	Chartered Accountant from the Institute of Chartered Accountants of India
Experience	Mr. Ananthan has more than 30 years of professional experience in manufacturing and construction industries. He is presently the Chief Financial Officer of Bahwan Engineering Group, part of the Suhail Bahwan Group. During his 21 years with Bahwan Engineering Group, he has worked closely on investment decisions in new ventures, particularly in the Omani power and water sector. His areas of specialisation are finance, taxation, budgeting, management reporting and investment analysis. He did a short stint as the Chief Financial Officer, as Multitech nominee, of Al Suwadi Power Co SAOC during its start-up phase. He is on the Board and Audit Committee of Sharqiyah Desalination Co SAOG.

Name	Mr. Ajeet A. Walavalkar
Year of Joining	2013
Education	Bachelor's Degree in Electrical Engineering.
Experience	Mr. Walavalkar has more than 35 years' experience in the electrical energy industry in the capacity of handling products and projects. He has been involved in the marketing of medium to large and special electrical products. During this period, he has also been involved and responsible for the business development, EPC contracting and general management of large electrical infrastructure and industrial projects in the power generation, transmission and distribution sector. Mr. Walavalkar has previously worked with Siemens, India Ltd on overseas projects and is currently the Chief Operating Officer of the Bahwan Engineering Group, Oman.

Name	Mr. David Joseph Orford
Year of Joining	2014
Education	Diploma in Engineering, Open University Calculus, Math's Modeling and Technology, NEBOSH General certificate, member of the Institute of Environmental Management & Assessment
Experience	Mr. Orford has 34 years professional experience in the operation and maintenance of power generation equipment and systems. On leaving the British Royal Naval Submarine service in 1994. Mr. Orford held a number of maintenance and engineering management positions included new thermal plant commissioning, mobilization and development of O&M teams including 6 years working for a major equipment OEM providing power plant customers technical support. More recently in 2013 Mr. Orford took up the position of Engineering Manager at Marafiq IWPP in Saudi Arabia including assuming the position of Interim Plant General Manager in 2014 for a period of 7 months.

Name	Mr. Guillaume Baudet
Year of Joining	2014
Education	Master's Degree in Business Administration and Finance
Experience	Mr. Baudet has 19 years of experience in the fields of finance and general management. After 11 years in the automotive industry, he joined GDF SUEZ Energy International in 2007 as Head of Business Control for the MENA region, before becoming CFO of Hidd Power Company in Bahrain. Mr. Baudet is the CEO of Sohar Power Company SAOG since 2013.

Name	Mr. Hachiman Yokoi
Year of Joining	2013
Education	Bachelor's Degree in Linguistics, Spanish Language from the Osaka University for Foreign Language
Experience	Mr. Yokoi has more than 20 years of experience in infrastructure project developments. Since joining Sojitz in 1992, he has been involved in various infrastructure projects across the world under the Japanese Government's programs as well as the Public Private Partnership (PPP) scheme. Mr. Yokoi worked for the Power and Infrastructure Project Department of Sojitz from 2001 to 2011 during which he was responsible as a Project Manager for various IPP/IWPP developments including Barka-3, Sohar-2, Riyadh PP-11 and Fujailah-2 bidding. Currently, Mr. Yokoi is General Manager, Infrastructure Project Department at the Sojitz Middle East-Africa office based in Dubai.

Name	Mr. Hadi Said Humaid Al-Harthy
Year of Joining	2013
Education	Master's Degree in Business Administration from the University of Strathclyde Business School Glasgow, Scotland UK and Bachelor's Degree in Business Administration/Finance from the University of Toledo, Ohio USA
Experience	Mr. Al-Harthy has a total of 33 years of experience in the investment and finance industry out of which he has spent more than 24 years with the CBO. He has been involved in managing traditional and alternative asset investment portfolios both on shore and offshore investments with CBO and in his current role with PASI.

Name	Mr. Mohamed Amur Mohamed Al-Mamari
Year of Joining	2014
Education	Master Degree in Accounting and Finance from Cardiff University-UK in 2008 and Bachelor Degree in Economics and Accounting from Kuwait University in 1997
Experience	<p>Mr. Al-Mamari has more than 18 years experience in investment, admin, finance and pension in Civil Service Employee Pension Fund, Mr. Al-Mamari held below mentioned positions:</p> <ul style="list-style-type: none"> • Director of Civil Service Employees Pension Fund - Al Batinah North Governorate Department (from 2010 till today) • Director of Admin Department (from 2007 to 2009) • Head of Finance Section (from 2004 to 2006) • Accountant in Investment Department (from 1997 to 2003)

Name	Mr. Mohammad Ribhi Izzat AlHusseini
Year of Joining	2014
Education	MBA - Corporate Finance from USA and Bachelor's Degree in Money and Banking
Experience	Mr. Al Husseini has over 20 years of work experience. He is currently working as Deputy Investment Director in Ministry of Defence Pension Fund Muscat, Oman. He is a member in the Audit Committee of the National Aluminum Products Company SAOG. He also has extensive experience in local and regional markets.

Name	Mr. Peter Shaw
Year of Joining	2014
Education	Mr. Shaw was educated in the UK, Chartered Manager and Member of the Chartered Management Institute, Chartered Energy Manager and Member of the Energy Institute.
Experience	Mr. Shaw has 32 years of experience in the Power Generation industry, in senior management roles since 1999, mostly in the UK, with spells in Kuwait and has now been in the UAE for four years as Plant General Manager at Shuweihat S1 IWPP. He started out on Operations at large coal fired power plants (4000 MW) in the UK, moving on to CCGT technology (ABB 13E2) in 1996. He was the Manager of the world's first commercial biomass IGCC plant in the UK, and then was the Commissioning Manager for the largest CHP in Europe (two GE 9FA, and the first GE 9FB in the UK). He moved to the UAE from the latest CCGT to be commissioned in the UK, at West Burton B (three GE 9FB).

Name	Mr. Takahito lima
Year of Joining	2013
Education	Bachelor's Degree in Electrical Power Engineering from Waseda University (Japan)
Experience	<p>Mr. lima is the General Manager of international business of YONDEN. In this position, he assumes the management responsibility of its international business such as IPP/IWPPs development and management, and technical consulting for power industry under the Japanese Government's programs.</p> <p>Mr. lima started his career at YONDEN in 1980 as a Power System Engineer and was involved in planning, maintenance and operation of its power system (3,402km 187-500kV transmission lines and 21,073MVA substations) for 23 years. Subsequently, he has been engaged in the company's international business for the last 13 years.</p> <p>In addition to Al Batinah Power, Mr. lima is also a member of the Board of Directors of SEP International Netherlands B.V. in the Netherlands and RLC Power Holding Company Limited in UAE.</p>

Brief Profiles of Key Executive Officers

The key executive officers have been empowered by the Board of Directors for the day-to-day operations of the Company.

Name	Mr. Jurgen De Vyt
Position	Chief Executive Officer
Year of Joining	2014
Education	Master's degree in Business Administration (Executive Management) from the Vlerick Leuven Ghent Management School and a Master's degree in Electrical Engineering
Experience	Mr. De Vyt has over 24 years of experience in the management of major international projects in the industry, infrastructure and power sectors. Since he joined the ENGIE in 1991, he has been in charge of multicultural teams, responsible for the realization of projects in Europe and Northern Africa. Between 2003 and 2006, Mr. De Vyt was the project director for the Sonatrach Gazoduc renovation project in Algeria. From 2007 to 2008, he was in charge of business development for renewable energy projects in Belgium and from 2008 till 2013, Mr. De Vyt worked on a new 800MW power plant in northern Germany, responsible for organisational and technical matters.

Name	Mr. So Murakami
Position	Chief Financial Officer
Year of Joining	2014
Education	Master's degree in Business Administration from Darden Graduate School of Business at University of Virginia, USA
Experience	Mr. Murakami has more than 14 years of experience in energy business. Since joining Shikoku Electric Power Co., Inc. (YONDEN), Japan in 1999, he has been involved in sales and marketing of electricity, management and administration of district heating and cooling business, and development of IPPs in Japan, Qatar and Oman.

FINANCIAL STATEMENTS

31 DECEMBER 2015

البنك
القطري





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Sultanate of Oman

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF AL BATINAH POWER COMPANY SAOG

Report on the financial statements

We have audited the financial statements of Al Batinah Power Company SAOG ("the Company"), set out on pages 35 to 67, which comprise the statement of financial position as at 31 December 2015, and the statements of income, profit or loss and other comprehensive income, changes in equity and cash flows for the year ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, the disclosure requirements of the Capital Market Authority and the requirements of the Commercial Companies Law of 1974, as amended, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2015, and its financial performance and its cash flows for the year ended in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements

In our opinion, the financial statements of the Company as at and for the year ended 31 December 2015, in all material respects, comply with

- the Commercial Companies Law of 1974, as amended; and
- the relevant disclosure requirement of the Capital Market Authority.

18 February 2016


Ahmed Tufail

Income statement*for the year ended 31 December*

	Notes	2015 RO	2015 USD	2014 RO	2014 RO
Revenues		67,928,175	176,666,255	51,872,482	134,908,927
Direct costs	5	(46,085,281)	(119,857,688)	(29,853,773)	(77,643,104)
Gross profit		21,842,894	56,808,567	22,018,709	57,265,823
Other income		12,935	33,642	-	-
		21,855,829	56,842,209	22,018,709	57,265,823
General and administrative expenses	6	(751,437)	(1,954,323)	(1,132,232)	(2,944,688)
Profit before interest and tax		21,104,392	54,887,886	20,886,477	54,321,135
Finance costs (net)	7	(11,690,536)	(30,404,516)	(12,329,593)	(32,066,561)
Profit before tax		9,413,856	24,483,370	8,556,884	22,254,574
Tax expense	8(c)	(2,330,249)	(6,060,466)	(3,548,818)	(9,229,698)
Net profit		7,083,607	18,422,904	5,008,066	13,024,876
Earnings per share					
Basic earnings per share (Baizas)	24	10.50	-	7.42	-

The notes on pages 41 to 67 form an integral part of these financial statements.
The Independent Auditors' Report is set forth on page 34.

Statement of profit or loss and other comprehensive income

for the year ended 31 December

	Notes	2015 RO	2015 USD	2014 RO	2014 RO
Net profit		7,083,607	18,422,904	5,008,066	13,024,876
Other comprehensive (loss), net of tax:					
<i>Item that will be reclassified to profit and loss</i>					
Cash flow hedges -effective portion of changes in fair value	14	(1,727,668)	(4,493,284)	(7,544,186)	(19,620,772)
Total comprehensive income/(loss) for the year		5,355,939	13,929,620	(2,536,120)	(6,595,896)

The notes on pages 41 to 67 form an integral part of these financial statements.
The Independent Auditors' Report is set forth on page 34.

Statement of financial position

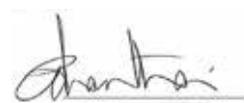
as at 31 December

	Notes	2015 RO	2015 USD	2014 RO	2014 USD
Assets					
Non-current assets					
Property, plant and equipment	9	276,182,750	718,290,640	283,550,247	737,451,877
Total non-current assets		276,182,750	718,290,640	283,550,247	737,451,877
Current assets					
Trade and other receivables	10	3,251,942	8,457,581	2,544,811	6,618,496
Inventories		1,790,054	4,655,538	1,824,259	4,744,497
Short term deposit	11	2,696,114	7,012,000	3,076,000	8,000,000
Cash and cash equivalents	12	370,464	963,495	561,558	1,460,487
Total current assets		8,108,574	21,088,614	8,006,628	20,823,480
Total assets		284,291,324	739,379,254	291,556,875	758,275,357
Equity and liabilities					
Equity					
Share capital	13(a)	67,488,743	175,523,389	67,488,743	175,523,389
Legal reserve	13(b)	2,300,849	5,984,002	1,592,488	4,141,712
Retained earnings		8,638,794	22,467,608	8,222,803	21,385,709
Shareholders' fund		78,428,386	203,974,999	77,304,034	201,050,810
Hedging reserve	14	(12,270,862)	(31,913,816)	(10,543,194)	(27,420,532)
Total equity		66,157,524	172,061,183	66,760,840	173,630,278
Liabilities					
Non-current liabilities					
Term loans	15	176,825,949	459,885,431	189,149,897	491,937,312
Derivative instruments	14	13,944,161	36,265,699	11,980,902	31,159,695
End of service benefits		14,465	37,620	10,369	26,965
Asset retirement obligation	16	504,323	1,311,632	463,030	1,204,239
Deferred tax liability	8(c)	8,252,761	21,463,614	6,158,103	16,015,870
Total non-current liabilities		199,541,659	518,963,996	207,762,301	540,344,081
Current liabilities					
Term loans	15	13,668,806	35,549,561	13,001,238	33,813,362
Trade and other payables	17	3,853,335	10,021,679	3,032,496	7,886,856
Short term borrowing		1,070,000	2,782,835	1,000,000	2,600,780
Total current liabilities		18,592,141	48,354,075	17,033,734	44,300,998
Total liabilities		218,133,800	567,318,071	224,796,035	584,645,079
Total equity and liabilities		284,291,324	739,379,254	291,556,875	758,275,357
Net assets per share (Baizas)	23	116.21	-	114.54	-

The financial statements were approved and authorised for issue in accordance with a resolution of the Board of Directors on 18 February 2016.



Chairperson



Director

The notes on pages 41 to 67 form an integral part of these financial statements.
The Independent Auditors' Report is set forth on page 34.

Statement of cash flows

for the year ended 31 December

	Notes	2015	2015	2014	2014
		RO	USD	RO	USD
Cash flows from operating activities:					
Net profit		7,083,607	18,422,904	5,008,066	13,024,876
Adjustments for:					
Tax expense		2,330,249	6,060,466	3,548,818	9,229,698
Depreciation		7,393,745	19,229,503	7,465,527	19,416,196
Profit on sale of property, plant and equipment		(3,217)	(8,368)	56,213	146,195
Ineffective portion of hedge		-	-	(3,360)	(8,738)
Asset retirement obligation-unwinding of discount		41,293	107,393	37,911	98,599
Amortisation of deferred finance cost		1,344,857	3,497,679	1,413,704	3,676,734
End of service benefits		4,096	10,655	4,223	10,982
		18,194,630	47,320,232	17,531,102	45,594,542
Changes in:					
Trade and other receivables		(707,131)	(1,839,086)	98,264	255,564
Inventories		34,205	88,959	69,055	179,600
Trade and other payables		820,839	2,134,823	(147,333)	(383,181)
Net cash generated from operating activities		18,342,543	47,704,928	17,551,088	45,646,525
Cash flows from investing activities:					
Acquisition of property, plant and equipment		(26,346)	(68,521)	(311,885)	(811,144)
Proceeds from sale of property, plant and equipment		3,315	8,622	220,075	572,363
Net cash used in investing activities		(23,031)	(59,899)	(91,810)	(238,781)
Cash flows from financing activities:					
Repayment of term loans		(13,001,237)	(33,813,361)	(11,875,620)	(30,885,880)
Dividends paid		(5,959,255)	(15,498,715)	(5,399,099)	(14,041,871)
Proceeds from / repayment of short term borrowing		70,000	182,055	(1,655,000)	(4,304,291)
Movement in short term deposit		379,886	988,000	153,800	400,000
Refund of guarantee fee for Hermes Covered facilities		-	-	50,850	132,251
Net cash used in financing activities		(18,510,606)	(48,142,021)	(18,725,069)	(48,699,791)
Net decrease in cash and cash equivalents		(191,094)	(496,992)	(1,265,791)	(3,292,047)
Cash and cash equivalents at beginning of the year	12	561,558	1,460,487	1,827,349	4,752,534
Cash and cash equivalents at end of the year	12	370,464	963,495	561,558	1,460,487

The notes on pages 41 to 67 form an integral part of these financial statements.

The Independent Auditors' Report is set forth on page 34.

Statement of changes in equity

for the year ended 31 December 2015

	Share capital RO	Legal reserve RO	Retained earnings RO	Hedging reserve RO	Total RO
Balance at 1 January 2015	67,488,743	1,592,488	8,222,803	(10,543,194)	66,760,840
<i>Total comprehensive income</i>					
Net profit	-	-	7,083,607	-	7,083,607
<i>Other comprehensive (loss), net of income tax</i>					
Cash flow hedge - effective portion of changes in fair value	-	-	-	(1,727,668)	(1,727,668)
<i>Total comprehensive income</i>	-	-	7,083,607	(1,727,668)	5,355,939
<i>Transaction with owners of the Company</i>					
<i>Contribution and distribution</i>					
Transfer to legal reserve	-	708,361	(708,361)	-	-
Dividend	-	-	(5,959,255)	-	(5,959,255)
<i>Total transactions with owners of the Company</i>	-	708,361	(6,667,616)	-	(5,959,255)
Balance at 31 December 2015	67,488,743	2,300,849	8,638,794	(12,270,862)	66,157,524
	USD	USD	USD	USD	USD
Balance at 1 January 2015	175,523,389	4,141,712	21,385,709	(27,420,532)	173,630,278
<i>Total comprehensive income</i>					
Net profit	-	-	18,422,904	-	18,422,904
<i>Other comprehensive (loss), net of income tax</i>					
Cash flow hedge - effective portion of changes in fair value	-	-	-	(4,493,284)	(4,493,284)
<i>Total comprehensive income</i>	-	-	18,422,904	(4,493,284)	13,929,620
<i>Transaction with owners of the Company</i>					
<i>Contribution and distribution</i>					
Transfer to legal reserve	-	1,842,290	(1,842,290)	-	-
Dividend	-	-	(15,498,715)	-	(15,498,715)
<i>Total transactions with owners of the Company</i>	-	1,842,290	(17,341,005)	-	(15,498,715)
Balance at 31 December 2015	175,523,389	5,984,002	22,467,608	(31,913,816)	172,061,183
	RO	RO	RO	RO	RO
Balance at 1 January 2014	67,488,743	1,091,682	9,114,642	(2,999,008)	74,696,059
<i>Total comprehensive (loss)</i>					
Net profit	-	-	5,008,066	-	5,008,066
<i>Other comprehensive (loss), net of income tax</i>					
Cash flow hedge - effective portion of changes in fair value	-	-	-	(7,544,186)	(7,544,186)
<i>Total comprehensive (loss)</i>	-	-	5,008,066	(7,544,186)	(2,536,120)
<i>Transaction with owners of the Company</i>					
<i>Contribution and distribution</i>					
Transfer to legal reserve	-	500,806	(500,806)	-	-
Dividend	-	-	(5,399,099)	-	(5,399,099)
<i>Total transactions with owners of the Company</i>	-	500,806	(5,899,905)	-	(5,399,099)
Balance at 31 December 2014	67,488,743	1,592,488	8,222,803	(10,543,194)	66,760,840

Statement of changes in equity *(continued)*

	Share capital USD	Legal reserve USD	Retained earnings USD	Hedging reserve USD	Total USD
Balance at 1 January 2014	175,523,389	2,839,224	23,705,192	(7,799,760)	194,268,045
<i>Total comprehensive (loss)</i>					
Net profit	-	-	13,024,876	-	13,024,876
<i>Other comprehensive (loss), net of income tax</i>					
Cash flow hedge - effective portion of changes in fair value	-	-	-	(19,620,772)	(19,620,772)
<i>Total comprehensive (loss)</i>	-	-	13,024,876	(19,620,772)	(6,595,896)
<i>Transaction with owners of the Company Contribution and distribution</i>					
Transfer to legal reserve	-	1,302,488	(1,302,488)	-	-
Dividend	-	-	(14,041,871)	-	(14,041,871)
<i>Total transactions with owners of the Company</i>	-	1,302,488	(15,344,359)	-	(14,041,871)
Balance at 31 December 2014	175,523,389	4,141,712	21,385,709	(27,420,532)	173,630,278

The notes on pages 41 to 67 form an integral part of these financial statements.
The Independent Auditors' Report is set forth on page 34.

Notes

(forming part of the financial statements)

1. Legal status and principal activities

Al Batinah 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 Company’s objectives are to develop, finance, design, construct, operate, maintain, insure, and own a power generating facility (the Sohar 2 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 electricity energy delivered to Oman Power and Water Procurement Company SAOC (“OPWP”).

Commercial Operation of the Plant was achieved by the Company on 3 April 2013 as compared to the originally scheduled date of 1 April 2013.

2. Significant event

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 current major shareholders are shown in the note 13 (Equity).

3. Significant agreements

Project documents

- I. Power Purchase Agreement (“PPA”) dated 10 August 2010 with OPWP for a period of 15 years from the scheduled Commercial Operation Date (“COD”).
- II. Natural Gas Sales Agreement (“NGSA”) dated 31 August 2010 with the Ministry of Oil and Gas (“MOG”) for the purchase of natural gas for a period of 15 years from the scheduled COD.
- III. Turnkey Engineering, Procurement and Construction Contract (“EPC Contract”) dated 15 September 2010 with Siemens AG and GS Engineering & Construction Corp. to perform the engineering, procurement and construction of the Plant.
- IV. Sub-Usufruct Agreement (“SUA”) relating to the plant site dated 10 August 2010 with Sohar Industrial Port Co. SAOC (“SIPC”) for grant of exclusive right to use and benefit from the land upto 20 October 2028.
- V. Electrical Connection Agreement dated 28 December 2011 with Oman Electricity Transmission Company SAOC for connection of the Company’s equipment to the transmission system for a period of 30 years from its execution date.
- VI. Operation & Maintenance Agreement (“O&M Agreement”) dated 24 September 2010 with Suez-Tractebel Operation and Maintenance Oman LLC (“STOMO”) for a period of 15 years from the scheduled COD.
- VII. Seawater Extraction Agreement (“SEA”) dated 10 August 2010 with Majis Industrial Services SAOC for a period ending on the last day of the PPA term.

Notes

(forming part of the financial statements)

3. Significant agreements (continued)Finance Documents

- VIII. Common Terms Agreement, Facility Agreements and First Amendment Agreement related to these Agreements dated 16 September 2010 for long term loans with international and local banks
- IX. Hedging Agreements for interest rate swap made with Credit Agricole Corporate & Investment Bank (dated 5 October 2010), KfW IPEX Bank GmbH (dated 6 October 2010), HSBC Bank Middle East Limited (dated 6 October 2010) and Standard Chartered Bank (dated 7 October 2010 and reprofiled on 19 December 2011).
- X. Hedging Agreements for currency swap with Standard Chartered Bank and Credit Agricole Corporate & Investment Bank dated 12 October 2010 and 4 August 2015 respectively.
- XI. Revolving Working Capital Facility Agreement dated 5 June 2012 with Bank Muscat SAOG for purpose of availing short term loans upto Omani Rial 8.459 million.

Security Documents

- XII. Intercreditor Deed dated 16 September 2010 with The Export-Import Bank of Korea, Credit Agricole Corporate & Investment Bank and Others.
- XIII. Commercial Mortgage over Company's Assets dated 21 September 2010 with Bank Muscat SAOG as "Mortgagee".
- XIV. Legal Mortgage dated 21 September 2010 with Bank Muscat SAOG.
- XV. Agreement for Security over Omani Shares dated 16 September 2010 with the Founder Shareholders, Bank Muscat SAOG and Credit Agricole Corporate & Investment Bank.
- XVI. Offshore Deed of Charge and Assignment dated 16 September 2010 with Credit Agricole Corporate & Investment Bank.
- XVII. Deed of Assignment of Reinsurances dated 16 September 2010 with Credit Agricole Corporate & Investment Bank and Oman United Insurance Company SAOG.
- XVIII. Sale and Purchase Agreement dated 16 September 2010 with Bank Muscat SAOG.
- XIX. Direct Agreements entered into by Lenders Agent in respect of PPA, NGSA, EPC Contract and O&M Agreement.

Notes

(forming part of the financial statements)

4 Basis of preparation and significant accounting policies

Basis of preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB"), applicable requirements of the Oman Commercial Companies Law of 1974 (as amended) ("CCL") and disclosure requirements of Capital Market Authority of the Sultanate of Oman ("CMA").

(b) Basis of measurement

These financial statements are prepared on historical cost basis except for provision for asset retirement obligation and deferred finance cost 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.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in financial valuation of derivative financial instruments.

Measurement of fair value

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs. This category includes instruments valued using quoted market prices in the active market for similar instruments, quoted market prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes instruments that are valued based on quoted prices of similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Notes

(forming part of the financial statements)

4 Basis of preparation and significant accounting policies (continued)

Significant accounting policies

(d) Currency

i. Presentation and functional currency

These financial statements are presented in United States Dollars ("USD"), which is the Company's functional currency and also in Rial Omani ("RO"). The Omani Rial amounts, which are presented in these financial statements have been translated from the USD amounts at an exchange rate of USD 1 = RO 0.3845.

ii. Foreign currency transactions

In preparing the financial statements, transactions in currencies other than the Company's functional currency (foreign currencies) are recorded at the exchange rates prevailing at the dates of the transactions.

At each reporting date, monetary items denominated in foreign currencies are translated at the rates prevailing at the reporting date.

Non-monetary items that are measured at historical cost in a foreign currency are not translated at the exchange rates prevailing at the reporting date. Translation gains and losses related to monetary items are recognized in the income statement in the period in which they arise, with the exception of those related to monetary items that qualify as hedging instruments in a cash flow hedge that are recognized initially in profit or loss and other comprehensive income to the extent that the hedge is effective.

(e) Financial instruments

(i) Non derivative financial instrument

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables. Cash and cash equivalents comprise cash balances, demand deposits, fixed deposits and term deposits with original maturity not greater than three months. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs.

(ii) Derivative financial instruments, including hedge accounting

The Company holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. On initial designation of the hedge, the Company formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship.

The Company makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value or cash flows of the respective hedged items during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80% to 125%. For a cash flow hedge of a forecast transaction,

Notes

(forming part of the financial statements)

4 Basis of preparation and significant accounting policies (continued)

(e) Financial instruments (continued)

the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported net income.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in the income statement as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

(iii) Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect the income statement, the effective portion of changes in the fair value of the derivative is recognised in profit or loss and other comprehensive income and presented in the hedging reserve in equity. The amount recognised in profit or loss and other comprehensive income is removed and included in the income statement in the same period as the hedged cash flows affect the profit or loss under the same line item in the income statement as the hedged item. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in the income statement. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated, exercised, or the designation is revoked, then hedge accounting is discontinued prospectively.

The cumulative gain or loss previously recognised in profit or loss and other comprehensive income and presented in the hedging reserve in equity remains there until the forecast transaction affects the income statement. When the hedged item is a non-financial asset, the amount recognised in the profit or loss and other comprehensive income is transferred to the carrying amount of the asset when the asset is derecognised. If the forecast transaction is no longer expected to occur, then the balance in the profit or loss and other comprehensive income is recognised immediately in the income statement. In other cases the amount recognised in the profit or loss and other comprehensive income is transferred to the income statement in the same period that the hedged item affects the income statement.

(f) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Cost also may include transfers from profit or loss and other comprehensive income of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and the difference is recognised in the income statement. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

Notes

(forming part of the financial statements)

4 Basis of preparation and significant accounting policies (continued)

(f) Property, plant and equipment (continued)

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases future economic benefits embodied in the specific asset to which it relates. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

(iii) Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of the asset less its residual value.

Management reassess the useful lives, residual values and depreciation methods for plant and equipment annually. The estimated useful lives for current and comparative periods are as follows:

	Years
Property, plant and equipment	40
De-commissioning asset	40
Technical spares	25
Other assets	3

(iv) Capital work in progress

Capital work in progress is measured at cost and is not depreciated until it is transferred into one of the fixed asset categories, which occurs when the assets is ready for intended use.

(v) Asset retirement obligation

A liability for future asset retirement obligation is recognized as the activities giving rise to the obligation of future site restoration take place. The liability is measured at the present value of the estimated future cash outflows to be incurred on the basis of current technology. The liability includes all costs associated with site restoration, including plant closure and monitoring costs.

(g) Inventory

Inventory comprises of fuel oil and is stated at lower of cost and net realisable value.

(h) Impairment

(i) Financial assets

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

Significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognised in

Notes

(forming part of the financial statements)

4 Basis of preparation and significant accounting policies (continued)

Financial assets (continued)

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

(ii) Non – financial assets

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement unless it reverses a previous revaluation that was credited to equity, in which case it is charged to equity.

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

(i) Financial liabilities

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Interest-bearing liabilities are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing liabilities are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

(j) Employee terminal benefits

Obligations for contributions to a defined contribution retirement plan for Omani employees, in accordance with the Oman Social Insurance Scheme, are recognised as an expense in the income statement as incurred.

The Company's obligation in respect of the terminal benefits of non-Omani employees, is the amount of future benefit that such employees have earned in return for their service in the current and prior periods.

(k) Provisions

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle 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.

(i) Borrowing costs

Interest expense and similar charges are expensed in the income statement in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of a qualifying asset which necessarily takes a substantial period of time to prepare for its intended use or sale.

Notes

(forming part of the financial statements)

4 Basis of preparation and significant accounting policies (continued)

(m) Deferred financing cost

The cost of obtaining long-term financing is deferred and amortised over the period of the long term loan using the effective interest rate method. Deferred financing costs less accumulated amortisation are offset against the drawn amount of the term loans. The amortization of the deferred financing costs was capitalized during construction period of the plant except during the early power period during which period a proportionate amount of the amortization was charged to the income statement. Subsequent to the COD, the amortization of the deferred financing costs is charged to the income statement.

(n) Revenue

The tariff structure under the PPA is comprised of power capacity (includes investment charge and fixed operation and maintenance charge), electrical energy and fuel charges components. The investment charge of the power capacity component is treated as operating lease and recognised on a straight line basis over the lease term whereas the other components of tariff under the PPA are recognised as revenue on an accrual basis of accounting. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due.

(o) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity. Deferred tax is calculated on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(p) Dividend

The Board of Directors take into account appropriate parameters including the requirements of the Commercial Companies Law while recommending the dividend

Dividends on ordinary shares are recognised when they are approved for payment.

(q) New standards and interpretation not yet effective

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2015. The ones which may be relevant to the Company and have not been applied in preparing the financial statements are set out below:

IFRS 9: Financial Instruments

IFRS 9 introduces new requirements for the classification and measurement of financial assets. Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of

Notes

(forming part of the financial statements)

4 Basis of preparation and significant accounting policies *(continued)*

IFRS 9: Financial Instruments *(continued)*

their contractual cash flows. IFRS 9 introduces additions relating to financial liabilities. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of IFRS 9 and add new requirements to address the impairment of financial assets and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Company is currently assessing the impact of this standard and does not plan to adopt early.

IFRS 15: Revenue from Contracts from Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

(r) Determination of fair value

(i) Derivative financial instruments

Fair value of forward exchange contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using yield curves of the respective currencies.

The fair value of interest rate swaps is based on estimated future cash flows based on the terms and maturity of each contract and using market interest rates.

Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Company and counterparty when appropriate.

(ii) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Notes*(forming part of the financial statements)***5. Direct costs**

	2015	2015	2014	2014
	RO	USD	RO	USD
Fuel gas	29,794,967	77,490,162	13,623,995	35,433,016
Depreciation (note 9)	7,376,240	19,183,978	7,454,719	19,388,085
Operation and maintenance fees	6,682,101	17,378,677	6,575,808	17,102,232
Seawater extraction	909,112	2,364,400	891,276	2,318,013
Insurance	663,826	1,726,465	751,881	1,955,477
Grid connection fee	210,451	547,337	162,265	422,015
Fuel oil	68,458	178,045	69,055	179,600
Asset retirement obligation - unwinding of discount (note 16)	41,293	107,393	37,911	98,599
Other operating expenses	338,833	881,231	286,863	746,067
	46,085,281	119,857,688	29,853,773	77,643,104

6. General and administrative expenses

Secondment fees	247,896	644,724	240,498	625,484
Public company related costs	122,857	319,525	84,649	220,153
Employment costs	132,673	345,053	104,677	272,243
Agency fees	50,840	132,223	48,517	126,183
Office rent	22,950	59,688	19,610	51,000
Depreciation (note 9)	17,505	45,525	10,808	28,111
Directors' sitting fee (note 18)	17,400	45,254	16,000	41,612
Initial Public Offering costs (net)	-	-	261,493	680,085
Plant inauguration costs	-	-	125,899	327,435
Other general and administrative expenses	139,316	362,331	220,081	572,382
	751,437	1,954,323	1,132,232	2,944,688

7. Finance costs (net)

Interest on term loans	5,487,723	14,272,360	5,708,983	14,847,811
Swap interest	4,613,080	11,997,606	4,946,207	12,863,997
Amortisation of deferred finance costs	1,344,857	3,497,679	1,413,704	3,676,734
Debt Service Reserve Account ("DSRA") LC cost	176,207	458,275	173,388	450,944
Exchange loss	45,770	119,039	60,476	157,284
Interest on working capital	26,948	70,085	34,753	90,384
Ineffective portion of interest rate swap	-	-	(3,360)	(8,738)
Interest income	(4,049)	(10,528)	(4,558)	(11,855)
	11,690,536	30,404,516	12,329,593	32,066,561

Notes*(forming part of the financial statements)***8. Tax expense**

The Company is liable to income tax, in accordance with the income tax laws of Sultanate of Oman, at the rate of 12% of the taxable income in excess of RO 30,000.

Deferred tax asset has been recognised directly in equity in respect of the changes in fair values of interest rate swap and forward rate contract (note 14).

(a) Income tax recognised in the income statement.

	2015 RO	2015 USD	2014 RO	2014 USD
Deferred tax expense is relating to temporary differences	2,330,249	6,060,466	3,548,818	9,229,698

(b) Reconciliation

The following is a reconciliation of income tax with the tax expense at the applicable tax rate

Profit before tax	9,413,856	24,483,370	8,556,884	22,254,574
Income tax as per rates mentioned above	1,129,663	2,938,004	1,026,826	2,670,549
Unrecognised deferred tax asset	1,200,586	3,122,462	2,521,992	6,559,149
Deferred tax expense for the year	2,330,249	6,060,466	3,548,818	9,229,698

(c) Deferred tax liability

	At 1 January 2015 RO	Recognised during the year RO	At 31 December 2015 RO
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Deferred tax (liability)/asset recognised in income statement

Depreciation for property, plant and equipment	(7,778,430)	(3,039,834)	(10,818,264)
Provision for site restoration	9,855	6,168	16,023
Losses carried forward	172,764	703,417	876,181
Net deferred tax liability	(7,595,811)	(2,330,249)	(9,926,060)

Deferred tax asset directly recognised in equity

Fair value adjustment of interest rate and forex swap	1,437,708	235,591	1,673,299
Deferred tax liability	(6,158,103)	(2,094,658)	(8,252,761)
In equivalent USD	(16,015,870)	(5,447,744)	(21,463,614)

Notes*(forming part of the financial statements)***8. Tax expense (continued)**

(d) Status of tax returns

The tax returns for the years 2010 (year of incorporation) to 2014 have not yet been assessed by the Secretariate General of Taxation at the Ministry of Finance. The Management is of the opinion that the final tax liability once assessed for the open tax years would not be material to the Company's financial position as at 31 December 2015.

9. Property, plant and equipment

	Property, plant and equipment USD	Decommi- ssioning asset USD	Technical spares USD	Other assets USD	Total USD	Total RO
Cost						
1 January 2014	771,366,016	1,036,723	3,580,479	279,447	776,262,665	298,472,995
Additions during the year	27,750	-	686,226	97,168	811,144	311,885
Disposals during the year	(754,226)	-	-	(71,537)	(825,763)	(317,506)
1 January 2015	770,639,540	1,036,723	4,266,705	305,078	776,248,046	298,467,374
Additions during the year	-	-	23,545	44,976	68,521	26,346
Disposals during the year	-	-	-	(37,605)	(37,605)	(14,459)
31 December 2015	770,639,540	1,036,723	4,290,250	312,449	776,278,962	298,479,261
Depreciation						
1 January 2014	19,078,748	19,800	128,132	260,500	19,487,180	7,492,821
Disposal during the year	(35,670)	-	-	(71,537)	(107,207)	(41,221)
Charge for the year	19,158,871	26,280	202,934	28,111	19,416,196	7,465,527
1 January 2015	38,201,949	46,080	331,066	217,074	38,796,169	14,917,127
Disposal during the year	-	-	-	(37,350)	(37,350)	(14,361)
Charge for the year	19,145,544	26,280	12,154	45,525	19,229,503	7,393,745
31 December 2015	57,347,493	72,360	343,220	225,249	57,988,322	22,296,511
Carrying amount						
31 December 2015	713,292,047	964,363	3,947,030	87,200	718,290,640	276,182,750
31 December 2014	732,437,591	990,643	3,935,639	88,004	737,451,877	283,550,247

10. Trade and other receivables

	2015 RO	2015 USD	2014 RO	2014 USD
Trade receivables	2,830,631	7,361,846	2,074,956	5,396,504
Prepayments	342,622	891,082	371,312	965,705
Other receivables	78,689	204,653	43,062	111,994
Due from related parties (note 18)	-	-	55,481	144,293
	3,251,942	8,457,581	2,544,811	6,618,496

Notes*(forming part of the financial statements)***11. Short term deposit**

As per the CTA, 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 utilized for any purpose other than servicing the loan installments and interest and is as such, restricted cash. The amount in the DSPA has been put into a short term deposit maturing on the next loan repayment date, i.e. 28 April 2016.

12. Cash and cash equivalents

Cash in hand and at bank	370,464	963,495	561,558	1,460,487
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13 Equity*(a) Share capital*

The IPO, where the Founder Shareholders offered to sell 35% of their shares for public subscription was finalised during the month of June 2014 and the Company was listed on the Muscat Securities Market on 23 June 2014. The details of the shareholders are as under:

31 December 2015	Nationality	No. of shares held of nominal value	% of total	Aggregate nominal value of shares held
		100 Bzs. each		RO
Kahrabel FZE	UAE	201,791,343	29.90%	20,179,134
Multitech LLC	Omani	96,508,899	14.30%	9,650,890
Civil Service Employees Pension Fund	Omani	56,175,569	8.32%	5,617,557
SEP International Netherlands B.V.	Netherlands	48,254,453	7.15%	4,825,445
Blue Horizon Sohar Power B.V.	Netherlands	48,254,453	7.15%	4,825,445
Public Authority for Social Insurance	Omani	43,867,681	6.50%	4,386,768
Ministry of Defence Pension Fund	Omani	40,200,737	5.96%	4,020,074
Shareholders with less than 5% shareholding		139,834,295	20.72%	13,983,430
		674,887,430	100.00%	67,488,743
				175,523,389
Nominal value in USD				
31 December 2014				
Kahrabel FZE	UAE	201,791,343	29.90%	20,179,134
Multitech LLC	Omani	96,508,899	14.30%	9,650,890
Civil Service Employees Pension Fund	Omani	53,875,161	7.98%	5,387,516
SEP International Netherlands B.V.	Netherlands	48,254,453	7.15%	4,825,445
Blue Horizon Sohar Power B.V.	Netherlands	48,254,453	7.15%	4,825,445
Public Authority for Social Insurance	Omani	43,867,681	6.50%	4,386,768
Ministry of Defence Pension Fund	Omani	38,345,869	5.68%	3,834,587
Shareholders with less than 5% shareholding		143,989,571	21.34%	14,398,958
		674,887,430	100.00%	67,488,743
				175,523,389
Nominal value in USD				

Notes

(forming part of the financial statements)

13 Equity *(continued)*

In 2013, the Capital Markets Authority (CMA) advised to proceed with a stock split of 1:10, i.e. 10 shares with a nominal value of 100 baizas in replacement of 1 share with RO 1 nominal value. Pursuant to the approval by the shareholders to proceed with the stock split during the Extraordinary General Meeting held on 18 February 2014, the Articles of Association of the Company and the Shareholders' Register at Muscat Clearing and Depository Company SAOC have been amended with effect from 30 March 2014. Accordingly from 30 March 2014, the Company's issued and paid-up capital consists of 674,887,430 shares of 100 baizas each.

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 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 (note 14).

(d) Dividend

Pursuant to shareholders resolution of 29 March 2015, the Board of Directors, in the meetings held on 23 April 2015 and 21 October 2015, approved cash dividends of 3.63 Baizas and 5.20 Baizas per share, respectively from the audited accounts of the Company as of 31 December 2014, to the shareholders of the Company who are registered in the Company shareholders' register with Muscat Clearing and Depository Company SAOC. The cut off dates for entitlement to receive dividends were 31 May 2015 and 30 November 2015 respectively.

Unclaimed dividend relating to cut off date of 31 May 2015 in the amount of RO 4,484.568 has been deposited by Muscat Clearing & Depository Company SAOC with the Investors Trust Fund.

Notes*(forming part of the financial statements)***14 Hedging reserve**

Derivative instruments assets (liabilities) are as follows:

	2015	2015	2014	2014
	RO	USD	RO	USD
<u>Interest rate swaps:</u>				
Term loans (note 14(a))				
Standard Chartered Bank	(4,447,968)	(11,568,187)	(4,518,593)	(11,751,868)
KfW IPEX - Bank GmbH	(2,103,693)	(5,471,244)	(2,105,880)	(5,476,931)
Credit Agricole Corporate & Investment Bank	(1,782,619)	(4,636,201)	(1,880,726)	(4,891,356)
HSBC Bank Middle East Limited	(1,493,264)	(3,883,652)	(1,518,377)	(3,948,965)
Total fair value of interest rate swaps	(9,827,544)	(25,559,284)	(10,023,576)	(26,069,120)
Deferred tax asset	1,179,305	3,067,113	1,202,829	3,128,294
Fair value of interest rate swaps net of tax	(8,648,239)	(22,492,171)	(8,820,747)	(22,940,826)
<u>Currency swaps:</u>				
Standard Chartered Bank	(4,096,129)	(10,653,131)	(1,957,326)	(5,090,575)
Credit Agricole Corporate & Investment Bank	(20,488)	(53,284)	-	-
Total fair value of currency swaps	(4,116,617)	(10,706,415)	(1,957,326)	(5,090,575)
Deferred tax asset	493,994	1,284,770	234,879	610,869
Fair value of currency swaps net of tax	(3,622,623)	(9,421,645)	(1,722,447)	(4,479,706)
Total fair value of derivative instruments	(13,944,161)	(36,265,699)	(11,980,902)	(31,159,695)
Less: Deferred tax asset [note 8(c)]	1,673,299	4,351,883	1,437,708	3,739,163
Total fair value of derivative instruments net of tax	(12,270,862)	(31,913,816)	(10,543,194)	(27,420,532)
Hedging reserve net of tax at the end of the year	(12,270,862)	(31,913,816)	(10,543,194)	(27,420,532)
Less: Hedging reserve net of tax at the beginning of the year	(10,543,194)	(27,420,532)	(2,999,008)	(7,799,760)
Effective portion of change in fair value of cash flow hedge for the year	(1,727,668)	(4,493,284)	(7,544,186)	(19,620,772)

(a) The long term facilities (note 15) (total drawdown of USD 490.5 million excluding Hermes Covered Fixed Facility of USD 120 million) of the Company bear interest at US LIBOR plus applicable margins.

The Company has fixed the rate of interest through Interest Rate Swap Agreements ("IRS") entered into with, Standard Chartered Bank, dated 19 December 2011; KfW IPEX - Bank GmbH, dated 6 October 2010; Credit Agricole Corporate & Investment Bank, dated 5 October 2010 and HSBC Bank Middle East Limited, dated 6 October 2010 respectively, for the facilities (excluding Hermes Covered Fixed Facility).

The hedged notional amounts are approximately USD 222.7 million, USD 101.6 million, USD 92.3 million and 73.9 million at fixed interest rates of 2.9708%, 2.9750%, 2.9530% and 2.9788% per annum respectively, excluding margins.

Notes

(forming part of the financial statements)

14 Hedging reserve (continued)

(b) The O&M Agreement includes an outflow of approximately Euro 83 million, payable in Euro. The Company has entered into a Forward Rate Agreements (“FRA”) with Standard Chartered Bank and Credit Agricole Corporate & Investment Bank on 12 October 2010 and 4 August 2015 respectively to hedge against fluctuations in Euro/USD exchange rate. As per the FRAs’, the Company shall pay a fixed USD amount at an exchange rate of 1.4318 and 1.17471 respectively and receive contractual Euro amount at each maturity date.

15 Term loans

	2015 RO	2015 USD	2014 RO	2014 USD
Term loans	199,039,317	517,657,520	212,040,554	551,470,881
Less: current portion	(13,668,806)	(35,549,561)	(13,001,238)	(33,813,362)
Non-current portion	185,370,511	482,107,959	199,039,316	517,657,519
Less: Unamortised transaction cost	(8,544,562)	(22,222,528)	(9,889,419)	(25,720,207)
	176,825,949	459,885,431	189,149,897	491,937,312

On 16 September 2010, the Company entered into a Common Terms Agreement (“CTA”), 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 31 December the outstanding amounts were as follows:

Hermes Covered Variable Facility	59,317,892	154,272,800	64,168,283	166,887,600
Commercaill Facility	47,738,622	124,157,664	48,368,087	125,794,765
Hermes Covered Fixed Facility	37,862,484	98,472,000	40,958,478	106,524,000
KEXIM Direct Facility	36,863,861	95,874,801	39,878,198	103,714,430
KEXIM Covered Facility	17,256,458	44,880,255	18,667,508	48,550,086
	199,039,317	517,657,520	212,040,554	551,470,881

Repayments

The aggregate amount of drawdown under the above facilities is repayable in half yearly instalments commencing from 31 October 2013, with the final instalment being due on 31 March 2027 except for Commercial Facility which has a final maturity date of 31 March 2028.

Notes*(forming part of the financial statements)***15 Term loans** *(continued)**Interest*

- (i) Interest on Hermes Covered Fixed Facility is charged at a fixed rate of 3.60% per annum, including margin.
- (ii) Interest on the remaining facilities is charged at a floating rate of US LIBOR plus applicable margin. The Company has entered into interest rate swap contracts to fix its obligations against unfavorable US LIBOR rate changes.

The margins vary between 1.45% and 3.40% per annum depending on the type of facility and the interest payment period.

Other fees

Under the terms of the above facilities, the Company is required to pay agency and other fees.

Securities

The above facilities are secured by comprehensive legal and commercial mortgages on all the assets, etc. of the Company.

Covenants

The term loan facilities contain certain covenants pertaining to, amongst other things, liquidation and merger, entering into material new agreements, negative pledge, disposal of asset, granting of loan and guarantee, acquisition of capital assets, debt service coverage ratio, change of business, hedging agreement, etc, which the Company is required to comply.

16 Asset retirement obligation

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

The fair value of ARO provision has been calculated using an expected present value technique. This technique reflects assumptions such as costs, plant useful life, inflation and profit margin that third parties would consider to assume the settlement of the obligation. The movement in ARO provision is as follows:

	2015 RO	2015 USD	2014 RO	2014 USD
Balance at beginning of the year	463,030	1,204,239	425,119	1,105,640
Unwinding of discount during the year	41,293	107,393	37,911	98,599
Balance at the end of the year	504,323	1,311,632	463,030	1,204,239

Notes*(forming part of the financial statements)***17 Trade and other payables**

	2015 RO	2015 USD	2014 RO	2014 USD
Accrued interest cost	1,701,786	4,425,972	1,763,274	4,585,889
Accrued fuel gas	1,322,921	3,440,627	560,839	1,458,622
Other payable and accruals	735,015	1,911,613	708,383	1,842,345
Due to related parties (note 18)	93,613	243,467	-	-
	3,853,335	10,021,679	3,032,496	7,886,856

18 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 in the normal course of business, are on mutually agreed terms and conditions.

Key Management benefits

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 year ended 31 December are as follows:

Key Management benefits	383,086	996,322	338,740	880,988
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Notes*(forming part of the financial statements)***18 Related party transactions (continued)**

The Company had the following significant transactions with related parties during the year:

	2015 RO	2015 USD	2014 RO	2014 USD
Suez-Tractebel Operation & Maintenance Oman LLC	6,780,845	17,635,489	6,582,175	17,118,792
Al Suwadi Power Company SAOG	167,767	436,325	130,356	339,027
Kahrabel Operation & Maintenance (Oman) LLC	162,059	421,479	131,532	342,087
Shikoku Electric Power Co. Inc.	132,064	343,469	55,610	144,630
Electrabel S.A.	81,055	210,806	79,758	207,433
Multitech LLC	38,765	100,820	38,145	99,208
International Power SA Dubai Branch	36,486	94,891	90,163	234,495
Sojitz Corporation	19,383	50,411	91,501	237,975
Laborelec Middle East	19,233	50,020	-	-
Public Authority for Social Insurance	17,620	45,827	17,340	45,094
Directors (sitting fees) (note 6)	17,400	45,254	16,000	41,612
GDF Suez CC s.c.r.l.	4,054	10,544	-	-
	7,476,731	19,445,335	7,232,580	18,810,353

The nature of the above transactions is as follows:

O&M fixed fee	5,073,354	13,194,676	5,196,326	13,514,502
O&M variable fee	1,687,951	4,389,989	1,379,482	3,587,729
Secondment fees	247,896	644,724	240,499	625,484
DSRA LC cost	176,207	458,275	173,388	450,944
Professional fees	71,106	184,931	96,530	251,055
Directors' sitting fees (note 6)	17,400	45,254	16,000	41,612
Guarantee fee for land lease payment	4,054	10,544	-	-
Others	198,763	516,942	130,355	339,027
	7,476,731	19,445,335	7,232,580	18,810,353

Balances due from related parties at the year end comprised (note 10)

Kahrabel Operation & Maintenance (Oman) LLC	-	-	37,503	97,536
Al Suwadi Power Company SAOG	-	-	17,978	46,757
	-	-	55,481	144,293

Balances due to related parties at the year end comprised (note 17):

Suez-Tractebel Operation & Maintenance Oman LLC	79,105	205,735	-	-
Kahrabel Operation & Maintenance (Oman) LLC	10,319	26,838	-	-
Electrabel S.A.	4,189	10,894	-	-
	93,613	243,467	-	-

Notes*(forming part of the financial statements)***19 Financial risk management**

The Company has exposure to the following risks from its use of financial instruments:

- Market risk
- Credit risk
- Liquidity risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

Board of Directors has overall responsibility for establishing and overseeing the Company's risk management framework. The Board has entrusted the Management with the responsibility of developing and monitoring the Company's risk management policies and procedures and its compliance with them.

(a) Market risk

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

Interest rate risk

The Company has borrowings which are interest bearing and exposed to changes in US LIBOR rates. The Company has entered into interest rate swaps to hedge its US LIBOR risk exposure on 100% of its total loan facilities, excluding Hermes Covered Fixed Facility.

The Company does not account for any fixed rate financial liabilities at fair value through profit or loss and the Company does not designate hedging instruments under a fair value hedge accounting model. Therefore a change in interest rate at the reporting date would not affect the income statement.

At the reporting date, the interest rate profile of the Company's interest-bearing financial liabilities was:

	Interest rate	2015	2015	2014	2014
	%	RO	USD	RO	USD
Financial liabilities					
Term loans					
- USD variable rate loans ranging from	Libor + 1.45% and 2.58%	161,176,833	419,185,520	171,082,076	444,946,881
- USD fixed rate loans	3.60%	37,862,484	98,472,000	40,958,478	106,524,000
		199,039,317	517,657,520	212,040,554	551,470,881

Notes*(forming part of the financial statements)***19 Financial risk management** *(continued)**Cash flow sensitivity analysis for variable rate instruments*

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

	Equity			
	Increase RO	Decrease RO	Increase USD	Decrease USD
31 December 2015				
US LIBOR (100 basis points)	9,316,871	(10,158,569)	24,231,135	(26,420,205)
31 December 2014				
US LIBOR (100 basis points)	10,537,773	(11,866,089)	27,706,431	(30,861,091)

Currency risk

The price under the O&M Agreement includes an expected amount of approximately Euro 83 million, payable in Euro. The Company has entered into FRAs' to hedge against fluctuations in Euro/USD exchange rate (note 14(b)). The Euro amounts hedged cover 85% of expected outflows for the period from January 2016 to August 2021, 65% for the period from September 2021 to March 2023 and 40% for the period from April 2023 to March 2028. Management considers that the Company is not exposed to significant foreign exchange risk because most of the other transactions and balances are either in RO or USD and RO is effectively pegged to the USD.

Sensitivity analysis:

A strengthening/ (weakening) of the Euro against all other currencies at the reporting date would have affected the measurement of financial instruments denominated in a foreign currency and increased/ (decreased) equity and the income statement by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

	Equity		Profit or loss	
	Strengthening RO	Weakening RO	Strengthening RO	Weakening RO
31 December 2015				
EUR (10% movement)	2,313,231	(2,313,231)	-	-
	USD	USD	USD	USD
EUR (10% movement)	6,016,205	(6,016,205)	-	-
31 December 2014				
EUR (10% movement)	2,434,960	(2,434,960)	-	-
	USD	USD	USD	USD
EUR (10% movement)	6,332,797	(6,332,797)	-	-

Notes*(forming part of the financial statements)***19 Financial risk management** *(continued)****(b) Credit risk***

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and cash balances held with banks. The Company limits its credit risk with regard to bank deposits by only dealing with reputable banks and financial institutions. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2015 RO	2015 USD	2014 RO	2014 USD
Trade receivables	2,830,631	7,361,846	2,074,956	5,396,504
Other receivables	78,689	204,653	43,062	111,994
Due from related parties	-	-	55,481	144,293
Short term deposit	2,696,114	7,012,000	3,076,000	8,000,000
Cash at bank	369,320	960,520	560,428	1,457,550
	5,974,754	15,539,019	5,809,927	15,110,341

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company limits its liquidity risk by ensuring that a working capital facility is available, when required.

Liquidity requirements are monitored on a monthly basis and management ensures that sufficient liquid funds are available to meet any commitments as they arise.

Notes*(forming part of the financial statements)***19 Financial risk management** *(continued)***(c) Liquidity risk** *(continued)*

The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements:

31 December 2015	Carrying amount RO	Contractual cash flow RO	Less than 1 year RO	More than 1 to 5 years RO	More than 5 years RO
Derivatives					
Derivative instruments	13,944,161	(14,165,982)	-	(11,288,125)	(2,877,857)
Non-derivatives Financial liabilities					
Term loans	190,494,755	(199,039,317)	(13,668,806)	(58,644,665)	(126,725,846)
Short term borrowing	1,070,000	(1,070,000)	(1,070,000)	-	-
Trade and other payables	3,853,335	(3,853,335)	(3,853,335)	-	-
	209,362,251	(218,128,634)	(18,592,141)	(69,932,790)	(129,603,703)
31 December 2015	USD	USD	USD	USD	USD
Derivatives					
Derivative instruments	36,265,699	(36,842,609)	-	(29,357,932)	(7,484,677)
Non-derivatives Financial liabilities					
Term loans	495,434,992	(517,657,520)	(35,549,561)	(152,521,887)	(329,586,072)
Short term borrowing	2,782,835	(2,782,835)	(2,782,835)	-	-
Trade and other payables	10,021,679	(10,021,679)	(10,021,679)	-	-
	544,505,205	(567,304,643)	(48,354,075)	(181,879,819)	(337,070,749)
31 December 2014	RO	RO	RO	RO	RO
Derivatives					
Derivative instruments	11,980,902	(13,074,999)	-	(11,194,819)	(1,880,180)
Non-derivatives Financial liabilities					
Term loans	202,151,135	(212,040,553)	(13,001,238)	(47,685,765)	(151,353,550)
Short term borrowing	1,000,000	(1,000,000)	(1,000,000)	-	-
Trade and other payables	3,032,496	(3,032,496)	(3,032,496)	-	-
	218,164,533	(229,148,048)	(17,033,734)	(58,880,584)	(153,233,730)
31 December 2014	USD	USD	USD	USD	USD
Derivatives					
Derivative instruments	31,159,695	(34,005,200)	-	(29,115,263)	(4,889,937)
Non-derivatives Financial liabilities					
Term loans	525,750,674	(551,470,881)	(33,813,362)	(124,020,195)	(393,637,324)
Short term borrowing	2,600,780	(2,600,780)	(2,600,780)	-	-
Trade and other payables	7,886,856	(7,886,856)	(7,886,856)	-	-
	567,398,005	(595,963,717)	(44,300,998)	(153,135,458)	(398,527,261)

Notes

(forming part of the financial statements)

19 Financial risk management (continued)

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amount.

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1 – Fair values are measured based on quoted prices (unadjusted) from active markets for identical financial instruments.
- Level 2 – Fair values are measured using inputs, other than those used for Level 1, that are observable for the financial instruments either directly (prices) or indirectly (derived from prices).
- Level 3 – Fair values are measured using inputs which are not based on observable market data (unobservable input).

	2015 RO	2015 USD	2014 RO	2014 USD
Derivative financial liabilities	13,944,161	36,265,699	11,980,902	31,159,695

There were no transfers between level 1 and level 2 during the year.

The Company has not disclosed the fair values of short term trade and other receivables, cash and cash equivalents and trade and other payables because their carrying amounts are a reasonable approximation of fair values.

Measurement of fair values

Type	Valuation technique	Significant unobservable inputs
Derivative instruments	Market comparison technique: fair value is calculated by the respective financial institutions	Not applicable
Other financial liabilities	Discounted cash flows	Not applicable

Embedded derivatives

The following agreements contain embedded derivatives as follows:

(i) The PPA between the Company and OPWP contains embedded derivatives in the pricing formulae that adjusts the charge rates to reflect changes in USD / RO currency exchange rates and changes in US price index and the Oman price index.

Notes*(forming part of the financial statements)***19 Financial risk management** *(continued)*

(ii) The O&M Agreement contains embedded derivatives in the pricing formulae that adjust the payments to reflect changes in relevant inflation indices.

(iii) The SUA between the Company and SIPC contains embedded derivatives in the pricing formulae that adjust the rent for the land to reflect changes in US consumer price index and the Omani consumer price index.

These embedded derivatives are not separated from the host contract, the PPA, the O&M agreement, and SUA and is not accounted for as a standalone derivative under IAS 39, as the management believes that the economic characteristics and risks associated with the embedded derivatives are closely related to those of the host contracts.

Capital management

The Company aims to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development and growth of its businesses, while at the same time maintaining an appropriate dividend policy to reward shareholders.

20 Contingent liabilities

No material contingent liabilities exist as at 31 December 2015.

21 Commitments**(a) Operation and maintenance commitments**

As per the O&M Agreement, STOMO is scheduled to operate and maintain the Plant until 31 March 2028. Under the O&M Agreement the Company has to pay the following operating fees:

- a fixed monthly fee; and
- a variable fee

All fees are subject to indexation based on Omani, Euro Material and Labour & US Producer Price indices.

At 31 December the expected future payments under the O&M Agreement (excluding indexation) are as follows:

	2015 RO	2015 USD	2014 RO	2014 USD
Within one year	5,464,640	14,212,327	5,698,893	14,821,569
Between two and five years	21,842,977	56,808,784	21,845,680	56,815,813
After five years	36,434,714	94,758,685	41,896,652	108,963,983
	63,742,331	165,779,796	69,441,225	180,601,365

Notes

(forming part of the financial statements)

21 Commitments (continued)

(b) Land lease commitments

At 31 December the future lease payments under the Sub-Usufruct Agreement (excluding indexation) are as follows:

	2015 RO	2015 USD	2014 RO	2014 USD
Within one year	139,662	363,230	139,662	363,230
Between two and five years	558,648	1,452,922	558,649	1,452,922
After five years	1,090,130	2,835,187	1,229,792	3,198,418

22 Operating lease agreement for which the Company acts as a lessor

The Company has entered into a PPA with OPWP for a substantial element of the production of power with 100% “take-or-pay” clauses in favour of the Company.

Management has determined that the take-or-pay arrangement with OPWP under the PPA is subject to IFRIC 4 – Determining whether an arrangement conveys the right to use the asset. Management further determined that such an arrangement in substance represents an operating lease. The lease commenced on 3 April 2013. The following is the total of minimum lease receipts expected to be received under the PPA, excluding indexation:

Within one year	28,356,685	73,749,505	28,364,515	73,769,871
Between two and five years	113,068,618	294,066,626	113,143,577	294,261,579
After five years	200,999,044	522,754,340	229,280,769	596,308,892
	342,424,347	890,570,471	370,788,861	964,340,342

23 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.

	2015	2014
Net assets – shareholder funds (RO)	78,428,386	77,304,034
Weighted average number of shares outstanding during the year	674,887,430	674,887,430
Net assets per share (Baizas)	116.21	114.54

The management believes that the hedging deficit of RO 12.27 million (USD 31.91 million) as at 31 December 2015 [RO 10.54 million (USD 27.42 million) as at 31 December 2014] 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.

Notes*(forming part of the financial statements)***24 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 year.

	2015	2014
Net profit (RO)	7,083,607	5,008,066
Weighted average number of shares outstanding during the year	674,887,430	674,887,430
Basic earnings per share (Baizas)	10.50	7.42

25 Comparative figures

Certain comparative figures have been reclassified where necessary to conform to the current year presentation.





