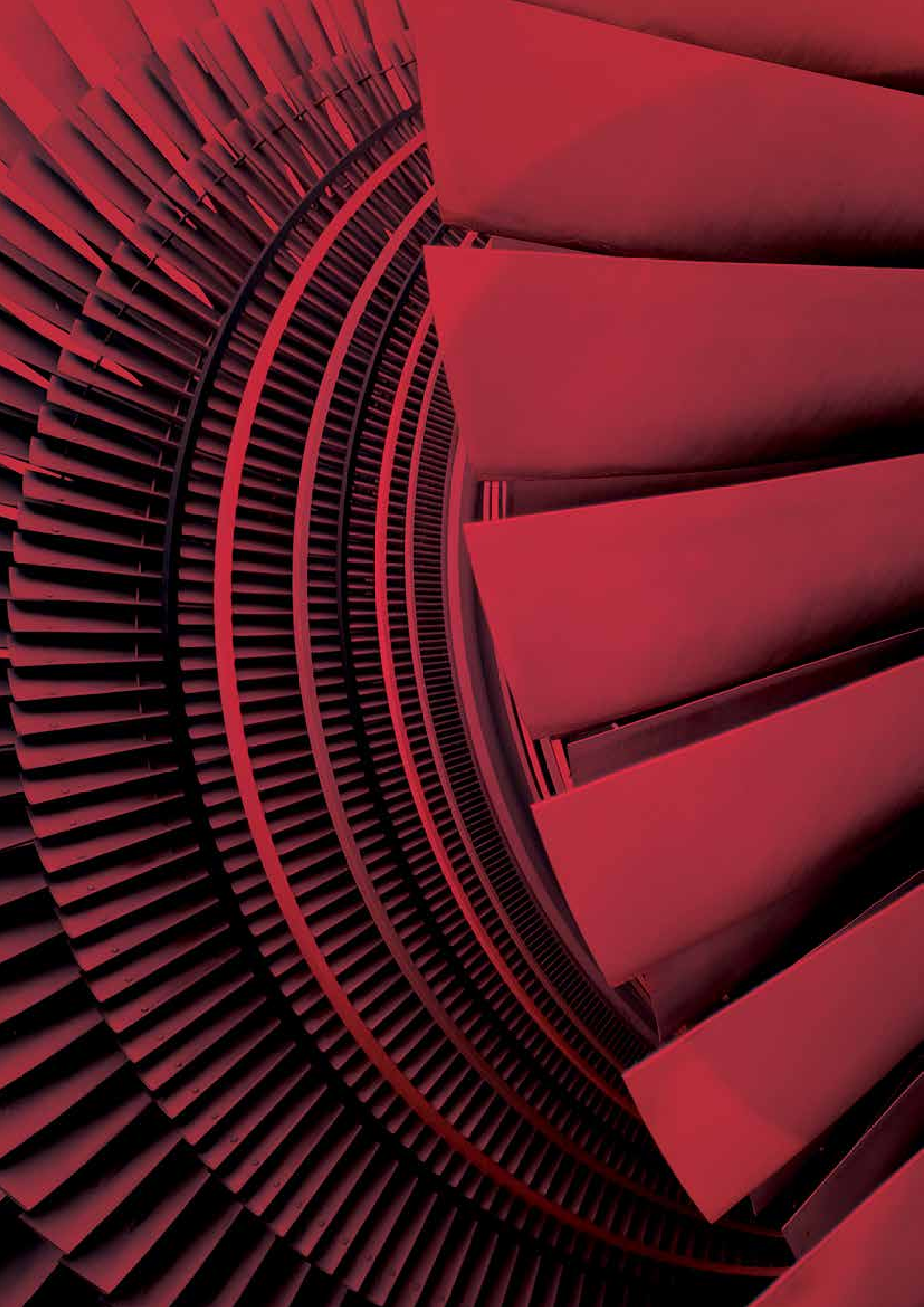
الباطنة للطاقة
AL BATINAH POWER

ANNUAL REPORT 2016

Energizing Oman's Future

HIS MAJESTY SULTAN QABOOS BIN SAID



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BOARD OF DIRECTORS AND KEY EXECUTIVE OFFICERS

Board of Directors	Position	Representing
Mrs. Catherine Lorgere Chouteau	Chairperson	Kahrabel FZE
Mr. Padmanabhan Ananthan	Deputy Chairperson	
Mr. David Joseph Orford	Director	
Mr. Guillaume Baudet	Director	
Mr. Hachiman Yokoi	Director	Blue Horizon Sohar Power B.V.
Mr. Hadi Said Humaid Al-Harthy	Director	Public Authority for Social Insurance
Mr. Khalifa Mubarak Al Hinai	Director	
Mr. Mohamed Amur Mohamed Al-Mamari	Director	Civil Service Employees Pension Fund
Mr. Mohammad Ribhi Izzat AlHusseini	Director	Ministry of Defence Pension Fund
Mr. Takahito Iima	Director	SEP International Netherlands B.V.
Mr. Vinayendra Prasad	Director	Multitech LLC

Key Executive Officers	Position
Mr. Ya'qoub Harbi Salim Al Harthi *	Chief Executive Officer
Mr. So Murakami	Chief Financial Officer

** Mr. Al Harthi was appointed as Chief Executive Officer (CEO) effective 1 January 2017. Previous CEO, Mr. Jürgen De Vyt, resigned effective 31 December 2016.*

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 2016.

Corporate Governance

During the year, the Company made substantial progress on the implementation of the new Code of Corporate Governance which came into force in July 2016: company policies and procedures have been updated, director trainings were organized and a Nomination and Remuneration Committee has been established in order to comply with local regulatory requirements and international best practices.

Operational Highlights

2016 was a successful year for the Company. The plant operated with a reliability of 99.5%, a key indicator for the Company's financial performance, despite the fact that it was requested to deliver 4,450 GWh to the Omani grid, 7.4% more than the previous year. In addition, the first major maintenance on one of two gas turbines, GT12, was completed in November.

This excellent performance was achieved with zero lost time accidents to any of our staff, thereby clocking 2,005 lost time accident free days since inception, which is reflective of our continued focus on health, safety and environment ("HSE"). The RoSPA (Royal Society for Prevention of Accidents – UK) recognized the extraordinary occupational health and safety performance of our operations and maintenance team, Suez-Tractebel Operation and Maintenance Oman ("STOMO") through a gold award in July.

Financial Results

	Year ended 31 December 2016 RO'000	Year ended 31 December 2015 RO'000	Percentage change
Revenues	**71,052**	**67,928**	**4.6%**
Direct costs	(49,603)	(46,044)	
Gross profit	**21,449**	**21,884**	**-2.0%**
Other income	115	13	
General and administrative expenses	(789)	(751)	
Profit before interest and tax	**20,775**	**21,146**	**-1.8%x**
Finance costs (net)	(11,012)	(11,732)	
Profit before tax	**9,763**	**9,414**	**3.7%**
Tax expense	(1,468)	(2,330)	
Net profit	**8,295**	**7,084**	**17.1%**

Higher plant load enhanced both revenues and direct costs such as gas cost. Though the cost for the major maintenance during the year increased the direct costs, the excellent plant operations enabled the Company to achieve a similar level of gross profit compared to the previous year. The steady reduction in finance costs and tax expense in combination with the excellent plant operation resulted in a 17.1% higher net profit as compared to the previous year.

The Company's efforts to refinance its long term debt were suspended in March because the final responses received from lenders did not present material financial value to the Company.

The Company paid a dividend of 8.58 Baizas per share in 2016, 2.8% lower than in 2015, (8.83 Baizas per share) mainly due to costs related to the major maintenance on GT12.

The share price ended the year at 180 Baizas.

Corporate Social Responsibility

Guided by its new corporate social responsibility policy, the Company realized 3 projects at local schools near the plant: interactive projectors for the Al Raha school, soft football playground and mobile cooling fans for the Ali Bin Abi Talib school and plasma screens for interactive education at the Al Muminah school.

Medium term Outlook

All reasonable measures are taken by the management to maintain the high reliability levels in 2017. Any change in the power supply and demand landscape in the Sultanate has substantially no impact on the financial performance of the Company since its net profit is mainly derived from its plant reliability.

The Company continues to monitor developments in the financial markets and should these show significant improvement, the refinancing exercise will be revived.

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 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 S.A., 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 155,000 people worldwide and achieved revenues of 69.9 billion Euro in 2015. 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 managed by Bahwan Engineering Co LLC, which is a leading and well known business name in the Sultanate of Oman.

Multitech is the investment arm of the Bahwan Engineering group of companies (BEC) 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.

For further information please visit www.bahwanengineering.com

Blue Horizon Sohar Power B.V. (BHSP)

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

Sojitz employs more than 14,000 people worldwide (as of September 2016) and achieved revenues of JPY 4.0 trillion in the fiscal year ended in March 2016.

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 6.5 GW 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)

SEPI is a wholly owned subsidiary of Shikoku Electric Power Co., Inc. (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.

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 5.9 billion from the electricity sales of 27.5 billion kWh in the fiscal year ended March 31, 2016. 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 6,340MW (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 3,700MW with their comprehensive experiences, skills and know-how obtained for more than 60 years. Yonden owns two CCGT units (296MW and 289MW at its Sakaide Power Station).

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

Public Authority for Social Insurance (PASI)

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: www.pasi.gov.om

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 REPORT

Al Batinah Power Company SAOG (the "Company") takes its role as a responsible corporate citizen seriously. Guided by its new CSR policy focusing on local initiatives in the areas of education, sports, health, safety and environment, the Company realized 3 projects at local schools near the plant.

	Project Description	Amount (RO)
1)	5 smart projectors for class rooms at Al Rakha'a Basic Education School, Sohar	5,300
2)	Synthetic soft surface for sports area and 12 mobile fans in playground at Ali Bin Abi Talib School, Sohar	5,470
3)	20 smart plasma screens for class rooms at Jawaher Al Elm Basic School, Sohar	3,600
	Total	14,370

The first project was completed in March at the Al Rakha'a Basic Education School, Sohar. The Company has procured 5 smart projectors for the school class rooms. The smart projectors are interactive and very versatile and enable students to follow intricate mathematics, graphical presentations as also scientific study/teaching material. In that way, the information is displayed in a way that appeals to the eyes of the young students.

The second project combined the educational, sports, health and safety aspects of our CSR policy. The project was completed in November at the Ali Bin Abi Talib School near the power plant.

The Company sponsored the synthetic soft surface for a sports area in the school in order to prevent the risk for injuries for nearly 490 Omani boys between ages 10 and 15 who use the playground on a regular basis. In addition, 12 big mobile fans were taken into service, providing cooling in a covered playground inside the school.

The third and final CSR project for this year was guided by the educational element of our CSR policy. The Company procured 20 smart plasma screens for the Jawaher Al Elm Basic School, a school with nearly 500 boys and girls between ages 6 and 10. The smart screens are interactive and enable teachers to use graphical presentations, videos and a wide range of teaching material in a way that appeals to the eyes of young students. A special application for deaf students was also demonstrated.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

The management of Al Batinah Power Company SAOG (the "Company") is pleased to present its report on the Company's business structure, opportunities and threats, operational and financial performance, risks and concerns, outlook and other matters of importance to the 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 installation an independent regulatory authority, the Authority for Electricity Regulation (AER), a single procurement company, Oman Power and Water Procurement Company SAOC (OPWP) and a holding company, Electricity Holding Company SAOC (EHC).
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.

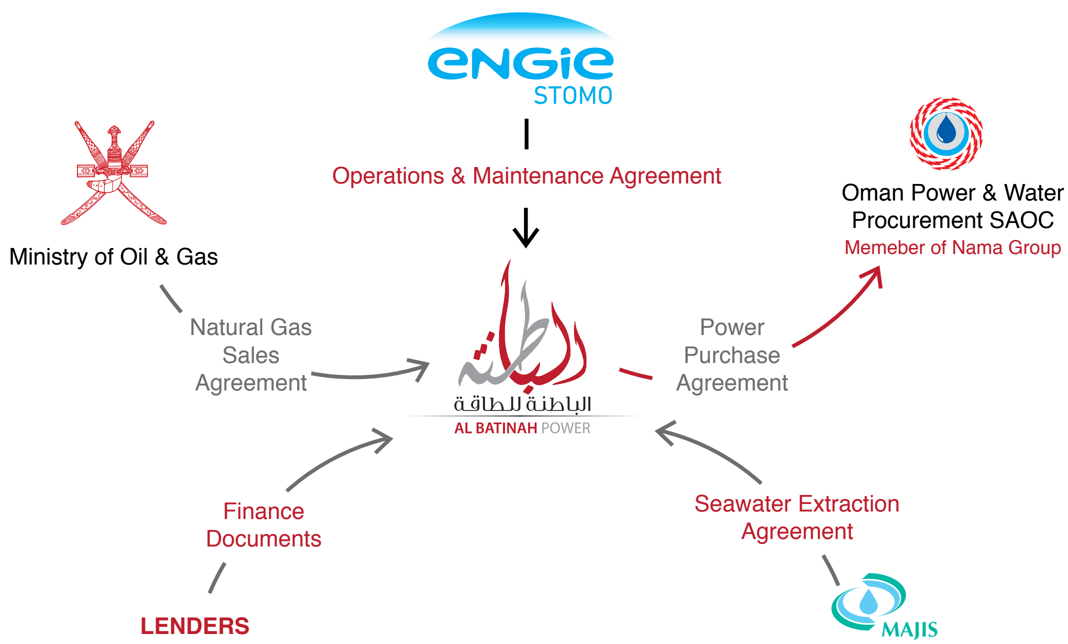
Oman's electricity sector is partly government-owned and partly privatized. OPWP's portfolio of contracted power capacity comprises of long-term contracts with eleven power plants in operation.

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 and providing a mechanism to make available additional capacity that might otherwise not be readily accessible. This may include capacity associated with power producers whose power purchase agreements have expired or capacity in excess of contractual capacity.

Opportunities and Threats

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

Contractual Framework



The Power Purchase Agreement (PPA) with OPWP is resilient to potential shocks in gas prices and power demand until 2028. OPWP is the sole purchaser of all electricity output from the power plant (the "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.

The Natural Gas Sales Agreement (NGSA) executed with the Ministry of Oil and Gas (MOG) secures the availability of fuel (natural gas) back to back with the PPA term. The gas price is revised with annual escalation of minimum 3% as per the NGSA. However, as the gas cost is a pass-through element under the PPA, the Company has no impact from the increase in the gas price.

The Seawater Extraction Agreement executed with Majis Industrial Services SAOC (Majis) secures the availability of chlorinated seawater which the Company uses mainly for cooling purpose for different equipment of the Plant.

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 entering into interest rate swap agreements thus improving the predictability of cash flows available to shareholders.

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

Suez-Tractebel Operation and Maintenance Oman LLC (STOMO) is contracted to operate and maintain the Plant for the term of the PPA. STOMO is an experienced and skilled operator with largest O&M expertise in Oman. The operations and maintenance standards of the Plant are based on international best practices, in accordance with ENGIE's policies and principles which in turn are derived from its experience in operating numerous power generation plants worldwide.

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 performance

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 2016 was excellent with no lost time accident (LTA) reported. The Company takes pride to inform that the Plant has completed more than 2,005 days without an LTA.

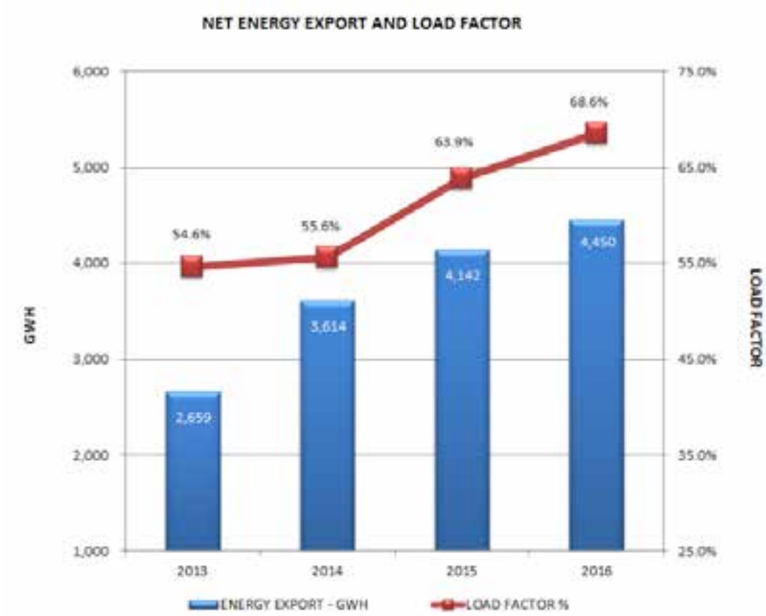
The Plant holds major certifications like ISO 14001 and OHSAS 18001 as a testimony for safe and high quality Plant operations. The Plant was also awarded the 'RoSPA Gold Award for Health and Safety' in July 2016 by The Royal Society for the Prevention of Accidents (RoSPA). Many other proactive actions undertaken by the Company and STOMO have led to such excellent accomplishment of HSE objectives:

- Frequent management reviews and safety walks
- Introduction of proactive key performance indicators (KPI)
- Introduction of the 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 are proactively implemented and shared internally and with board members so as to benefit from their experience and network to ensure best practice.

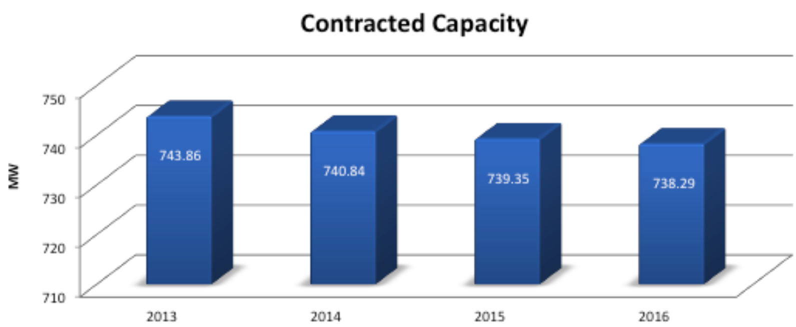
Net energy export and load factor

The net energy export and load factor have witnessed an increasing trend since commercial operation of the Plant in April 2013, reaching a year average of 68.6% in 2016.



Capacity

The capacity of a plant is defined as the total electrical power (MW), which can be delivered by the plant at reference site conditions.



Reliability

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

Thermal Efficiency

The efficiency of a power plant is measured in terms of the amount of heat required to produce one unit of electrical energy. There was a small drop in efficiency of the Plant especially during summer months mainly due to compressor fouling and differential pressure of gas turbine air filter. Various efficiency improvement solutions have already been implemented and others are being developed.

Maintenance

Maintenance of the Plant was undertaken in accordance with the standard operations and maintenance processes recommended by the Original Equipment Manufacturer (OEM), Siemens and also condition based monitoring. The first major maintenance overhaul or extended hot gas path inspection on one of two gas turbines was successfully completed in November 2016. The same major maintenance on another gas turbine is scheduled in 2017.

Warranty

Warranty on the main equipment and the balance of plant under the EPC Contract expired in June 2014 and April 2015, respectively however the EPC Contractor has extended the tenor of the Warranty Bond to a level reflecting the value of remaining warranty claims, as agreed by the Board of Directors. The management is closely monitoring the resolution of the warranty claims against the EPC Contractors and shall revisit the value of remaining works and seek further extension of warranty bond until all warranty claims are duly resolved / implemented.

Discussion on financial performance

Financial Highlights

Figures in RO Millions		2016	2015	% change
Revenues	1	71.05	67.93	4.6%
Net Profit	2	8.30	7.08	17.1%
Net Profit before Finance costs	3	19.31	18.82	2.6%
Total Assets	4	282.08	284.23	-0.8%
Capital (Paid-up)	5	67.49	67.49	0.0%
Share Holders' Fund (Net Assets)	6	80.93	78.43	3.2%
Term Loans*	7	185.37	199.04	-6.9%
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	5.79	5.96	-2.8%
Key Financial Indicators				
Net Profit Margin	2/1	11.7%	10.4%	n/a
Return on Capital (Paid-up)	2/5	12.3%	10.5%	n/a
Return on Capital Employed	3/(6+7)	7.3%	6.8%	n/a
Debut Equity ratio	7:6	69.6:30.4	71.7:28.3	n/a
Net assets per share (Baizas)	6/8	119.92	116.21	3.2%
Basic earnings per share (Baizas)	2/8	12.29	10.50	17.1%
Dividends per share (Baizas)	10/9	8.58	8.83	-2.8%

**Excluding unamortised transaction cost*

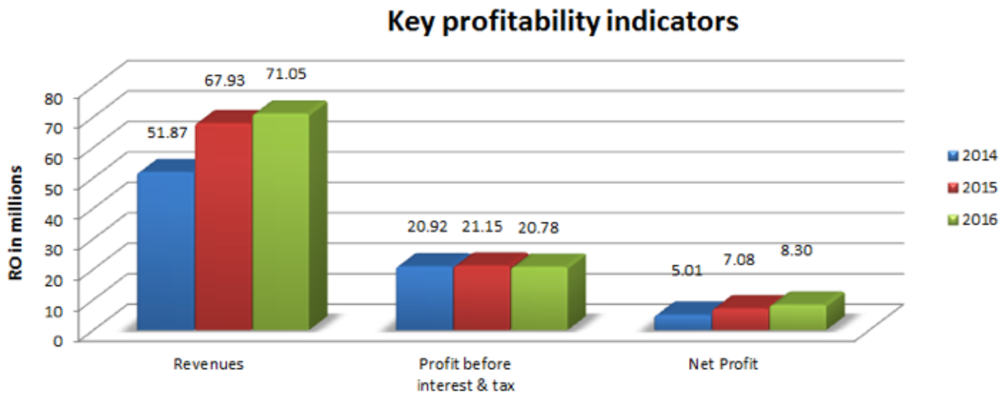
Analysis of Profit & Loss

Higher plant load and escalated gas unit price as per the NGSA increased the fuel gas cost. However, as the gas price is a pass through element in the PPA, the Company's revenues have correspondingly increased on a back to back basis. The excellent plant operations continued to contribute to the financial performance of the Company.

The Net Profit for the year 2016 increased by 17.1% compared to last year mainly due to the steady reduction in finance costs because of scheduled debt repayments and tax expense.

As a result, the basic earnings per share increased to 12.29 Baizas for the year 2016 compared to 10.50 Baizas in year 2015.

A progressive growth in revenue and profit since the commercial operation date (COD) is graphically displayed below:



** Major reason of the increase in revenue from 2014 to 2015 is that the gas unit price escalated double effective 1 January 2015 as per the NGSA. As the gas price is a pass through element in the PPA, the Company's revenues have correspondingly increased on a back to back basis.*

Analysis of Balance Sheet

Total Assets of the Company stood at RO 282.08 million as on 31 December 2016 as compared to RO 284.23 million last year mainly due to depreciation charge for the year.

Trade Receivables include one month of OPWP's invoice which is expected to be settled by OPWP in the due course as provided in the PPA.

Cash and cash equivalents and short term deposit net of short term borrowing stood at RO 2.53 million as at 31 December 2016, as compared to RO 2.00 million last year.

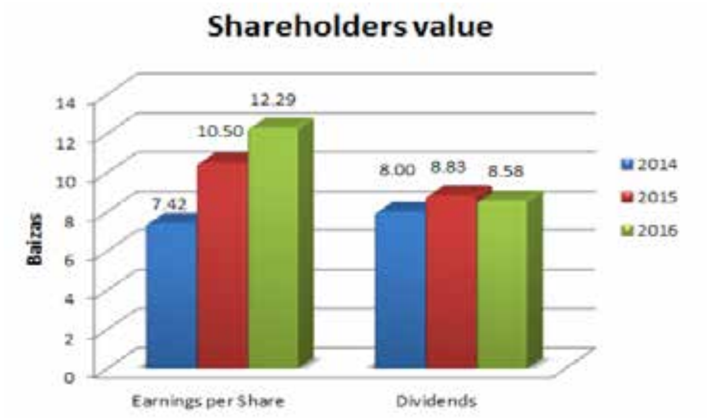
The Shareholders Funds (Net Assets) improved to RO 80.93 million as of 31 December 2016 mainly due to higher net profit earned during year 2016 as reduced by the dividends distributed to the shareholders during the year.

Term Loans (including non-current and current balances) have reduced to RO 185.37 million as a result of scheduled loan repayments in accordance with the terms agreed within the Finance Documents.

The Company continues to make adequate provision for asset retirement obligation to enable it to fulfill its legal obligation to dismantle and take away 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 agreed within the Finance Documents which include making adequate provisions for forecasted loan repayments and operating expenses. Consistent with the Company's policy and in accordance with Capital Market Authority regulations, the Company declared and distributed dividend of RO 5.79 million (translating to 8.58 Baizas per share) in year 2016 (paid out of the audited retained earnings for the year ended 31 December 2015). The dividend payout for year 2016 was 2.8% lower than year 2015.



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. In order to mitigate this risk, the Company ensures and monitors that STOMO operates and maintains the Plant in line with the Company's directives, best industry practices maintenance schedules prescribed by the OEMs.

Loss of Availability due to Accidental Damage

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

OPWP Payments

Since COD, barring one incidence, OPWP has settled all invoices within the agreed credit period.

Outlook

During the year, the Company carried out an exercise to refinance the Company's long term debt. The response from the present and prospective lenders was found to be dismal due to the unfavorable financial market conditions. Consequently, the Board decided to suspend the exercise. The Company is closely monitoring the developments in financial markets and should these show significant improvement, the Company will revive the refinancing exercise.

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 efficient operational base, the management will continue to focus on ensuring high levels of Plant availability 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. Since conversion of the Company's status to SAOG in 2014, the Company has appointed a full time in-house internal auditor and also engaged reputable audit firms to support the Company's internal auditor. In addition, adequate training opportunities were provided to the internal auditor in the year 2016 to build upon her professional skills.

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

Gratitude and Conclusion

The management acknowledges and appreciates the commitment and diligence of all 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 issued under Circular No. 11/2002 dated 3 June 2002 and the revised CMA Code of Corporate Governance issued under CMA Circular 4/2015 dated 22 July 2015 (together the "Governance Code"). The Report is set out on pages 21 to 31.

Our engagement was undertaken in accordance with the International Standard on Related Services applicable to agreed-upon procedures engagements. The Procedures were performed solely to assist the Shareholders in evaluating the Company's compliance with the Governance Code. The Procedures we performed were as follows:

1. Corroborated, as required, the matters disclosed in the Report by reference to: internal audit reports issued during the year ended 31 December 2016; Audit Committee and Board minutes of meetings held during the year ended 31 December 2016; and relevant supporting Company records .

2. Confirmed that the Report discloses matters discussed in the Board of Director's report on review of the effectiveness of the Company's system of internal controls and that these matters were reported by Company's internal auditor to the Audit Committee during the year ended 31 December 2016.

3. Checked that the Report includes disclosures set out in Annexure 3 of the Governance Code.

4. Checked whether matters, if any, reported in the Auditors' report on the financial statements for the year ended 31 December 2016 relating to: Adequacy and efficacy of the internal control systems in place; going concern considerations; and the adequacy of policies and procedures set up by the Company were also included in the Auditor's presentation to the Audit Committee.

5. Read the Minutes of Board and Audit Committee meetings during the year ended 31 December 2016 to confirm that any matters of non-compliance with the Governance Code mentioned therein are also included in the Report.

As a result of performing the Procedures, we have no exceptions to report.

Because the Procedures do not constitute either an audit or a review made in accordance with International Standards on Auditing or International Standards on Review Engagements, 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 the 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 of this report, 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 Company's Corporate Governance Report included in the Company's annual report for the year ended 31 December 2016 and does not extend to any financial statements or any other reports of the Company, taken as a whole.

23 February 2017

Ahmed Tufail

CORPORATE GOVERNANCE REPORT

The Board of Directors (the "Board") of Al Batinah Power Company SAOG (the "Company") hereby present their Corporate Governance Report for the year ended 31 December 2016 in accordance with the Code of Corporate Governance of Public Listed Companies (the "Code") issued in July 2015 and as updated in December 2016.

Company's philosophy

The Company follows the principles of good Corporate Governance and has implemented the guidelines issued by the Capital Market Authority (the "CMA"). Effective Corporate Governance assures the shareholders that there is a well performing management in place which supports the highest standards towards transparency, accountability, continuous improvement of business processes, disclosure, displaying the highest ethical standards, observing compliance with laws, permits and regulations and business propriety with the aim of enhancing long term shareholders value and the interest of all stakeholders. Towards this, the Company has put in place effective policies, procedures and systems to ensure fair and timely release of material information about the Company to the stakeholders.

An audit committee and a nomination & remuneration committee are 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 issued a separate Report on the Company's Governance Report for the year ended 31 December 2016.

Board of Directors

In compliance with the Company's Articles of Association, the Board is constituted of 11 directors. The term of the previous Board expired at the conclusion of the Annual General Meeting (the "AGM") of the shareholders of the Company on 14 March 2016 and during the meeting, a new Board was elected for a period of 3 years.

a) Composition, category and attendance of Directors in 2016

All Directors are non-executive in accordance with the requirement of the Code.

	Name of Directors	Category	Attendance					
			Board Meetings					AGM
			18 Feb	26 Apr	28 Jul	26 Oct	Total	14 Mar
Incumbent as of 31 Dec 2016	Mrs. Catherine Lorgere Chouteau (Chairperson)	Non-independent & Nominee Director	√	√	√	√	4	√
	Mr. Padmanabhan Ananthan (Deputy Chairperson)	Independent	√	√	√	√	4	x
	Mr. Khalifa Mubarak Al Hinai	Independent	n/a	√	Proxy	√	3	x
	Mr. David Joseph Orford	Non-independent	√	√	√	√	4	x
	Mr. Guillaume Baudet	Independent	√	√	Proxy	√	4	x
	Mr. Hachiman Yokoi	Non-independent & Nominee Director	√	√	√	√	4	√
	Mr. Hadi Said Humaid Al-Harthy	Non-independent & Nominee Director	√	√	√	√	4	x
	Mr. Mohamed Amur Mohamed Al-Mamari	Non-independent & Nominee Director	√	√	√	√	4	√
	Mr. Mohammad Ribhi Izzat Al-Husseini	Independent & Nominee Director	√	√	√	√	4	√
	Mr. Vinayendra Prasad	Non-independent & Nominee Director	n/a	√	√	√	3	x
	Mr. Takahito Iima	Non-independent & Nominee Director	Proxy	Proxy	√	Proxy	4	x
Term Expired	Mr. Ajeet A. Walavalkar	Independent	√	n/a	n/a	n/a	1	n/a
	Mr. Peter Shaw	Independent	√	n/a	n/a	n/a	1	n/a

^ The category of the incumbent directors is based on new elections held on 14 March 2016.

√ : attend, x : absent, n/a : not in seat

b) Directors holding directorship/chairmanship in other joint stock companies in Oman as of 31 December 2016

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

The brief profile of Directors and key executive officers is included as an Annexure to the Corporate Governance Report.

Audit Committee

a) Brief description of terms of reference

The primary function of Audit Committee is to provide independent assistance to the Board 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 management 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 Audit Committee encourages 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 Audit Committee to maintain free and open communication with the external auditors, the internal auditor and the management of the Company and to determine that all parties are aware of their responsibilities.

On a yearly basis, the Audit Committee defines its working plan for the coming year and places it before the Board for approval. The 2016 Audit Committee working plan was approved by the Board on 21 October 2015. Similarly, the Board approved the 2017 working plan on 26 October 2016.

b) Composition, position and attendance in 2016

The Audit Committee was re-constituted following election of new Board on 14 March 2016. The Audit Committee is comprised of majority of independent directors as required by the Code.

Name of Committee Members	Position	Attendance				
		17 Feb	25 Apr	27 Jul	Oct 25	Total
Mr. Guillaume Baudet	Chairperson	√	√	Proxy	√	4
Mr. Hachiman Yokoi	Member	√	√	√	√	4
Mr. Padmanabhan Ananthan	Member	√	√	√	√	4

√ : attend, x : absent

Nomination & Remuneration Committee

a) Brief description of terms of reference

The primary function of Nomination & Remuneration Committee (the "NRC") is to:
(i) Assist the general meeting in the nomination of proficient and high caliber directors,
(ii) Prepare job descriptions of the directors including the Chairperson of the Board,
(iii) Develop succession plan for the Board or at least the Chairperson and executive management, and
(v) Propose proper remuneration and incentives policy to attract competent executive management.

During its first meeting held on 25 October 2016, the NRC defined its working plan for year 2017, which was approved by the Board during 26 October 2016 meeting. Pursuant to the working plan, the NRC presented 'Succession Planning for the Board of Directors and the Executive Management' and obtained approval by the Board during meeting held on 23 February 2017. Also, based on recommendation of NRC, the Board in its meeting of 23 February 2017 resolved to recommend appointment of an independent consultant to appraise the performance of the Board to the shareholders at the forthcoming AGM.

b) Composition, position and attendance in 2016

During July 2016, the Board has constituted the NRC comprising of 3 directors.

Name of Committee Members	Position	Attendance	
		Oct 25	Total
Mr. Vinayendra Prasad	Chairperson	√	1
Mr. David Joseph Orford	Member	√	1
Mr. Hachiman Yokoi	Member	√	1

√ : attend, x : absent

Process of nomination of the directors

The election of the Board is governed by the Company's Articles of Association. The Company ensures that the elections of the Board are held in accordance with the Commercial Companies Law and rules issued by the Capital Market Authority.

In accordance with the requirement of the Code and the Articles of Association of the Company, the following shall be observed on the formation of the Board:

(i) Eleven directors to be elected by the shareholders in general meeting for a term of 3 years,
(ii) All directors shall be non-executive directors,
(iii) At least one third of the directors shall be independent,
(iv) The members of the Board are elected from amongst the shareholders or non-shareholders. A candidate, if a shareholder, for election to the Board is required to hold at least 5% of the Company's issued share capital,
(v) The juristic person shall not be represented by more than one representative on the Board,
(vi A director shall not be allowed to combine the positions of chief executive officer and chairperson, and
(vii) No director shall be a member of the Board in more than four joint stock companies or chairperson of more than two joint stock companies. Although Article (2) of Clause (8) of the Ministerial Decision 137/2002 as amended by Ministerial Decision 201/2016 requires director not to be a director or an employee of a company carrying out same business whose principle place of business is in Oman, the Company has received a waiver in the implementation of this Article from CMA allowing it to continue with the member of the Board appointed in the Annual General Meeting on 14 March 2016 provided the said Article is implemented in the next Board election or whenever a vacancy arises with the current Board.

Remuneration

a) Sitting fees to members of Board and its sub-committees

As approved by the shareholders, the sitting fees of RO 400 for the members of the Board and RO 200 for the members of the Audit Committee is paid. The sitting fee is payable to the Board and the Audit Committee members who attend the meeting either in person or over phone/video conference (going forward, attendance shall be valid if presence is through video conference in line with the Code.) 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.

The sitting fees for the year 2016 paid to the directors for attending Board and Audit Committee meetings amounted to RO 16,800 and RO 2,200, respectively.

The sitting fee of RO 200 for the members of the NRC is proposed by the Board. The fee of RO 600 for attendance of October 2016 meeting has been accrued in the financial statements for year ended 31 December 2016, however, the same is subject to approval by the shareholders in the forthcoming general meeting.

b) Remuneration to Board members

The Board proposes to pay remuneration for the year 2016 to the Board members, equal to actual sitting fees paid during year, for their contribution in achieving excellent operational and financial results. The proposed remuneration of RO 16,800 has been accrued in the financial statements for year ended 31 December 2016, however, the same shall be paid provided it is approved by the shareholders in the forthcoming general meeting.

c) Other payments to directors

An amount of RO 2,640 was reimbursed to directors for travel and ancillary expenses incurred for attending Board meetings.

d) Top 5 officers

The Company paid to its top 5 officers an aggregate amount of RO 358,734 which includes secondment fee, salaries, allowances, performance based bonuses and other benefits. The remuneration paid commensurate with their qualification, role, responsibility and performance. The criteria of the performance based bonus are the degree of achievement of the objectives set by officers at beginning of year in line with the Company's goal and overall strategy. The employment contracts stipulate a notice period of one month.

Details of non-compliance by the Company

There were no penalties imposed on the Company by the Capital Market Authority, Muscat Securities Market ("MSM") or any other statutory authority on any matter related to capital markets during the past three years.

Means of communication with the shareholders and investors

The Company communicates with the shareholders and investors mainly through the MSM website and the Company's website (www.albatinahpower.com) in both English and Arabic. 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/Closing share price and performance comparison during each month in 2016

Month	Price (Baizas)				MSM Index (Service sector)	
	High	Low	Closing	Change from 1 January 2016	Closing	Change from 1 January 2016
January	193	184	191	0.0%	2,902.21	-5.0%
February	205	192	203	6.3%	3,056.41	0.0%
March	208	197	207	8.4%	3,101.77	1.5%
April	220	206	210	9.9%	3,224.82	5.5%
May	216	206	210	9.9%	3,254.75	6.5%
June	215	199	205	7.3%	3,235.72	5.9%
July	205	186	190	-0.5%	3,196.06	4.6%
August	200	190	198	3.7%	3,135.75	2.6%
September	200	199	200	4.7%	3,108.57	1.7%
October	200	185	191	0.0%	3,027.53	-0.9%
November	195	185	187	-2.1%	2,991.38	-2.1%
December	187	180	180	-5.8%	3,058.76	0.1%

During 2016, the Company has distributed cash dividend of 2.93% (Baizas 2.93 per share) and 5.65% (Baizas 5.65 per share) to the shareholders of the Company who are registered in the Company's shareholders' register with the Muscat Clearing & Depository Company SAOC respectively as on 12 June 2016 and 11 December 2016, out of the retained earnings as per the audited financial statements for the financial year ended 31 December 2015.

Since the listing of the Company in June 2014, a total amount of Baizas 25.41 per share (nominal value of Baizas 100 per share) has been distributed to the shareholders who subscribed the share during the Initial Public Offer (IPO) and still held those shares by 31 December 2016.

b) Distribution of shareholding as of 31 December 2016

Category	Number of shareholders	Number of shares held	Share capital %
5% and above	7	562,244,026	83.31%
1% to 5%	1	9,048,681	1.34%
Less than 1 %	2,812	103,594,723	15.35%
Total	2,820	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 2016. KPMG is a leading Audit, Tax and Advisory firm in Oman and is a part of KPMG Lower Gulf that was established in 1973. KPMG in Oman employs more than 180 people, amongst whom are 3 Partners, 5 Directors and 24 Managers, including Omani nationals. KPMG is a global network of professional firms providing Audit, Tax and Advisory services. KPMG operates in 152 countries and has around 189,000 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 Capital Market Authority to audit joint stock companies (SAOGs). During the year 2016, KPMG billed an amount of RO 9,850 towards professional services rendered to the Company (RO 7,960 for audit, RO 1,250 for tax and RO 640 for other services).

Acknowledgement by the Board of Directors

- The Board of Directors accepts the responsibility for accurately preparing accounts and financial statements and confirms the financial statements for 2016 have been prepared in accordance with the applicable International Financial Reporting Standards and rules.
- The Board of Directors, through the Audit Committee, has reviewed the Company's system of internal controls, and assures efficiency and adequacy of the internal control systems including financial management and its related operations, obligation management and risk management.
- The Company has robust business model as explained in detail in the financial report and, as such, 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	:	2016
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	:	2016
Education	:	Chartered Accountant from the Institute of Chartered Accountants of India
Experience	:	Mr. Ananthan has more than 31 years of professional experience in manufacturing and construction industries. He is presently the Chief Financial Officer of Bahwan Engineering Group. During his 22 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. David Joseph Orford
Year of Joining	:	2016
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 35 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	:	2016
Education	:	Master's Degree in Business Administration and Finance
Experience	:	Mr. Baudet has 20 years of professional experience in the fields of finance and general management, acquired in the automotive industry and subsequently in the power and water generation industry. After 11 years spent in the automotive industry in Europe and North America, Mr. Baudet joined GDF SUEZ Energy International in 2007 as Head of Business Control for the MENA region and subsequently took up the position of CFO at Hidd Power Company in Bahrain. Guillaume Baudet is the CEO of Sohar Power Company since 2013.

Name	:	Mr. Hachiman Yokoi
Year of Joining	:	2016
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 Deputy General Manager, Power Project Department of Sojitz Corporation.

Name	:	Mr. Hadi Said Humaid Al-Harthy
Year of Joining	:	2016
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 34 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. Khalifa Mubarak Al Hinai
Year of Joining	:	2016
Education	:	B.Sc. in Geology and Chemistry from Kuwait University M.A. in Petroleum Geology from the University of Texas at Austin U.S.A.
Experience	:	Mr. Khalifa has 40 years of professional experience in the fields of Geology and Technical Affairs. In 1976 Mr. Khalifa became Director of Technical Affairs in the Ministry of Petroleum, Minerals, Agriculture and Fisheries. His next role was Director General of Oil & Gas at the Ministry of Petroleum & Minerals. In 1990, Mr. Khalifa was awarded the Order of Merit (1st Class) by H.M. The Sultan. Mr. Khalifa was in charge of the Oman LNG Project from inception until completion in year 2000. Later he was appointed as Advisor to H.E. the Minister, for Technical Affairs and served as Director in various Boards & Joint Management Committees of PDO, Oman Refinery Company, Oman LNG, ELF Oman, Occidental Oman, Nimir Petroleum and Arco Oman. He was finally promoted to be Ministry Advisor at undersecretary level.

Name	:	Mr. Mohamed Amur Mohamed Al-Mamari
Year of Joining	:	2016
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	:	Mr. Al-Mamari has more than 19 years' experience in investment, admin, finance and pension in Civil Service Employee Pension Fund, Mr. Al-Mamari held below mentioned positions: - 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	:	2016
Education	:	MBA - Corporate Finance from University of Texas-USA and Bachelor's Degree in Money and Banking from Yarmouk University- Jordan.
Experience	:	Mr. Al Husseini has over 21 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. Takahito Iima
Year of Joining	:	2016
Education	:	Bachelor's Degree in Electrical Power Engineering from Waseda University (Japan)
Experience	:	Mr. Iima 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. Mr. Iima 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. In addition to Al Batinah Power, Mr. Iima 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.

Name	:	Mr. Vinayendra Prasad
Year of Joining	:	2016
Education	:	Degree (Honours) in Electrical Engineering from National Institute of Technology (Kuruk.), India
Experience	:	Mr. Prasad has more than 35 years of experience in the electrical energy industry and is currently the General Manager Operations-Electrical Products Division, at Bahwan Engineering Group, Oman. He is involved and responsible for business & product development and general management related to medium, large and special industrial electrical products. His work covers market development & sales in the field of electrical products for infrastructure and industrial projects in Oil &Gas, Power Generation, Transmission & Distribution, Defense, Health, Transport, Building Services and other sectors. Mr. Prasad joined the Bahwan Engineering Group in 1991 and has previously worked with Larsen & Toubro Ltd. India and Siemens Ltd. India in marketing, business development, system design and project management related to various power & industrial projects.

Brief Profiles of Key Executive Officers

The senior management team has been empowered by the Board of Directors for the day-to-day operations of the Company.

Name	:	Mr. Ya'qoub Harbi Salim Al Harthi
Position	:	Chief Executive Officer
Year of Joining	:	2017
Education	:	Bachelor's degree in Mechanical Engineering from the Sultan Qaboos University
Experience	:	Mr. Al Harthi has been associated with power plant operations and management in various power plants of ENGIE for over 14 years. He was appointed as CEO of Al Kamil Power Company SAOG in 2015. Prior to that he was the General Manager of Al Kamil Construction and Services LLC from early 2014. He has also worked in Rusail Power Station and Sohar 1 Power and Water Plant as Operations Manager for several years.

Previous CEO, Mr. Jürgen De Vyt, resigned effective 31 December 2016. His brief profile can be referred to in the Company's Annual Report 2015. Mr. Harthi was appointed as new CEO effective 1 January 2017.

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 15 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.

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

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Al Batinah Power Company SAOG ("the Company") set out on pages 37 to 71, which comprise the statement of financial position as at 31 December 2016, the income statement, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the Sultanate of Oman, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter - Impairment Assessment of Plant

Refer to note 3(h) and 8 of the financial statements.

The impairment review of plant, is considered to be a risk area due to the size of the balance as well as the fact that the assessment involves significant judgment exercised by management, in particular in relation to the following key assumptions:

- assessment of future profitability,
- revenue growth rate,
- forecasted cash flows for the period after the expiration of power purchase agreement, and
- discount rate.

Our response

- We reviewed the management assessment of the plant for indicators of impairment. We evaluated management's impairment assessment, and performed sensitivity analysis on key assumptions used in the impairment assessment;

- We reviewed the Company's procedures used to develop the forecasts and the principles and integrity of the Company's discounted cash flow model and re-performed the calculations of the model results to test the accuracy. To challenge the reasonableness of those cash flows, we used our knowledge on the historical accuracy of the Company's forecasting and evaluated the significant assumptions and critical areas of judgment;

- We held discussions with management on the status of operations of the plant, including future plans and utilization of plant after the end of the contract; and

- We have reviewed the adequacy of the Company's disclosures in note 3(h) about the degree of estimation by the management.

Key audit matter - Valuation of derivatives

Refer to note 3(e) and 13 of the financial statements.

The Company uses derivative financial instruments to hedge interest rate exposure on term loans and future cash flows in accordance with parameters approved by the Board.

Our response

Rules on accounting for derivative instruments are complex and hedge accounting requirements, including documentation, can be complicated. Lack of compliance with documentation rules, hedge effectiveness rules, and probability criteria could lead to income statement volatility.

- We examined the nature of the hedge relationships that were entered into and whether these were in line with the Company's treasury strategy. For the derivatives outstanding at the year-end, we assessed their completeness and existence through obtaining external confirmations and their fair value through performing our own independent re-calculations;

- We reviewed whether the hedge accounting documentation and effectiveness rules were met and whether hedge accounting could be achieved. Our work examined the accounting treatment applied for derivatives, in particular when reclassifying gains and losses from reserves to the income statement and adjustments to the carrying value of the hedged item; and

- We also reviewed the appropriateness of the disclosure of financial instruments and the related hedge accounting by agreeing the financial statements to the underlying workings prepared by management and ensuring classification is consistent with the accounting principles.

Other Information

Management is responsible for the other information. The other information comprises the director's report, the corporate governance report and the management discussion and analysis report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and their preparation in compliance with the relevant disclosure requirements of the Capital Market Authority and the applicable provisions 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.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory requirements

We report that the financial statements of the Company as at and for the year ended 31 December 2016, in all material respects, comply with the:

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

KPMG

23 February 2017

Ahmed Tufail

INCOME STATEMENT

for the year ended 31December

	Notes	2016 RO'000s	2016 USD'000s	2015 RO'000s	2015 USD'000s
Revenues		**71,052**	**184,789**	67,928	176,666
Direct costs	*4*	**(49,603)**	**(129,007)**	(46,044)	(119,751)
Gross profit		**21,449**	**55,782**	21,884	56,915
Other income		**115**	**298**	13	34
		21,564	**56,080**	21,897	56,949
General and administrative expenses	*5*	**(789)**	**(2,052)**	(751)	(1,954)
Profit before interest and tax		**20,775**	**54,028**	21,146	54,995
Finance costs (net)	*6*	**(11,012)**	**(28,641)**	(11,732)	(30,511)
Profit before tax		**9,763**	**25,387**	9,414	24,484
Tax expense	*7(c)*	**(1,468)**	**(3,817)**	(2,330)	(6,061)
Net profit		**8,295**	**21,570**	7,084	18,423
Earnings per share					
Basic earnings per share (Baizas)	*23*	**12.29**	**-**	10.50	-

The notes on pages 43 to 71 form an integral part of these financial statements.
The Independent Auditors' report is set forth on pages 33-36.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31December

	Notes	2016 RO'000s	2016 USD'000s	2015 RO'000s	2015 USD'000s
Net profit		**8,295**	**21,570**	7,084	18,423
Other comprehensive income/(loss), net of tax:					
Item that will be reclassified to profit and loss					
Cash flow hedges -effective portion of changes in fair value	13	**2,673**	**6,952**	(1,728)	(4,493)
Total comprehensive income for the year		**10,968**	**28,522**	5,356	13,930

The notes on pages 43 to 71 form an integral part of these financial statements.
The Independent Auditors' report is set forth on pages 33-36.

STATEMENT OF FINANCIAL POSITION

as at 31 December

	Notes	2016 RO'000s	2016 USD'000s	2015 RO'000s	2015 USD'000s
Assets					
Non-current assets					
Property, plant and equipment	*8*	**268,743**	**698,940**	276,183	718,291
Capital spares		**287**	**747**	-	-
Total non-current assets		**269,030**	**699,687**	276,183	718,291
Current assets					
Trade and other receivables	*9*	**5,127**	**13,335**	3,186	8,287
Inventory		**1,793**	**4,663**	1,790	4,655
Short term deposit	*10*	**2,192**	**5,700**	2,696	7,012
Cash and cash equivalents	*11*	**3,939**	**10,245**	370	963
Total current assets		**13,051**	**33,943**	8,042	20,917
Total assets		**282,081**	**733,630**	284,225	739,208
Equity and liabilities					
Equity					
Share capital	*12(a)*	**67,489**	**175,523**	67,489	175,523
Legal reserve	*12(b)*	**3,130**	**8,141**	2,301	5,984
Retained earnings		**10,313**	**26,821**	8,639	22,468
Shareholders' fund		**80,932**	**210,485**	78,429	203,975
Hedging reserve	*12(c) &13*	**(9,598)**	**(24,962)**	(12,271)	(31,914)
Total equity		**71,334**	**185,523**	66,158	172,061
Liabilities					
Non-current liabilities					
Term loans	*14*	**164,301**	**427,309**	176,826	459,885
Derivative instruments	*13*	**10,907**	**28,366**	13,944	36,266
End of service benefits		**22**	**57**	14	38
Asset retirement obligation	*15*	**549**	**1,429**	504	1,312
Deferred tax liability	*7(c)*	**10,085**	**26,228**	8,253	21,463
Total non-current liabilities		**185,864**	**483,389**	199,541	518,964
Current liabilities					
Term loans	*14*	**13,785**	**35,853**	13,669	35,550
Trade and other payables	*16*	**7,498**	**19,502**	3,787	9,850
Short term borrowing	*2(xi)*	**3,600**	**9,363**	1,070	2,783
Total current liabilities		**24,883**	**64,718**	18,526	48,183
Total liabilities		**210,747**	**548,107**	218,067	567,147
Total equity and liabilities		**282,081**	**733,630**	284,225	739,208
Net assets per share (Baizas)	*22*	**119.92**	**-**	116.21	-

The financial statements were approved and authorised for issue in accordance with a resolution of the Board of Directors on 23 February 2017.

Chairperson

Director

The notes on pages 43 to 71 form an integral part of these financial statements.
The Independent Auditors' report is set forth on pages 33-36.

STATEMENT OF CASH FLOWS

for the year ended 31 December

	Notes	2016 RO'000s	2016 USD'000s	2015 RO'000s	2015 USD'000s
Cash flows from operating activities:					
Net profit		**8,295**	**21,570**	7,084	18,423
Adjustments for:					
Finance costs (net)		**11,012**	**28,641**	11,732	30,511
Tax expense		**1,468**	**3,817**	2,330	6,061
Depreciation		**7,459**	**19,399**	7,393	19,229
Profit on sale of property, plant and equipment		**-**	**-**	(3)	(8)
End of service benefits		**8**	**19**	4	11
		28,242	**73,446**	28,540	74,227
Changes in:					
Trade and other receivables		**(1,941)**	**(5,048)**	(641)	(1,668)
Inventory		**(3)**	**(8)**	34	89
Trade and other payables		**3,509**	**9,125**	826	2,147
Cash generated from operating activities		**29,807**	**77,515**	28,759	74,795
Finance costs paid		**(9,821)**	**(25,543)**	(10,421)	(27,102)
Net Cash generated from operating activities		**19,986**	**51,972**	18,338	47,693
Cash flows from investing activities:					
Acquisition of property, plant and eqipment		**(19)**	**(48)**	(26)	(68)
Proceeds from sale of property, plant and equipment		**-**	**-**	3	9
Net cash used in investing activities		**(19)**	**(48)**	(23)	(59)
Cash flows from financing activities:					
Repayment of term loans		**(13,669)**	**(35,550)**	(13,001)	(33,813)
Dividends paid		**(5,792)**	**(15,060)**	(5,960)	(15,499)
Proceeds from short term borrowing		**2,530**	**6,580**	70	182
Maturity of short term deposit		**504**	**1,312**	380	988
Interest received		**29**	**76**	4	11
Net cash used in financing activities		**(16,398)**	**(42,642)**	(18,507)	(48,131)
Net increase (decrease) in cash and cash equivalents		**3,569**	**9,282**	(192)	(497)
Cash and cash equivalents at beginning of the year	*11*	**370**	**963**	562	1,460
Cash and cash equivalents at end of the year	*11*	**3,939**	**10,245**	370	963

The notes on pages 43 to 71 form an integral part of these financial statements.
The Independent Auditors' report is set forth on pages 33-36.

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December

	Share capital RO'000s	Legal reserve RO'000s	Retained earnings RO'000s	Hedging reserve RO'000s	Total RO'000s
Balance at 1 January 2016	**67,489**	**2,301**	**8,639**	**(12,271)**	**66,158**
Total comprehensive income					
Net profit	-	-	8,295	-	8,295
Other comprehensive income, net of income tax					
Cash flow hedge - effective portion of changes in fair value	-	-	-	2,673	2,673
Total comprehensive income	-	-	8,295	2,673	10,968
Transfer to legal reserve	-	829	(829)	-	-
Transactions with owners of the Company					
Contribution and distribution					
Dividend	-	-	(5,792)	-	(5,792)
Total transactions with owners of the Company	-	-	(5,792)	-	(5,792)
Balance at 31 December 2016	**67,489**	**3,130**	**10,313**	**(9,598)**	**71,334**

	USD'000s	USD'000s	USD'000s	USD'000s	USD'000s
Balance at 1 January 2016	**175,523**	**5,984**	**22,468**	**(31,914)**	**172,061**
Total comprehensive income					
Net profit	-	-	21,570	-	21,570
Other comprehensive income, net of income tax					
Cash flow hedge - effective portion of changes in fair value	-	-	-	6,952	6,952
Total comprehensive income	-	-	21,570	6,952	28,522
Transfer to legal reserve	-	2,157	(2,157)	-	-
Transactions with owners of the Company					
Contribution and distribution					
Dividend	-	-	(15,060)	-	(15,060)
Total transactions with owners of the Company	-	-	(15,060)	-	(15,060)
Balance at 31 December 2016	**175,523**	**8,141**	**26,821**	**(24,962)**	**185,523**

The notes on pages 43 to 71 form an integral part of these financial statements.
The Independent Auditors' report is set forth on pages 33-36.

STATEMENT OF CHANGES IN EQUITY *(CONTINUED)*

for the year ended 31 December

	Share capital RO'000s	Legal reserve RO'000s	Retained earnings RO'000s	Hedging reserve RO'000s	Total RO'000s
Balance at 1 January 2015	67,489	1,593	8,223	(10,543)	66,762
Total comprehensive income					
Net profit	-	-	7,084	-	7,084
Other comprehensive (loss), net of income tax					
Cash flow hedge - effective portion of changes in fair value	-	-	-	(1,728)	(1,728)
Total comprehensive income	-	-	7,084	(1,728)	5,356
Transfer to legal reserve	-	708	(708)	-	-
Transactions with owners of the Company					
Contribution and distribution					
Dividend	-	-	(5,960)	-	(5,960)
Total transactions with owners of the Company	-	-	(5,960)	-	(5,960)
Balance at 31 December 2015	67,489	2,301	8,639	(12,271)	66,158

	USD'000s	USD'000s	USD'000s	USD'000s	USD'000s
Balance at 1 January 2015	175,523	4,142	21,386	(27,421)	173,630
Total comprehensive income					
Net profit	-	-	18,423	-	18,423
Other comprehensive (loss), net of income tax					
Cash flow hedge - effective portion of changes in fair value	-	-	-	(4,493)	(4,493)
Total comprehensive income	-	-	18,423	(4,493)	13,930
Transfer to legal reserve	-	1,842	(1,842)	-	-
Transactions with owners of the Company					
Contribution and distribution					
Dividend	-	-	(15,499)	-	(15,499)
Total transactions with owners of the Company	-	-	(15,499)	-	(15,499)
Balance at 31 December 2015	175,523	5,984	22,468	(31,914)	172,061

The notes on pages 43 to 71 form an integral part of these financial statements.
The Independent Auditors' report is set forth on pages 33-36.

NOTES

(forming part of the financial statements)

1 Legal status and principal activities

Al Batinah Power Company ("Company") was registered as a closed Omani Joint Stock company ("SAOC") on 2 August 2010 under the Commercial Companies Law of Oman. Subsequently the Company was converted to a public joint stock company ("SAOG") and was listed on the Muscat Securities Market on 23 June 2014.

The Company's objectives are to develop, finance, design, construct, operate, maintain, insure and own a power generating facility (the 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 electrical energy generated to Oman Power and Water Procurement Company SAOC ("OPWP"). Accordingly, the Plant is considered and managed as one reportable segment. Commercial Operation of the Plant was achieved by the Company on 3 April 2013.

2 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.

2 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.

3 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 impairment of property, plant and equipment, financial valuation of derivative financial instruments, asset retirement obligation, impairment of financial assets and operating leases.

Measurement of fair value

The Company measures fair values using the following fair value hierarchy based on 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.

3 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. All values are rounded to the nearest thousand (USD '000 and RO '000) except where otherwise indicated.

(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 translated at the exchange rates at the date of the transaction. 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.

The Company initially recognizes receivables, loans and borrowings on the date when they are originated. All other financial assets and liabilities are initially recognized on the trade date when the entity becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset.

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

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

(e) Financial instruments (continued)

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

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 instruments and hedged items, 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, 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 accumulated in equity is retained in other comprehensive income and re-classified to profit or loss in the same period or periods during which the hedged forecast cash flows affect profit or loss or the hedged item affects profit or loss. 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.

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

(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.

(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.

The Management assigns useful lives and residual values to the items of property, plant and equipment based on intended use of the assets and the expected economic lives of those assets. Subsequent changes in circumstances such as technological advances or prospective utilisation of the assets concerned could result in the actual lives or residual values differing from the initial estimates. The Management has reviewed the residual values and useful lives of the major items of property, plant and equipment and have determined that no adjustment is necessary.

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 asset is ready for intended use.

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

(f) Property, plant and equipment (continued)

(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) Capital spares

Cost includes all expenditure directly attributable to the acquisition of capital spares. Capital spares shall be recognised in the carrying amount of the affected item of property, plant and equipment when it is put in use. The carrying amount of the replaced item is derecognised.When it is not practical to determine the carrying amount of the replaced part, the cost of the capital spare may be used as an indication of what the cost of the replaced part was at the time it was acquired.

(h) Inventories

The cost of inventories is determined on the weighted average cost basis and includes expenditure incurred in acquiring and bringing them to their existing location and condition. Obsolete inventory items are written down to their estimated net realizable value.

(i) Impairment

(i) Non-derivative financial assets

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

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 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.

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

(i) Impairment (continued)

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

The management determines whether there are any indications of impairment to carrying value of property, plant and equipment on an annual basis because of the difference between the duration of the contracted cash flows and accounting deprecation of assets. This requires an estimation of the value in use of the cash generating unit. Estimating the value in use requires the Company to make an estimate of the residual value of the cash generating unit at the end of the term of the PPA considering the expected future cash flows for the period beyond the term of the PPA and also a suitable discount rate in order to calculate the present value of those cash flows.

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.

(j) 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.

(k) 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.

(l) 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.

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

(m) 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.

(n) 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 an amount proportionate to the period was charged to the income statement. Subsequent to the COD, the amortization of the deferred financing costs is charged to the income statement.

(o) Operating lease

The Company has entered into a long term PPA. In accounting of this arrangement, the Company has determined the PPA to be a lease as the purchaser (OPWP) has the right to direct how the Company operates the Plant and obtains from the Company electricity generated by the Plant during the contract term. In accordance with the PPA, OPWP has the right to control the use of the Plant during the contract term. Further, the Management has concluded that this arrangement is in the nature of an operating lease since it does not transfer substantially all the risks and rewards incidental to the ownership of the Plant.

(p) Revenues

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 an 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.

(q) 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.

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

(r) 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.

(s) New standards and interpretation not yet effective

For the year ended 31 December 2016, the Company has adopted all of the new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and are effective for period beginning on or after 1 January 2016. The adoption of these standards and interpretations has not resulted in changes to the Company's accounting policies and has not affected the amounts reported for the current year.

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2016. 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 their contractual cash flows. IFRS 9 introduces new requirements for recognition of fair value changes of liabilities designated as fair value through profit or loss and hedge accounting requirements and disclosures. IFRS 9 is effective for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Company is currently assessing the potential 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. The Company is currently assessing the potential impact of this standard and does not plan to adopt early.

IFRS 16: Leases

IFRS 16 sets out the principles for recognition, measurement, presentation and disclosure of leases. It replaces existing lease recognition guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial application of IFRS 16. The Company is currently assessing the potential impact of this standard and does not plan to adopt early.

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

(t) 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.

4 Direct costs

	2016 RO'000s	2016 USD'000s	2015 RO'000s	2015 USD'000s
Fuel gas	**32,894**	**85,550**	29,795	77,490
Depreciation (note 8)	**7,440**	**19,349**	7,376	19,184
Operation and maintenance ("O&M") fees	**6,853**	**17,822**	6,682	17,379
Seawater extraction	**927**	**2,412**	909	2,365
Insurance	**524**	**1,363**	664	1,726
Custom duty	**289**	**751**	4	11
Grid connection fee	**195**	**506**	210	547
Plant site rent	**161**	**420**	163	423
Fuel oil	**91**	**238**	68	178
Other O&M expenses	**229**	**596**	173	448
	49,603	**129,007**	46,044	119,751

5 General and administrative expenses

	2016 RO'000s	2016 USD'000s	2015 RO'000s	2015 USD'000s
Secondment fees	**245**	**637**	248	645
Employment costs	**147**	**383**	133	345
Public company related costs	**109**	**283**	123	320
Agency fees	**48**	**124**	51	132
Directors' sitting fee and remuneration (note 17)	**36**	**95**	17	45
Office rent	**24**	**63**	23	60
Depreciation (note 8)	**19**	**50**	17	45
Corporate social responsibility	**14**	**37**	3	8
Other general and administrative expenses	**147**	**380**	136	354
	789	**2,052**	751	1,954

6 Finance costs (net)

	2016 RO'000s	2016 USD'000s	2015 RO'000s	2015 USD'000s
Interest on term loans	**5,786**	**15,049**	5,488	14,272
Swap interest	**3,700**	**9,624**	4,613	11,998
Amortisation of deferred finance costs	**1,260**	**3,277**	1,345	3,498
Debt Service Reserve Account ("DSRA") LC cost	**177**	**460**	176	458
Exchange loss	**45**	**117**	46	119
Asset retirement obligation - unwinding of discount (note 15)	**45**	**117**	41	107
Interest on working capital	**28**	**73**	27	70
Interest income	**(29)**	**(76)**	(4)	(11)
	11,012	**28,641**	11,732	30,511

7 Tax expense

The Company is liable for 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 swaps and forward rate contracts (note 13).

(a) Income tax recognised in the income statement.

	2016 RO '000s	**2016 USD '000s**	2015 RO '000s	2015 USD '000s
Deferred tax expense relating to temporary differences	**1,468**	**3,817**	2,330	6,061

(b) Reconciliation

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

	2016 RO '000s	**2016 USD '000s**	2015 RO '000s	2015 USD '000s
Profit before tax	**9,763**	**25,387**	9,414	24,484
Income tax as per rates mentioned above	**1,172**	**3,046**	1,130	2,938
Unrecognised deferred tax asset	**296**	**771**	1,200	3,123
Deferred tax expense for the year	**1,468**	**3,817**	2,330	6,061

The Company's effective tax rate for the year ended 31 December 2016 was 15.0% (31 December 2015: 24.8%).

(c) Deferred tax liability

	At 1 January 2016 RO'000s	**Recognised during the year RO'000s**	**At 31 December 2016 RO'000s**
Deferred tax (liability)/asset recognised in income statement			
Depreciation for property, plant and equipment	(10,818)	**(2,450)**	**(13,268)**
Provision for site restoration	16	**6**	**22**
Losses carried forward	876	**976**	**1,852**
Net deferred tax liability	(9,926)	**(1,468)**	**(11,394)**
Deferred tax asset directly recognised in equity			
Fair value adjustment of interest rate and forex swap	1,673	**(364)**	**1,309**
Deferred tax liability	(8,253)	**(1,832)**	**(10,085)**
In equivalent USD	(21,463)	**(4,765)**	**(26,228)**

(d) Status of tax returns

During 2016 the tax returns of the Company for the years 2010 and 2011 have been assessed by the Secretariat General for Taxation at the Ministry of Finance without any adjustment. The tax returns for the years 2012 to 2015 have not yet been assessed by the Secretariat 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 2016.

(e) The Royal Decree 9/2017 has been issued on 19 February 2017 amending the Income Tax Law 28/2009 however the same has not been published in the official gazette as at the date of approval of the Financial Statements by the Board of Directors. Since the Company is not aware of the changes in Income Tax Law, the resultant impact on theCompany's tax calculations, if any, shall be accounted for in the Financial Statements for year ending 31 December 2017.

8 Property, plant and equipment

	Property,plant and equipment USD'000s	Decommi ssioning asset USD'000s	Technical spares USD'000s	Other assets USD'000s	Total USD'000s
Cost					
1 January 2015	770,640	1,037	4,267	305	776,249
Additions during the year	-	-	23	45	68
Disposals during the year	-	-	-	(38)	(38)
1 January 2016	**770,640**	**1,037**	**4,290**	**312**	**776,279**
Additions during the year	-	-	41	7	48
Disposals during the year	-	-	-	(2)	(2)
31 December 2016	**770,640**	**1,037**	**4,331**	**317**	**776,325**
Depreciation					
1 January 2015	38,202	46	331	217	38,796
Disposals during the year	-	-	-	(37)	(37)
Charge for the year	19,146	26	12	45	19,229
1 January 2016	**57,348**	**72**	**343**	**225**	**57,988**
Charge during the year	19,146	26	177	50	19,399
Disposals during the year	-	-	-	(2)	(2)
	76,494	**98**	**520**	**273**	**77,385**
Carrying amount					
31 December 2016	**694,146**	**939**	**3,811**	**44**	**698,940**
31 December 2015	713,292	965	3,947	87	718,291

	RO'000s	RO'000s	RO'000s	RO'000s	RO'000s
Cost					
1 January 2015	296,311	399	1,640	117	298,467
Additions during the year	-	-	9	17	26
Disposals during the year	-	-	-	(14)	(14)
1 January 2016	**296,311**	**399**	**1,649**	**120**	**298,479**
Additions during the year	-	-	16	3	19
Disposals during the year	-	-	-	(1)	(1)
31 December 2016	**296,311**	**399**	**1,665**	**122**	**298,497**
Depreciation					
31 December 2015	14,689	18	127	83	14,917
Disposals during the year	-	-	-	(14)	(14)
Charge for the year	7,361	10	5	17	7,393
1 January 2015	**22,050**	**28**	**132**	**86**	**22,296**
Charge during the year	7,362	10	68	19	7,459
Disposals during the year	-	-	-	(1)	(1)
	29,412	**38**	**200**	**104**	**29,754**
Carrying amount					
31 December 2016	**266,899**	**361**	**1,465**	**18**	**268,743**
31 December 2015	274,261	371	1,517	34	276,183

9 Trade and other receivables

	2016 RO'000s	2016 USD'000s	2015 RO'000s	2015 USD'000s
Trade receivables	**4,606**	**11,979**	2,831	7,362
Prepayments	**241**	**628**	342	891
Other receivables	**215**	**560**	13	34
Due from related parties (note 17)	**65**	**168**	-	-
	5,127	**13,335**	3,186	8,287

10 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 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 25 April 2017.

11 Cash and cash equivalent

Cash in hand and at bank	**3,939**	**10,245**	370	963

12 Equity

(a) Share capital

The details of the shareholders are as follows:

31 December 2016	Nationality	No. of shares held of nominal value	% of total	Aggregate nominal value of shares held
		100 Bzs. each		RO '000s
Kahrabel FZE	**UAE**	**201,791,343**	**29.90%**	**20,179**
Multitech LLC	**Omani**	**96,508,899**	**14.30%**	**9,651**
Civil Service Employees Pension Fund	**Omani**	**83,155,460**	**12.32%**	**8,316**
SEP International Netherlands B.V.	**Netherlands**	**48,254,453**	**7.15%**	**4,825**
Blue Horizon Sohar Power B.V.	**Netherlands**	**48,254,453**	**7.15%**	**4,825**
Public Authority for Social Insurance	**Omani**	**44,078,681**	**6.53%**	**4,408**
Ministry of Defence Pension Fund	**Omani**	**40,200,737**	**5.96%**	**4,020**
Shareholders with less than 5% shareholding		**112,643,404**	**16.69%**	**11,265**
		674,887,430	**100.00%**	**67,489**
Nominal value in USD '000s				**175,523**
31 December 2015				
Kahrabel FZE	UAE	201,791,343	29.90%	20,179
Multitech LLC	Omani	96,508,899	14.30%	9,651
Civil Service Employees Pension Fund	Omani	56,175,569	8.32%	5,618
SEP International Netherlands B.V.	Netherlands	48,254,453	7.15%	4,825
Blue Horizon Sohar Power B.V.	Netherlands	48,254,453	7.15%	4,825
Public Authority for Social Insurance	Omani	43,867,681	6.50%	4,387
Ministry of Defence Pension Fund	Omani	40,200,737	5.96%	4,020
Shareholders with less than 5% shareholding		139,834,295	20.72%	13,984
		674,887,430	100.00%	67,489
Nominal value in USD '000s				175,523

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.

12 Equity *(continued)*

(b) Legal reserve

Article 106 of the Commercial Companies Law of 1974 requires that 10% of Company's net profit is 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 13).

(d) Dividend

Pursuant to shareholders resolution of 14 March 2016, the Board of Directors, in the meetings held on 26 April 2016 and 26 October 2016, approved cash dividends of 2.93 Baizas and 5.65 Baizas per share, respectively from the retained earnings of the Company as at 31 December 2015, 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 12 June 2016 and 11 December 2016 respectively.

Unclaimed dividend relating to cut off date of 12 June 2016 in the amount of RO 3,345.118 has been deposited by Muscat Clearing & Depository Company SAOC with the Investors Trust Fund.

NOTES

(forming part of the financial statements)

13 Hedging reserve

Derivative instruments assets (liabilities) are as follows:

	2016 RO'000s	**2016 USD'000s**	2015 RO'000s	2015 USD'000s
Interest rate swaps:				
Term loans (note 14(a))				
Standard Chartered Bank	**(3,168)**	**(8,240)**	(4,448)	(11,568)
KfW IPEX - Bank GmbH	**(1,499)**	**(3,898)**	(2,104)	(5,471)
Credit Agricole Corporate & Investment Bank	**(1,333)**	**(3,467)**	(1,783)	(4,636)
HSBC Bank Middle East Limited	**(1,087)**	**(2,826)**	(1,493)	(3,884)
Total fair value of interest rate swaps	**(7,087)**	**(18,431)**	(9,828)	(25,559)
Deferred tax asset	**851**	**2,212**	1,179	3,067
Fair value of interest rate swaps net of tax	**(6,236)**	**(16,219)**	(8,649)	(22,492)
Currency swaps:				
Standard Chartered Bank	**(3,694)**	**(9,607)**	(4,096)	(10,654)
Credit Agricole Corporate & Investment Bank	**(126)**	**(328)**	(20)	(53)
Total fair value of currency swaps	**(3,820)**	**(9,935)**	(4,116)	(10,707)
Deferred tax asset	**458**	**1,192**	494	1,285
Fair value of currency swaps net of tax	**(3,362)**	**(8,743)**	(3,622)	(9,422)
Total fair value of derivative instruments	**(10,907)**	**(28,366)**	(13,944)	(36,266)
Less: Deferred tax asset [note 8(c)]	**1,309**	**3,404**	1,673	4,352
Total fair value of derivative instruments net of tax	**(9,598)**	**(24,962)**	(12,271)	(31,914)
Hedging reserve net of tax at the end of the year	**(9,598)**	**(24,962)**	(12,271)	(31,914)
Less: Hedging reserve net of tax at the beginning of the year	**(12,271)**	**(31,914)**	(10,543)	(27,421)
Effective portion of change in fair value of cash flow hedge for the year	**2,673**	**6,952**	(1,728)	(4,493)

(a) The long term facilities (note 13) (total drawdown of USD 490.50 million (RO 188.60 million) excluding Hermes Covered Fixed Facility of USD 120 million (RO 46.14 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 stand at approximately USD 177.97 million (RO 68.43 million), USD 81.15 million (RO 31.20 million), USD 73.77 million (RO 28.36 million) and USD 59.02 million (RO 22.69 million) at fixed interest rates of 2.9708%, 2.9750%, 2.9530% and 2.9788% per annum respectively, excluding margins

13 Hedging reserve *(continued)*

(b) The O&M Agreement includes an outflow of approximately Euro 87 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.

14 Term loan

	2016 RO'000s	2016 USD'000s	2015 RO'000s	2015 USD'000s
Term loans	**185,370**	**482,108**	199,039	517,658
Less: current portion	**(13,785)**	**(35,853)**	(13,669)	(35,550)
Non-current portion	**171,585**	**446,255**	185,370	482,108
Less: Unamortised transaction cost	**(7,284)**	**(18,946)**	(8,544)	(22,223)
	164,301	**427,309**	176,826	459,885

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	**54,330**	**141,301**	59,318	154,273
Commercail Facility	**46,792**	**121,695**	47,739	124,158
Hermes Covered Fixed Facility	**34,679**	**90,192**	37,862	98,472
KEXIM Direct Facility	**33,764**	**87,813**	36,864	95,875
KEXIM Covered Facility	**15,805**	**41,107**	17,256	44,880
	185,370	**482,108**	199,039	517,658

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.

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 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.

14 Term loan *(continued)*

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. The Company is in compliance with the covenants.

15 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 discount rate that third parties would consider to assume for the settlement of the obligation. The movement in ARO provision is as follows:

	2016 RO'000s	**2016 USD'000s**	2015 RO'000s	2015 USD'000s
Balance at beginning of the year	**504**	**1,312**	463	1,205
Unwinding of discount during the year	**45**	**117**	41	107
Balance at the end of the year	**549**	**1,429**	504	1,312

16 Trade and other payables

	2016 RO'000s	**2016 USD'000s**	2015 RO'000s	2015 USD'000s
Fuel gas payable and accrual	**4,588**	**11,934**	1,323	3,440
Accrued interest cost	**1,590**	**4,134**	1,686	4,384
Due to related parties (note 17)	**717**	**1,865**	479	1,247
Other payable and accruals	**603**	**1,569**	299	779
	7,498	**19,502**	3,787	9,850

NOTES

(forming part of the financial statements)

17 Related party transactions

Related parties comprise the shareholders, directors, key management personnel, business entities that have the ability to control or exercise significant influence over financial and operating decisions of the Company and entities over which certain shareholders are able to exercise significant influence. Prices and terms of these transactions, which are entered 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 31December are as follows:

	2016 RO'000s	**2016 USD'000s**	2015 RO'000s	2015 USD'000s
Key Management benefits	**359**	**933**	383	996

NOTES

(forming part of the financial statements)

17 Related party transactions *(continued)*

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

	2016 RO'000s	2016 USD'000s	2015 RO'000s	2015 USD'000s
Suez-Tractebel Operation & Maintenance Oman LLC	**7,511**	**19,535**	6,781	17,635
Al Suwadi Power Company SAOG	**231**	**600**	168	436
Kahrabel Operation & Maintenance (Oman) LLC	**161**	**418**	162	421
Shikoku Electric Power Co. Inc.	**131**	**340**	132	343
ENGIE S.A. (Electrabel S.A.) *	**81**	**211**	81	211
International Power SA Dubai Branch	**50**	**131**	36	95
Directors	**39**	**102**	17	45
Multitech LLC	**39**	**101**	39	101
Sojitz Corporation	**20**	**51**	19	50
Public Authority for Social Insurance	**18**	**46**	18	46
Laborelec Middle East	**5**	**14**	19	50
GDF SuezCC s.c.r.l	**-**	**-**	4	12
	8,286	**21,549**	7,476	19,445
The nature of the above transactions is as follows:				
O&M fixed fee	**5,126**	**13,331**	5,074	13,195
O&M variable fee	**1,726**	**4,490**	1,688	4,390
Custom duty	**289**	**751**	4	11
Spares	**276**	**718**	-	-
Secondment fees	**245**	**637**	248	645
Sharing of costs	**231**	**600**	168	436
DSRA LC cost	**177**	**460**	176	458
Other O&M costs	**94**	**245**	-	-
Professional fees	**55**	**143**	71	185
Directors' sitting fees (note 5)	**20**	**51**	17	45
Directors' remuneration (note 5)	**17**	**44**	-	-
Re-imbursement of Directors' expenses	**3**	**7**	0	0
Others	**27**	**72**	31	80
	8,286	**21,549**	7,477	19,445
Balances due from related parties at the year end comprised (note 9)				
Al Suwadi Power Company SAOG	**65**	**168**	-	-
Balances due to related parties at the year end comprised (note 16):				
Suez-Tractebel Operation & Maintenance Oman LLC	**652**	**1,695**	439	1,143
Directors'	**17**	**45**	-	-
Public Authority for Social Insurance	**15**	**38**	1	4
Kahrabel Operation & Maintenance (Oman) LLC	**11**	**29**	10	27
Shikoku Electric Power Co. Inc.	**11**	**28**	11	29
ENGIE S.A. (Electrabel S.A.) *	**7**	**18**	-	-
Multitech LLC	**3**	**8**	4	9
Sojitz Corporation	**1**	**4**	2	5
ENGIE S.A. (Electrabel S.A.) *	**-**	**-**	12	30
	717	**1,865**	479	1,247

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

18 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 %	2016 RO'000s	2016 USD'000s	2015 RO'000s	2015 USD'000s
Financial liabilities					
Term loans					
- USD variable rate loans ranging from	Libor + 1.45% and 2.58%	**150,691**	**391,916**	161,177	419,186
- USD fixed rate loans	3.60%	**34,679**	**90,192**	37,862	98,472
		185,370	**482,108**	199,039	517,658

18 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'000s	Decrease RO'000s	Increase USD'000s	Decrease USD'000s
31 December 2016				
US LIBOR (100 basis points)	**7,821**	**(8,471)**	**20,342**	**(22,032)**
31 December 2015				
US LIBOR (100 basis points)	9,317	(10,159)	24,231	(26,420)

Currency risk

The price under the O&M Agreement includes an expected amount of approximately Euro 87 million, payable in Euro. The Company has entered into FRAs' to hedge against fluctuations in Euro/USD exchange rate (note13(b)). The Euro amounts hedged cover 86% of expected outflows for the period from January 2016 to August 2021, 57% for the period from September 2021 to March 2023 and 34% for the period from April 2023 to March 2028. The Management considers that the Company is not exposed to significant foreign exchange risk because most 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 statement of profit or loss and other comprehensive income 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	
	Increase	Decrease	Increase	Decrease
31 December 2016	**RO'000s**	**RO'000s**	**RO'000s**	**RO'000s**
EUR (10% movement)	**2,240**	**(2,240)**	**-**	**-**
	USD'000s	**USD'000s**	**USD'000s**	**USD'000s**
EUR (10% movement)	**5,825**	**(5,825)**	**-**	**-**
31 December 2015	RO'000s	RO'000s	RO'000s	RO'000s
EUR (10% movement)	2,313	(2,313)	-	-
	USD'000s	USD'000s	USD'000s	USD'000s
EUR (10% movement)	6,016	(6,016)	-	-

18 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. OPWP is the Company's sole customer and the Company analyses its credit risk with OPWP by monitoring its credit rating. 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:

	2016 RO'000s	**2016 USD'000s**	2015 RO'000s	2015 USD'000s
Trade receivables	**4,606**	**11,979**	2,831	7,362
Other receivables	**215**	**560**	13	34
Due from related parties	**65**	**168**	-	-
Short term deposit	**2,192**	**5,700**	2,696	7,012
Cash at bank	**3,939**	**10,245**	369	960
	11,017	**28,652**	5,909	15,368

Age analysis of trade receivables as at 31 December was:

	2016		2015	
		Allowance for impairment		Allowance for impairment
	RO'000s	**RO'000s**	RO'000s	RO'000s
Not past due	**4,606**	**-**	2,832	-
Past due 0 to 3 months	**-**	**-**	-	-
Past due > 3 months	**-**	**-**	-	-
	4,606	**-**	2,831	-
Nominal value in USD	**11,979**	**-**	7,362	-

(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 the Management ensures that sufficient liquid funds are available to meet any commitments as they arise.

18 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:

	Carrying amount RO'000s	Contractual cash flow RO'000s	Less than 1 year RO'000s	More than 1 to 5 years RO'000s	More than 5 years RO'000s
31 December 2016					
Derivatives					
Derivative instruments	**10,907**	**(11,228)**	**-**	**(9,089)**	**(2,139)**
Non-derivatives Financial liabilities					
Term loans	**178,086**	**(238,247)**	**(20,032)**	**(86,337)**	**(131,878)**
Short term borrowing	**3,600**	**(3,600)**	**(3,600)**	**-**	**-**
Trade and other payables	**7,498**	**(7,498)**	**(7,498)**	**-**	**-**
	200,091	**(260,573)**	**(31,130)**	**(95,426)**	**(134,017)**

31 December 2016	**USD'000s**	**USD'000s**	**USD'000s**	**USD'000s**	**USD'000s**
Derivatives					
Derivative instruments	**28,366**	**(29,203)**	**-**	**(23,639)**	**(5,564)**
Non-derivatives Financial liabilities					
Term loans	**463,162**	**(619,626)**	**(52,098)**	**(224,543)**	**(342,985)**
Short term borrowing	**9,363**	**(9,363)**	**(9,363)**	**-**	**-**
Trade and other payables	**19,502**	**(19,502)**	**(19,502)**	**-**	**-**
	520,393	**(677,694)**	**(80,963)**	**(248,182)**	**(348,549)**

31 December 2015	Carrying amount RO'000s	Contractual cash flow RO'000s	Less than 1 year RO'000s	More than 1 to 5 years RO'000s	More than 5 years RO'000s
Derivatives					
Derivative instruments	13,944	(14,166)	-	(11,288)	(2,878)
Non-derivatives Financial liabilities					
Term loans	190,495	(257,613)	(19,367)	(84,069)	(154,177)
Short term borrowing	1,070	(1,070)	(1,070)	-	-
Trade and other payables	3,787	(3,787)	(3,787)	-	-
	209,296	(276,636)	(24,224)	(95,357)	(157,055)

31 December 2015	USD'000s	USD'000s	USD'000s	USD'000s	USD'000s
Derivatives					
Derivative instruments	36,266	(36,843)	-	(29,358)	(7,485)
Non-derivatives Financial liabilities					
Term loans	495,435	(669,995)	(50,369)	(218,645)	(400,981)
	2,783	(2,783)	(2,783)	-	-
Trade and other payables	9,850	(9,850)	(9,850)	-	-
	544,334	(719,471)	(63,002)	(248,003)	(408,466)

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

18 Financial risk management *(continued)*

(c) Liquidity risk (continued)

Fair value hierarchy

The management believes that the fair value of the financial assets and liabilities are not significantly different from their carrying amounts as shown in the financial statements at the reporting date.

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

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:

(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.

(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.

19 Contingent liabilities

No material contingent liabilities exist as at 31 December 2016.

NOTES

(forming part of the financial statements)

20 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:

	2016 RO'000s	**2016 USD'000s**	2015 RO'000s	2015 USD'000s
Within one year	**5,370**	**13,966**	5,465	14,212
Between two and five years	**21,813**	**56,730**	21,843	56,809
After five years	**34,067**	**88,601**	36,435	94,759
	61,250	**159,297**	63,743	165,780

(b) Land lease commitments

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

Within one year	**140**	363	140	363
Between two and five years	**559**	1,453	559	1,453
After five years	**950**	2,472	1,090	2,835

(c) As at 31 December 2016 the Company has outstanding purchase orders for USD 246,809 (RO 94,898).

21 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.

The 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. The 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	**28,288**	**73,571**	28,356	73,749
Between two and five years	**113,027**	**293,957**	113,069	294,067
After five years	**172,753**	**449,292**	200,999	522,754
	314,068	**816,820**	342,424	890,570

22 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.

	2016	2015
Net assets – shareholder funds (RO'000s)	**80,932**	78,429
Weighted average number of shares outstanding during the year ('000s)	**674,887**	674,887
Net assets per share (Baizas)	**119.92**	116.21

The Management believes that the hedging deficit of RO 9.60 million (USD 24.96 million) as at 31 December 2016 (RO 12.27 million [USD 31.91 million] as at 31 December 2015) represents the loss which the Company would incur, if it opts to terminate its swap agreements on this date. However, under the terms of its Financing Documents, the Company is not permitted to terminate the swap agreements. Accordingly the hedging deficit has been excluded from the Shareholder Funds.

23 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.

Net profit (RO'000s)	**8,295**	7,084
Weighted average number of shares outstanding during the year ('000s)	**674,887**	674,887
Basic earnings per share (Baizas)	**12.29**	10.50

24 Comparative figures

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