



الباطنة للطاقة

AL BATINAH POWER

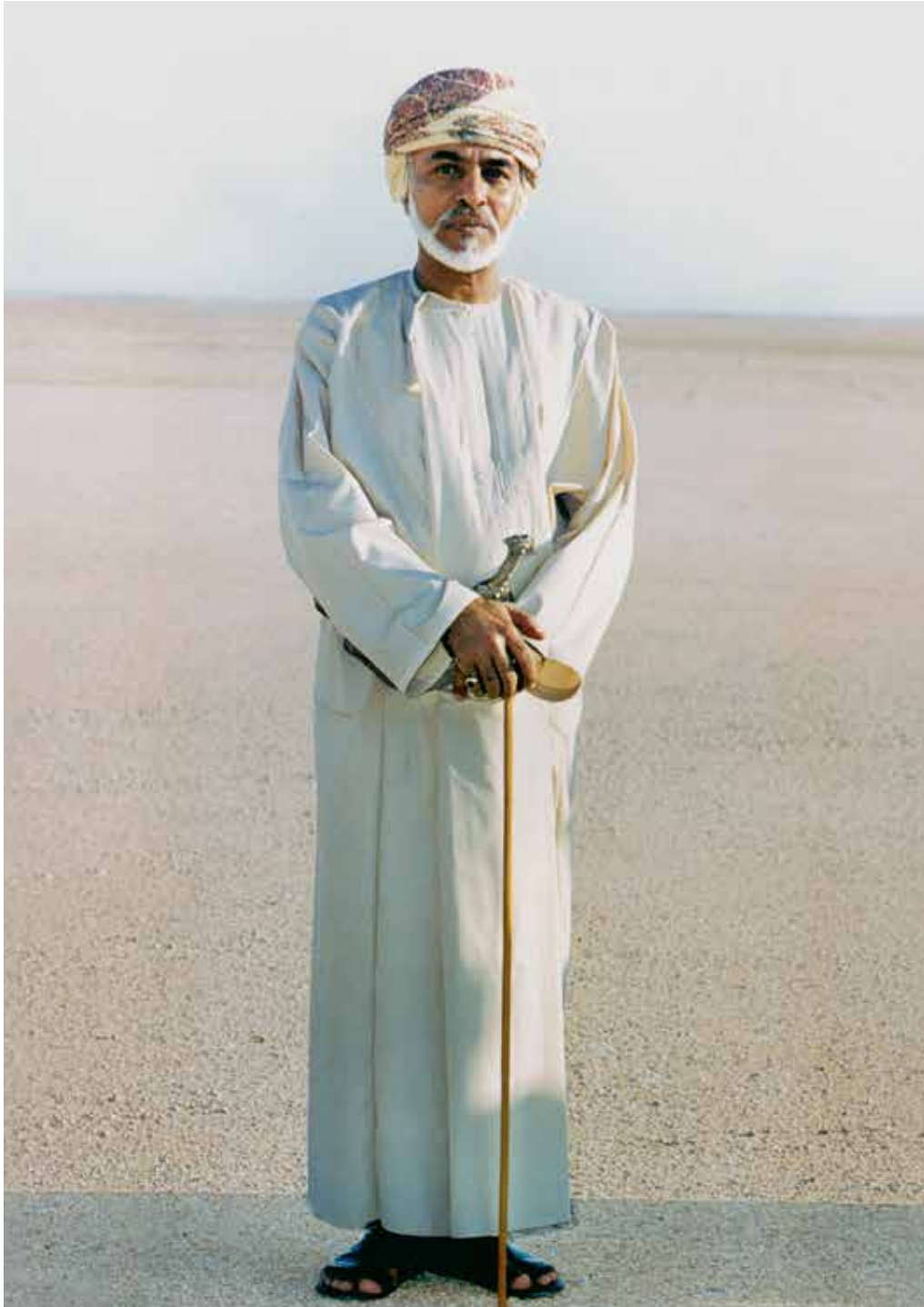
Annual
Report

2014



(PERFORMANCE)²

Energising Oman's Future



HIS MAJESTY SULTAN QABOOS BIN SAID

Contents

BOARD OF DIRECTORS AND KEY EXECUTIVE OFFICERS	4
BOARD OF DIRECTORS' REPORT	5
OPERATIONAL HIGHLIGHTS.....	7
DESCRIPTION OF THE PROJECT	10
ENVIRONMENT	13
PROFILE OF THE MAJOR SHAREHOLDERS	14
CORPORATE SOCIAL RESPONSIBILITY	16
MANAGEMENT DISCUSSION AND ANALYSIS REPORT	17
CORPORATE GOVERNANCE REPORT	20
AUDITED FINANCIAL STATEMENTS	29

BOARD OF DIRECTORS AND KEY EXECUTIVE OFFICERS

Board of Directors		Representing
Mrs. Catherine Lorgere Chouteau	Chairperson	Kahrabel FZE
Mr. Padmanabhan Ananthan	Deputy Chairman	Multitech LLC
Mr. Ajeet A. Walavalkar	Director	
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. Mohamed Amur Mohamed Al-Mamari	Director	Civil Service Employees Pension Fund
Mr. Mohammad Ribhi Izzat Al Hussein	Director	Ministry of Defence Pension Fund
Mr. Peter Shaw	Director	
Mr. Takahito Ima	Director	SEP International Netherlands B.V.

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

BOARD OF DIRECTORS' REPORT

Dear Shareholders,

On behalf of the Board of Directors of Al Batinah Power Company SAOG ("ABPC" or the "Company"), I have the pleasure to present the Annual Report of the Company for the year ended 31 December 2014.

The Company was incorporated in 2010 after award of the Sohar 2 IPP project. The Company owns and operates the 744MW power generation plant in the Sohar industrial area ("Sohar 2" or "the Plant"), selling electrical power to Oman Power and Water Procurement Company SAOC ("OPWP") under a 15-year Power Purchase Agreement ("PPA"). The Company purchases gas from the Ministry of Oil and Gas ("MOG") under a 15-year Natural Gas Supply Agreement ("NGSA"). The operations and maintenance of the power plant are subcontracted to Suez-Tractebel Operation and Maintenance Oman ("STOMO") under a 15-year O&M agreement.

Over the year 2014, the first "full" year of operation, the health and safety performance was excellent, with no lost time injuries ("LTI"). STOMO has reached 1274 days without LTI at the end of 2014. All health, safety and environmental ("HSE") processes were carefully audited by a third party in the frame of an OHSAS 18001 and ISO 14001 certification and no major non-compliances could be detected. The certificates are expected by early 2015.

Corporate governance

2014 brought some important changes to the Company. The Board of Directors, further to an invitation by the Capital Market Authority ("CMA"), recommended the Shareholders to proceed with a split of the nominal value of the Company's shares from RO 1 per share to Baizas 100 per share and this recommendation was accepted during an extraordinary general meeting in February.

In March, the Shareholders approved the proposal to convert the Company from a closed joint stock company to a public joint stock company and to offer 35% of the issued share capital of the Company to the public. Consequently, the Company launched its initial public offering ("IPO") which was completed successfully in June with a listing on the Muscat Securities Market. In addition, the Board of Directors was extended from 9 to 11 Directors during an extraordinary general meeting of the shareholders in December and reached its current composition.

Given the new "listed company" status, significant time and effort has been dedicated to review corporate structures, policies and processes in order to ensure the highest standards of corporate governance in compliance with local regulatory requirements as well as with international principles and best practice. This process will continue in 2015.

Operations

During the year 2014, the Company achieved an excellent operational performance, with the Plant demonstrating a high level of reliability (the key parameter to monitor performance of the plant and the profit generated over the period.) The power plant dispatched an aggregated net power volume of 3,614 GWh (vs 2,654 GWh in 2013 which was an incomplete year since commercial operation date was declared in April 2013).

Sohar 2 reliability for the year was 99.9% (similar as in 2013), showing only 0.1 % of forced outages (0.1 % 2013).

Financial results

The Company generated a net profit of RO 5.01 million for the year 2014, compared to a net profit of RO 9.25 million for 2013.



It is important to note that the Company started commercial operation in April 2013 and that its contractual tariff is highly seasonal (lower in October to March, higher in April to September). In comparison with 2013, net profit is lower in 2014 due to a blend of low and high tariff while the same period in 2013 was not affected by the low winter tariff in January to March as the plant was not yet in operation. In addition, 2013 saw a particularly high net profit due to a one-off settlement with our EPC contractor.

The Company paid a dividend of 8.00 Bzs per share in 2014, compared to 5.41 Bzs per share in 2013.

The share price ended the year at 171 Bzs.

Medium term Outlook

All reasonable measures are taken by the management to maintain the high reliability levels in 2015. Any change in the power supply and demand landscape in the Sultanate has no impact on the financial performance of the Company since its net profit is mainly derived from its availability and reliability.

The increase in gas price effective from January 2015, as recently announced by the MOG, will also have no impact on the net result since the gas price is a pass-through element in the PPA.

As Chairman 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 CMA and other governmental and non-governmental bodies for their guidance and support. I also insist upon thanking 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.

A special word of gratitude is also expressed for the Public Authority for Electricity and Water (“PAEW”) for their support during the organization of the official plant inauguration by H.E. Mohammed bin Salim bin Said Al Tobi on 24th of March.

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

OPERATIONAL HIGHLIGHTS



Health and Safety

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

The overall HSE performance in 2014 was excellent with no LTI reported. The Company has introduced an HSE policy under the philosophy:

- Zero harm to people
- Zero environmental incidents

STOMO completed 1274 days without LTI since its mobilization to site. The Plant has completed 638 days of commercial operation without any environmental incident. STOMO has proactively undertaken the process of ISO 14001 and OHSAS 18001 certification in 2014 for their operations in Sohar 2, for which a stage two audit was successfully completed in December 2014.

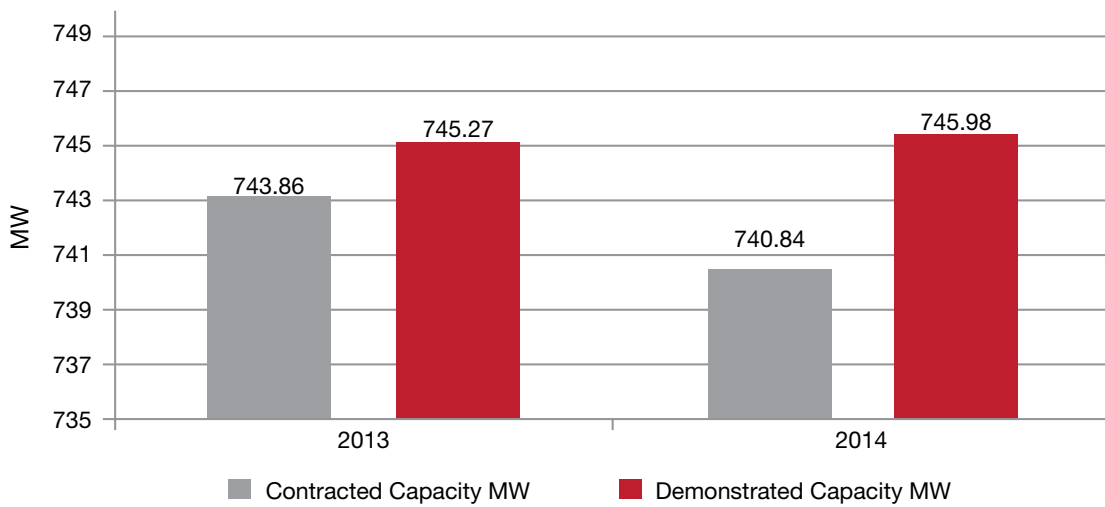
Many other proactive actions undertaken by the Company and STOMO have led to such an excellent achievement of HSE objectives:

- 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

Unsafe behavior and near misses are taken very seriously, analyzed and actions proactively implemented, shared internally and with board members so as to benefit from their experience and network, to ensure best practice.

Capacity

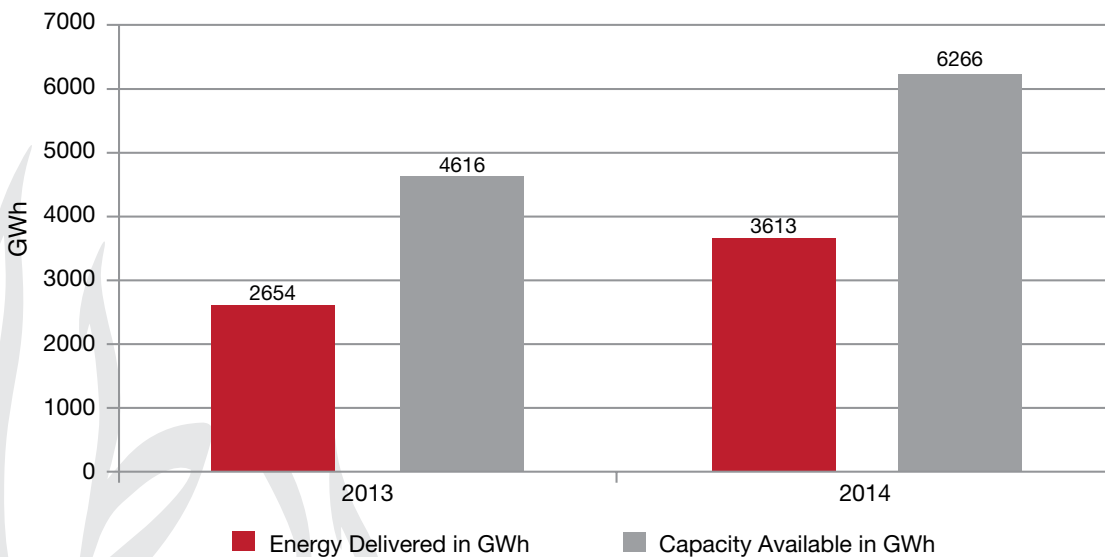
The capacity of a plant is defined as the total electrical power (MW), which can be delivered by the Plant at reference site conditions (RSC). The contractual capacity of the Company under the PPA applicable from May 2014 till April 2015 is 740.84 MW. The annual performance test conducted in March 2014 demonstrated that the Plant met the contractual requirements. This capacity is expected to decline slightly over the period of PPA due to normal degradation of the Plant but is expected to remain above 736.5 MW and meet contractual requirements under the PPA.



Availability

Availability is the amount of time the plant is technically capable of generating power. Plant outages (scheduled and forced) in 2014 were 3.6% (vs 5.3% in 2013) resulting in an overall availability of 96.4%. (vs 94.7% in 2013).

In 2014, the Company exported a total of 3,613 GWh of electrical energy with a utilization factor of 57.7% (vs 56.5% in 2013)



Note: 9 months of operation only in 2013

Reliability

The reliability of the Plant is its ability to deliver the declared capacity, as per the PPA. Any failure to lose the ability to deliver the declared capacity will be treated as forced outage. In 2014, the Plant reliability was 99.9%, in other words, the forced outage rate in 2014 was 0.1% (vs 0.1% in 2013). This result is excellent by any standard and materially contributes to our financial performance.

Plant Efficiency (Heat Rate)

The efficiency of the power plant is measured in terms of the amount of heat required to produce one unit of power. The actual efficiency for 2014 was broadly in line with the contracted value.

Maintenance

Maintenance of the plant was undertaken according to the operations and maintenance manuals during the year. The gas turbines underwent scheduled minor inspections in accordance with the long term service agreement with the equipment manufacturer.

Warranty

Part of the Plant is still under warranty until April 2015. The EPC contractor has made progress on warranty claims rectification and outstanding punch list items throughout the year.

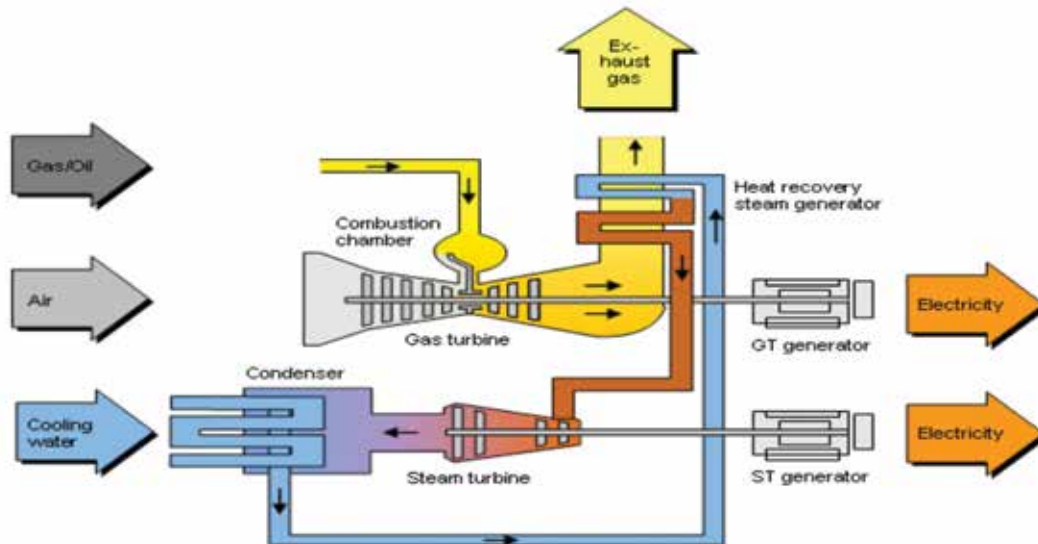
DESCRIPTION OF THE PROJECT



The Plant is located in the Sohar Port area, approximately 240 km northwest of Muscat in Oman, adjacent to Sohar Phase 1 IWPP. The Plant entered into full commercial operation on 3 April 2013.

The Plant consists of two Siemens AG SGT5-4000F gas turbines (GT), two triple pressure heat recovery steam generators (HRSG) and a Siemens AG SST5-5000 steam turbine (ST). The steam turbine condenser is cooled via a once through seawater system. Seawater is extracted from a common sea water intake facility owned and operated by Majis Industrial Services Company. The gas turbines are fitted with by-pass stacks to enable the operation in open cycle. Although capable of open cycle operation, the normal operating mode of the Plant is in combined cycle (CCGT) for higher thermal efficiency. At site reference conditions of 50°C ambient temperature and 30% relative humidity, the Plant had a net power capacity of approximately 744 MW at commercial operation date.

With the CCGT technology, the energy for electricity generation is obtained from the combustion of natural gas. Hot combustion gases formed by the combustion of natural gas drive a gas turbine, which, in turn, rotates an alternator to produce electricity. After driving the gas turbine, the exhaust gases are still hot enough to produce steam in a heat recovery boiler (HRSG). The steam generated in the heat recovery boiler drives a steam turbine, which rotates another alternator to produce additional electricity. The CCGT technology is well proven and more efficient than conventional power plant technology. The process is explained in more detail on the adjacent page:



The Plant is connected to the MOG owned gas transmission infrastructure that is operated by Oman Gas Company and to the main interconnected transmission system at 220 kV which is owned and operated by the OETC. The Plant is designed for black start operation by means of black start diesel generators which are capable of starting the plant.

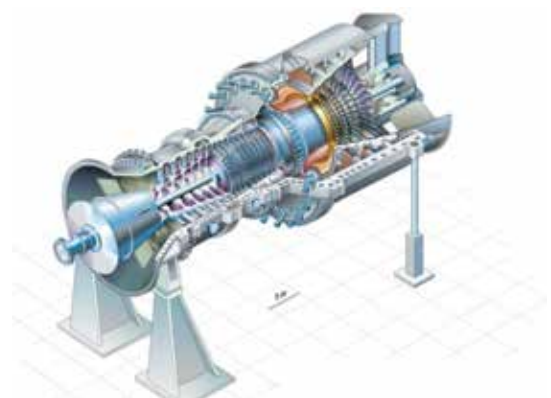
The auxiliary power for the Plant is derived from the Plant's internal electrical system with back up from the grid. The equipment and facilities required for the operation, testing, maintenance and repair of the equipment (for example control room, laboratory, stores, workshop, etc.) are available on site.

Gas Turbines

Each gas turbine consists of an air compressor, a combustor, a turbine and an exhaust. Air is drawn in from the atmosphere and compressed before it is fed into the combustor. Gas fuel, which is drawn from gas pipelines, burns in the combustor in the presence of the compressed air from the compressor. The gases produced in the combustor, a mixture of high temperature and high pressure hot gases, drive the turbine. The rotational energy of the turbine rotates the alternator, which produces electricity. The voltage level is stepped up through a transformer before it is fed to the grid.

The SGT5-4000F gas turbine concept builds on more than 40 years' experience with heavy-duty gas turbines at Siemens and Siemens-Westinghouse. The model of SGT5-4000F has been adopted from previous gas turbine models, including the following features:

- 15-stage high-efficiency compressor;
- annular combustion chamber with 24 hybrid burners for uniform flow and temperature distribution, including a full ceramic heat shield to minimize cooling air requirements and for allowing higher temperatures;
- improved turbine blade design to withstand high thermal stresses using a heat resistant alloy and an additional ceramic coating. They are cooled internally through a complex array of air channels and externally by film cooling. These measures combine to ensure a long blade service life;



- fail-safe hydraulic turbine blade tip clearance control for optimized radial clearances and hence maximum performance; and
- easy-to-service design thanks to an annular walk-in combustion chamber, which enables inspection of hot-gas-path parts without cover lift

This combustion system combines all the advantages of optimal combustion, including:

- high thermal efficiency;
- low NOx and CO emissions;
- low pressure drop; and
- high operating flexibility.

Heat Recovery Steam Generators

Hot exhaust gases from the individual gas turbines are directed into naturally circulated HRSGs, which generate steam at three pressure levels. The high pressure steam from each of the heat recovery steam generators is combined in a common header before passing to the steam turbine. The same configuration exists for the intermediate pressure and for the low pressure steam, allowing maximum operational flexibility.

A condensate pre-heater is integrated in the HRSG. This arrangement enables higher efficiencies of the combined cycle power plant, by using the exhaust gas energy to preheat the condensate before it passes to the feed water pump and into the LP-system.

Steam Turbine

The steam generated in the heat recovery boilers is used to generate additional electricity through a steam turbine (SST5-5000) and a separate alternator. The steam turbine consists of a combined high/intermediate pressure and low pressure turbine. The steam turbine blades provide high efficiency due to an advanced blading technology.

Generators

The gas turbine and steam turbine generators are of two-pole type, with direct radial hydrogen cooling for the rotor winding and indirect hydrogen-cooling for the stator winding.


The hydrogen filled generator casing is a pressure-resistant and gas-tight construction and is equipped with end shields at each end. The hydrogen cooler is subdivided into four sections. Two sections are arranged at each generator end.

ENVIRONMENT


AL BATINAH POWER COMPANY SAOG			
Document No.	Issue Year	Revision	
		No.	Date
ABPC/HSE/JDV/0001	2014	00	June 4, 2014

Health, Safety and Environment (HSE) Policy Statement

<p>Al Batinah Power Company SAOG is committed to achieving the highest possible HSE standards because we believe that it is our moral responsibility to ensure the well-being of our employees, visitors and contractors and to achieve the highest possible environmental performance on our operations.</p> <p>Our goal is ZERO! Zero harm to people, zero environmental incidents!</p> <p>This commitment will be achieved through:</p>	<p>شركة الباطنة للطاقة (س م ع ع) هي ملتزمة بتحقيق أعلى معايير ممكنة للصحة والسلامة البيئية وذلك لأننا نعتقد أنه من مسؤوليتنا الأخلاقية ضمان رفاه موظفينا والزوار والمقاولين وذلك لتحقيق أعلى مستوى من الأداء البيئي ضمن عملياتنا.</p> <p>هدفنا هو: عدم الأضرار والمحافظة على صحة وسلامة الناس، وبيئة عمل خالية من الحوادث البيئية.</p> <p>وسنم تحقيق هذا الالتزام من خلال:</p>
<p>1. Identifying all significant workplace hazards and appropriately controlling the risks associated with them.</p> <p>2. Setting HSE objectives supporting our policy and our commitment to continuous improvement of HSE performance.</p> <p>3. Organizing our business activities in such a way that environment is protected, pollution is minimized and natural resources are efficiently utilized.</p> <p>4. Training relevant staff in order to have an up to date view on best industry HSE practices.</p> <p>5. Implementing an HSE management system aimed at our corporate and contractor teams.</p> <p>6. Monitoring and maintaining compliance with all permits and legal requirements of the Sultanate of Oman.</p> <p>7. Promoting an HSE culture by interacting constructively with staff, contractors and regulators and maintaining effective relations at all levels.</p> <p>8. Organizing regular HSE management reviews and site walks.</p> <p>9. Reporting HSE performance in an open and honest manner.</p> <p>10. Communicating this policy effectively to all relevant stakeholders.</p> <p>11. Ensuring adequate planning, preparation and response for emergency situations and associated crisis management.</p>	<p>1. تحديد جميع المخاطر بشكل مناسب في موقع العمل والسيطرة عليها.</p> <p>2. تحديد أهداف صحة والسلامة البيئية لدعم سياستنا والالتزام المستمر للتحسين المستمر لأعلى مستويات الصحة والسلامة البيئية.</p> <p>3. تنظيم أنشطة أعمالنا بطريقة يتم من خلالها حماية البيئة، والتقليل من التلوث واستخدام الموارد الطبيعية بكفاءة عالية.</p> <p>4. تدريب الموظفين ذات الصلة من أجل أن يكون لديهم نظرة على أفضل الممارسات للصحة والسلامة البيئية في مجال الصناعة.</p> <p>5. تطبيق نظام إدارة الصحة والسلامة البيئية يستهدف مؤسساتنا وجميع مقاولينا.</p> <p>6. رصد ومتابعة جميع الترخيص والامتثال لجميع المتطلبات القانونية في سلطنة عمان.</p> <p>7. تعزيز ثقافة الصحة والسلامة البيئية من خلال التفاعل البناء مع الموظفين والمقاولين والمنظمين والمعتاد على العلاقات الفعالة على جميع المستويات.</p> <p>8. تنظيم مراجعات دورية للصحة والسلامة البيئية من أجل الأثر.</p> <p>9. الإبلاغ عن أداء الصحة والسلامة البيئية في المؤسسة بطريقة شفافة وصارخة.</p> <p>10. توصيل هذه السياسة بشكل فعال لجميع أصحاب المصلحة المعنيين.</p> <p>11. ضمان التخطيط المناسب والاستعداد للاستجابة لحالات الطوارئ وإدارة الأزمات المرتبطة بها.</p>

Signed:  Jürgen De Vyt (Chief Executive Officer)

Date: June 4, 2014



In accordance with its HSE policy, the Company has organized its business activities in such a way that environment is protected, pollution is minimized and natural resources are efficiently utilized.

The advanced technology of Siemens combustion systems and DLN burners ensures low NOx emissions to the atmosphere, well below the regulatory and contractual limits. The advanced combustion systems combined with the triple reheat heat recovery boilers, evaporative coolers, gas and air preheaters ensure that the Plant is capable of a thermal efficiency above 57% in combined cycle configuration thus enabling a reduced greenhouse gas footprint. The technology implemented for the water and waste water treatment plant ensures that all liquid wastes are treated to below regulatory limits before being discharged into the marine environment.

In 2014, zero environmental incidents were reported. The Company obtained the final environmental permit from the Ministry of Environment and Climate Affairs.

PROFILE OF THE MAJOR SHAREHOLDERS

Kahrabel FZE

Kahrabel FZE oversees and manages the development, construction and operation of the electricity and water production business of GDF SUEZ Energy International in the SAMEA region. It is an entity 100% owned directly by International Power, which is itself indirectly wholly owned by International Power Ltd.

International Power Ltd. is owned indirectly by GDF SUEZ through minority stakes held by the GDF SUEZ 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 150,000 people worldwide and achieved revenues of €81.3 billion in 2013. GDF SUEZ is listed on the Brussels, Luxembourg and Paris 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, and Euronext Vigeo (World 120, Eurozone 120, Europe 120 and France 120).

Multitech LLC

Multitech LLC is part of the Suhail Bahwan Group (SBG), which ranks as one of the foremost business houses in the Sultanate of Oman. Multitech LLC is the investment vehicle for SBG's participation in privatization projects, including ACWA Power Barka SAOG and the prestigious Military Technological College project for Ministry of Defense. In addition, Multitech LLC's activities include trading in the areas of electrical products, welding products, water treatment and oilfield chemicals.

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

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

Blue Horizon Sohar Power B.V.

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

Sojitz employs 16,080 people worldwide and achieved revenues of \$17.5 billion in the fiscal year ended in March 2014.

Sojitz was created 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, parent of BHSP, is a global investment and trading company actively involved in project developments for power and energy sector around the world. Sojitz has roughly 6,000 MW gross power capacity in operation and 13.2 MIGD of gross seawater desalination capacity under construction as at end of 2014. 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.

SEP International Netherlands B.V. (SEPI) is a wholly owned subsidiary of Shikoku Electric Power Co., Inc. (Yonden) for investing and managing IPP/IWPP projects outside Japan, and 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 in a stable manner since then.

Also, its wholly owning parent company, Yonden, listed on the Tokyo Stock Exchange, is an electric power utility and carries out the integrated process of generating, transmitting, distributing, and selling electricity to 4 million people in the Shikoku region, Japan. Yonden employs more than 4,800 people and has achieved consolidated operating revenues of USD 6.2 billion from the electricity sales of 28.4 billion kWh in the fiscal year ended March 31, 2014. 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, solar, and wind power, totaling approximately 7,000MW (net and gross) in generating capacity at 65 power stations.

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

Public Authority for Social Insurance

Public Authority for Social Insurance (PASI) is a public authority established in Oman enjoying administrative and financial independence pursuant to Royal Decree 72/91 issued on 2nd July 1991. PASI manages a defined benefit pension scheme for Omani nationals employed in the private sector through prudent, wise and long-term investment strategies. Currently, the scheme members exceed 180,000 active participants. PASI invests actively in the local and International capital markets. Locally, PASI has been a pioneer in participating in power, utility companies and major real estate projects. Internationally, PASI's investments cover both traditional (such as bonds and equities) and alternative assets (such as private equity, infrastructure & real estate).

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

Civil Service Employees Pension Fund

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. It undertakes the responsibility for implementation of provisions of the law in addition to managing and investing the pensions and end of service funds.

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

Ministry of Defence Pension Fund

The Ministry of Defence Pension Fund (MODPF) 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 market, 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 corporations in Oman.

CORPORATE SOCIAL RESPONSIBILITY



The Company has launched its corporate citizenship with the official plant inauguration in March. Sohar 2 was inaugurated by H.E. Mohammed bin Salim bin Said Al Tobi, Minister of Environment and Climate Affairs. The event was also attended by officials from the Public Authority for Electricity and Water (PAEW), government and municipality and senior representatives of the shareholders and other stakeholders.

The Company will focus its social involvement on local initiatives in the areas of education, sports, health, safety and environment.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Industry structure and development

In 2004, the ‘Sector Law’ came into force which provides the framework for the industry structure of electricity and water in Oman. It led to the setting up of an independent regulatory agency, 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.

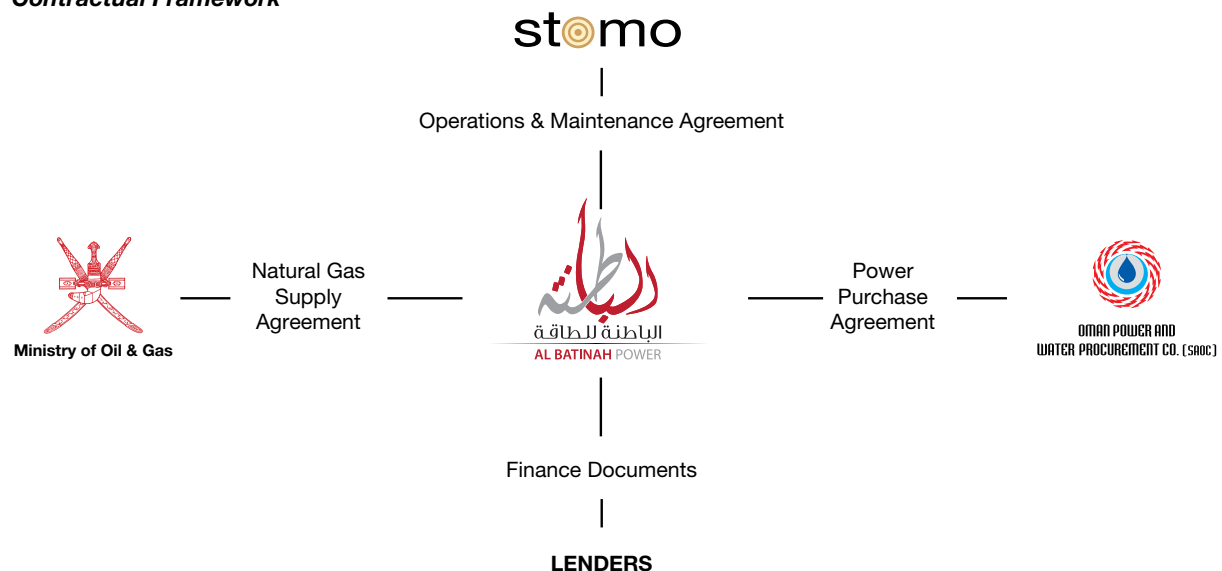
The Omani electricity and water sector is partly government-owned and partly privatized. OPWP’s portfolio of contracted capacity comprises of long-term contracts with eleven plants in operation.

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

Opportunities and Threats

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

Contractual Framework



The Power Purchase Agreement (PPA) is resilient to potential shocks in gas prices and power demand until 2028 besides providing for protection against the political risks.

OPWP is the sole purchaser of all electricity output from the power plant and the Company is fully dependent on timely payments by OPWP. OPWP is an entity with a high credit rating and a good track record of timely payments and it receives financial support from EHC and the Government from time to time.

The Natural Gas Sales Agreement (NGSA) executed with the Ministry of Gas secures the availability of fuel (natural gas) back to back with the PPA term.

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 power plant uses proven technology from renowned international suppliers (mainly Siemens) whereas the operational risk is largely mitigated through execution of an Operation & Maintenance contract on a long term basis with an experienced and skilled operator with largest O&M expertise in Oman.

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

Discussion on operational and financial performance

Operation Highlights

Please refer to section "Operations Highlights" for operational performance of the Company.

Financial Highlights

All figures in RO Millions		2014	2013
Revenues	1	51.87	43.16
Net Profit	2	5.01	9.25
Net Profit before Finance Costs	3	17.34	18.73
Total Assets	4	293.18	301.00
Capital (Paid-up)	5	67.49	67.49
Shareholders' Fund (Net Assets)	6	77.30	77.70
Term Loans [^]	7	212.04	223.92
Weighted average number of shares*	8	674.89	507.42
Actual number of shares outstanding*	9	674.89	674.89
Ordinary Dividends	10	5.40	3.65
Key Financial indicators			
Net Profit margin	2/1	9.7%	21.4%
Return on Capital (Paid-up)	2/5	7.4%	13.7%
Return on Capital Employed	3/(6+7)	6.0%	6.2%
Debt Equity ratio	7 : 6	73.3 : 26.7	74.2 : 25.8
Net assets per share (Baizas)	6/8	114.54	153.12
Basic earnings per share (Baizas)	2/8	7.42	18.23
Dividends per share (Baizas)	10/9	8.00	5.41

[^]Excluding unamortised transaction cost

* Nominal value per share in 2013 was RO 1 but for comparison purposes 100 Baiza per share is assumed

Analysis of Profit & Loss

2014 is the first full year of operation as the Company achieved Commercial Operation Date on 3 April 2013 while the comparative figures for 2013 reflect a 9-month period. Accordingly, a meaningful comparison cannot be made between 2014 and 2013 profit & loss but a brief analysis is provided in the ensuing paragraph.

Revenues of RO 51.87 million in 2014 were higher as compared to RO 43.16 million in 2013.

The Net Profit of RO 5.01 million in 2014 was however lower than RO 9.25 million in 2013 mainly due to a combination of two reasons: (a) PPA tariff structure is highly seasonal (lower in October to March and higher in April to September) and 2013 was not affected by low winter tariff for the period January to March 2013 and (b) one-off settlement of liquidated damages (net) of RO 1.28 million under the EPC Contract in 2013.

Analysis of Balance Sheet

Total Assets of the Company stood at RO 293.18 million as on December 31, 2014 as compared to RO 301.00 million last year mainly due to depreciation charge for the year.

Trade Receivables reflect one month of invoices that will be settled by OPWP as per the terms of PPA. Reduction in Inventories reflects consumption of fuel oil.

Cash and cash equivalents and short term deposit net of short term borrowings stood at RO 2.64 million as at December 31, 2014 as compared to RO 2.40 million last year.

The Shareholders' Funds (Net Assets) at RO 77.30 million as of December 31, 2014 were lower compared to RO 77.70 million as of last year due to actual higher dividend distribution compared to net profit for the year.

Hedging Reserve (net of Deferred Tax) reducing Equity by RO 10.54 million reflects the fair value of the four interest rate swaps and a currency swap as at the balance sheet date and does not impact the Company's capability to distribute dividends to the shareholders.

Terms Loans (including non-current and current balances) reduced to RO 212.04 million as a result of scheduled repayments in accordance with financing agreements.

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

Dividend Distribution

The Company follows a balanced dividend pay-out policy, subject to debt repayments, working capital and operational expenditure obligations. The Company's dividends distribution of RO 5.40 million (translating to 8.00 Baizas per share) in 2014 (paid out of the audited retained earnings for the year ended December 31, 2013) was higher compared to RO 3.65 million (5.41 Baizas per share) in 2013.

Outlook

The management of the Company appreciates the continued support of all stakeholders in 2014 and expects to achieve a good operational and financial performance in 2015.

Being a new SAOG, the Company will continue to focus on all areas of corporate governance including critical review of all business processes and further implementing policies and procedures on key processes.

Internal control systems and their adequacy

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

The Management is fully committed to implement the recommendations being made in the first Internal Audit Report to further augment the internal control environment of the Company.



KPMG
4th Floor, HSBC Bank Building
MBD
P.O. Box 641
P.C. 112
Sultanate of Oman

Tel 968 24709181
Fax 968 24700839

Report to the shareholders of Al Batinah Power Company SAOG ("the Company") of factual findings in connection with the Corporate Governance report of the Company and application of the Corporate Governance practices in accordance with Capital Market Authority Code of Corporate Governance

We have performed the procedures prescribed in the Capital Market Authority ("CMA") Circular No. 16/2003 dated 29 December 2003 ("the Procedures") with respect to the Corporate Governance Report of the Company ("the Report") and its application of the Corporate Governance practices in accordance with the CMA Code of Corporate Governance ("the Code") issued under Circular No. 11/2002 dated 3 June 2002 and the CMA Rules and Guidelines on disclosure, issued under CMA Administrative Decision 5/2007, dated 27 June 2007. The Report is set out on pages 21 to 28.

Our engagement was undertaken in accordance with the International Standards on Auditing applicable to agreed-upon procedures engagements. The Procedures were performed solely to assist you in evaluating the Report.

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

Because the 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 this Report in accordance with International Standards on Auditing or International Standards on Review Engagements, other matters might have come to our attention that would have been reported to you.

This report is solely for the purpose set forth in the second paragraph above, and for inclusion, with the Report, in the Company's annual report, and is not to be used for any other purpose; and we accept no responsibility to any third party. This report relates only to the Report included in the Company's annual report for the year ended 31 December 2014 and does not extend to the financial statements or any other reports of the Company, taken as a whole.

18 February 2015


Ahmed Tufail

CORPORATE GOVERNANCE REPORT

In accordance with the guidelines issued by the CMA vide circular 1/2003 (“Code of Corporate Governance” or the “Code”), the Board of Directors and Management of the Company hereby present their Corporate Governance Report for the year ended 31 December 2014.

Company’s philosophy

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

The Board of Directors is elected by the general meeting of the shareholders and the Executive Management is appointed by the Board of Directors. An Audit Committee, composed of three Non-Executive Directors with high level of expertise in financial matters, is fully operational in line with the provisions of the Code. The Company is being managed with due diligence and care, and in the best interest of all shareholders.

The Company is operated as per its policies and procedures, which regulate each of its business processes. These are regularly reviewed and kept up to date for optimal control. Material information is transparently disclosed in a timely manner so that the relevant stakeholders have access to sufficient and reliable information.

In particular, the Company has taken the following steps during its first months as an SAOG :

- Appointment of an internal auditor (supported by a reputable advisory firm) to ensure that internal controls are in place and effectively implemented
- Appointment of two disclosure officers and implementation of “Rules and Guidelines on Disclosure”
- Implementation of the new Articles of Association in line with CMA requirements
- Transformation of the Board of Directors composition in line with CMA requirements
- Implementation of a new Health, Safety and Environment Policy
- Implementation of a new Ethics charter and nomination of a new Ethics Officer

In addition, KPMG, as independent registered public accountant, (“External Auditor”) has audited the Company’s financial statements for fair presentation of the Company’s accounts in all material respects in accordance with International Financial Reporting Standards (“IFRS”) and International Accounting Standards (“IAS”), as well as this Corporate Governance Report for compliance with the law and regulatory requirements.

Board of Directors

a) Composition and category of Directors, and attendance in 2014

In compliance with the Company's new Articles of Association, its Board of Directors is constituted of 11 Directors since December 2014.

	Name of Directors	Category of Directors	Attendance					
			Board Meetings					AGM
			Feb 26	Jun 12	Jul 22	Oct 20	Total	Mar 23
Incumbent as of Dec 31, 2014	Mrs. Catherine Lorgere Chouteau * (Chairperson)	Non-Executive & Independent	-	-	-	-	-	-
	Mr. Padmanabhan Ananthan (Deputy Chairman)	Non-Executive & Independent	v	v	proxy	v	4	v
	Mr. Ajeet A. Walavalkar	Non-Executive & Independent	v	v	v	v	4	x
	Mr. David Joseph Orford *	Non-Executive & Independent	-	-	-	-	-	-
	Mr. Guillaume Baudet	Non-Executive & Independent	v	v	v	v	4	x
	Mr. Hachiman Yokoi	Non-Executive & Independent	v	v	v	v	4	x
	Mr. Hadi Said Humaid Al Harthy	Non-Executive & Independent	v	v	v	v	4	v
	Mr. Mohamed Amur Mohamed Al-Mamari *	Non-Executive & Independent	-	-	-	-	-	-
	Mr. Mohammad Ribhi Izzat Alhusseini *	Non-Executive & Independent	-	-	-	-	-	-
	Mr. Peter Shaw *	Non-Executive & Independent	-	-	-	-	-	-
Mr. Takahito Ima	Non-Executive & Independent	proxy	proxy	proxy	proxy	4	x	
Resigned	Mr. Mario Savastano (Chairman) **	Non-Executive & Independent	v	-	-	-	1	x
	Mr. Philippe Langlet (Chairman) **	Non-Executive & Independent	-	v	v	v	3	-
	Mr. Jan Sterck **	Non-Executive & Non-Independent	v	v	v	proxy	4	x
	Mr. Johan Van Kerrebroeck **	Non-Executive & Non-Independent	proxy	v	v	v	4	x

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

*: appointed end 2014, **: resigned during 2014

Footnote : pursuant to the provisions of Administrative Decision 137/2002, the Company has changed the composition of its Board of Directors as reflected in the table above. In addition, further to its new Articles of Association, the Company has increased its number of Directors from 9 to 11.

b) Directors holding Directorship/Chairmanship in other SAOG companies in Oman as of December 31, 2014

Name of Directors	Position held	Name of companies
Mr. Padmanabhan Ananthan	Director	Sharqiyah Desalination Company SAOG
Mr. Guillaume Baudet	Director	United Power Company SAOG
Mr. Mohammad Ribhi Izzat Alhusseini	Director	National Aluminium Production Company SAOG

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

Audit Committee

a) Brief description of terms of reference

The primary function of Audit Committee (“AC”) is to provide independent assistance to the Board of Directors in fulfilling their oversight responsibility to the shareholders, potential shareholders, the investment community and other stakeholders relating to:

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

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

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

b) Composition, position and attendance in 2014

Name of Committee Members	Position	Attendance				
		Feb 25	Jun 11	Jul 21	Oct 19	Total
Mr. Guillaume Baudet	Chairman	v	v	v	v	4
Mr. Hachiman Yokoi	Member	v	v	v	v	4
Mr. Padmanabhan Ananthan	Member	v	proxy	v	v	4

Process of nomination of Directors

Directors are nominated and elected as per the Commercial Company Law and the Article of Association.

The term of office of the Directors shall be for a maximum period of 3 years, subject to re-election where 3 years for this purpose is the period ending on the date of the third Annual General Meeting. The current term will expire at the Annual General Meeting in 2016. If the office of a Director becomes vacant in the period between two Ordinary General Meetings, the Board of Directors may appoint an Interim Director who satisfies the requirements specified in Company’s Articles of Associations to assume his/her office until the next Ordinary General Meeting.

Remuneration matters

a) Directors and Audit Committee members

At the Annual General Meeting held on March 23 2014, the shareholders approved individual sitting fees of RO 400 for the Board of Directors and RO 200 for the Audit Committee. The sitting fee is payable to the Board of Directors members and the Audit Committee members who attend the meeting either in person, over phone/video conference or by proxy.

Sitting fees for the year 2014 due to the Directors attending Board of Directors and AC amount to RO 16,000. No further payments were paid to the Board of Directors or Audit Committee members.

b) Top 5 officers

The Company paid to its top 5 officers an aggregate amount of RO 338,740 which includes secondment fee, salaries, performance related discretionary bonus and other benefits. The remuneration is paid commensurate with their qualification, role, responsibility and performance.

Details of non-compliance by the Company

There were no penalties from the Company by Capital Market Authority ("CMA"), Muscat Securities Market ("MSM") or any other statutory authority on any matter related to capital markets in 2014.

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 in both English and Arabic. Material information is disclosed immediately, and financial information such as initial quarterly or annual un-audited financial results, un-audited interim financial statements, and audited annual financial statements are disclosed within the regulatory deadlines. The Company's executive management is also available to meet its shareholders and analysts as and when required.

Market price data

a) High/Low share price and performance comparison during each month in 2014.

Month	Price (Baizas)			MSM Index (Service Sector)
	High	Low	Average	
June	171	157	164	3,605.010
July	173	167	170	3,681.940
August	187	168	178	3,765.910
September	187	174	181	3,809.090
October	184	175	180	3,660.300
November	186	175	181	3,541.030
December	179	155	167	3,475.210

* The Company was listed on MSM from June 23, 2014.

Distribution of shareholding as of December 31, 2014

Category	Number of shareholders	Number of shares held	Share capital %
5% and above	7	530,897,859	78.67%
1% to 5%	2	27,143,337	4.02%
Less than 1 %	4,163	116,846,234	17.31%
Total	4,172	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 2014. KPMG is a leading Audit, Tax and Advisory firm in Oman and is a part of KPMG Lower Gulf that was established in 1974. KPMG in Oman employs more than 150 people, amongst whom are 4 Partners, 5 Directors and 20 Managers, including Omani nationals. KPMG is a global network of professional firms providing Audit, Tax and Advisory services. KPMG operates in 155 countries and has more than 162,000 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 (CMA) to audit joint stock companies (SAOGs). During the year 2014, KPMG rendered professional services aggregating to RO 14,216 (RO 10,536 for audit (statutory and one-off for IPO) and RO 3,520 for tax filings/computations).

Acknowledgement by the Board of Directors

The Board of Directors confirm their responsibility for the preparation of the financial statements in line with International Financial Reporting Standards ("IFRS") and International Accounting Standards ("ISA") to fairly reflect the financial position of the Company and its performance during the relevant financial period. The Board of Directors confirms that it has reviewed the efficiency and adequacy of the internal control systems of the Company, and is pleased to inform the shareholders that adequate and appropriate internal controls are in place, which are in compliance with the relevant rules and regulations.

The Board of Directors confirms that there are no material matters that would affect the continuity of the Company, and its ability to continue its operations during the next financial year.

Brief Profiles of Directors

Name	Mrs. Catherine Lorgere Chouteau
Year of Joining	1 December 2014
Education	Mrs. Chouteau holds a 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. Currently Mrs. Chouteau is the General Counsel for Energy South Asia, Middle East and Africa Area at the Dubai office since January 2014.

Name	Mr. Padmanabhan Ananthan
Year of Joining	27 March 2013
Education	Chartered Accountant from the Institute of Chartered Accountants of India.
Experience	Mr. Ananthan has around 30 years of professional experience in manufacturing and construction industries. He is presently the Chief Financial Officer of Bahwan Engineering Group, part of the Suhail Bahwan Group. During his 20 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 and management reporting and investment analysis. He did a short stint as the Chief Financial Officer, as Multitech nominee, of Al Suwadi Power during its start-up phase.

Name	Mr. Ajeet A. Walavalkar
Year of Joining	27 March 2013
Education	Mr. Walavalkar holds a Bachelor's Degree in Electrical Engineering.
Experience	Mr. Walavalkar has more than 35 years' experience in the electrical energy industry in the capacity of handling products and projects. He has been involved in the marketing of medium to large and special electrical products. During this period, he has also been involved and responsible for the business development, EPC contracting and general management of large electrical infrastructure and industrial projects in the power generation, transmission and distribution sector. Mr. Walavalkar has previously worked with Siemens, India Ltd on overseas projects and is currently the Chief Operating Officer of the Bahwan Engineering Group, Oman.

Name	Mr. David Joseph Orford
Year of Joining	10 December 2014
Education	Mr. Orford holds a Diploma in Engineering, Open University Calculus, Math's Modeling and Technology, NEBOSH General Certificate, Member of the Institute of Environmental Management & Assessment.
Experience	Mr. Orford has 34 years of professional experience in the operation and maintenance of power generation equipment and systems. On leaving the British Royal Naval Submarine service in 1994 David 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 David 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	27 March 2014
Education	Mr. Baudet holds a Master's Degree in Business and Finance.
Experience	Mr. Baudet has 18 years of experience in the fields of controlling and finance. After 11 years in the automotive industry, he joined GDF SUEZ Energy International in 2007 as Head of Business Control for the MENA region, before becoming CFO of Hidd Power Company in Bahrain. Mr. Baudet is the CEO of Sohar Power Company SAOG since 2013.

Name	Mr. Hachiman Yokoi
Year of Joining	27 March 2013
Education	Mr. Yokoi holds a Bachelor's Degree in Linguistics, Spanish Language from the Osaka University for Foreign Studies.
Experience	Mr. Yokoi has more than 20 years of experience in infrastructure project developments. Since joining Sojitz in 1992, he has been involved in various infrastructure projects across the world under the Japanese Government's programs as well as the Public Private Partnership (PPP) scheme. Mr. Yokoi worked for the Power and Infrastructure Project Department of Sojitz from 2001 to 2011 during which he was responsible as a Project Manager for various IPP/IWPP developments including Barka-3, Sohar-2, Riyadh PP-11 and Fujailah-2 bidding. Currently, Mr. Yokoi is General Manager, Infrastructure Project Department at the Sojitz Middle East-Africa office based in Dubai.

Name	Mr. Hadi Said Humaid Al Harthy
Year of Joining	27 March 2013
Education	Mr. Al Harthy holds a Master's Degree in Business Administration from the University of Strathclyde Business School Glasgow, Scotland UK and a Bachelor's Degree in Business Administration/Finance from the University of Toledo, Ohio USA.
Experience	Mr. Al-Harthy has a total of 32 years of experience in the investment and finance industry out of which he has spent more than 24 years with the CBO. He has been involved in managing traditional and alternative asset investment portfolios both on shore and offshore investments with CBO and in his current role with PASI.
Name	Mr. Mohamed Amur Mohamed Al-Mamari
Year of Joining	10 December 2014
Education	Mr. Al Mamari holds a Master's Degree in Accounting & Finance from Cardiff University, UK in 2008 and a Bachelor's Degree in Economics & Accounting from Kuwait University in 1997.
Experience	Mr. Al Mamari has 17 years of experience in finance, investment, admin and pension in the Civil Service Employees Pension Fund. His current position is Director of Civil Service Employees Pension Fund Department in North al Batinah Governorate.
Name	Mr. Mohammad Ribhi Izzat Al Hussein
Year of Joining	10 December 2014
Education	Mr. Al Hussein holds an MBA - Corporate Finance from USA and a Bachelor's Degree in Money and Banking.
Experience	Mr. Al Hussein has over 20 years of work experience. He is currently working as Deputy Investment Director in Ministry of Defence Pension Fund Muscat, Oman. He is a member in the Audit Committee of the National Aluminium Production Company SAOG. He also has extensive experience in local and regional markets.
Name	Mr. Peter Shaw
Year of Joining	10 December 2014
Education	Mr. Shaw was educated in the UK, Chartered Manager and Member of the Chartered Management Institute, Chartered Energy Manager and Member of the Energy Institute.
Experience	Mr. Shaw has 30 years of experience in the Power Generation industry, in senior management roles since 1999, mostly in the UK, with spells in Kuwait and is now in the UAE for three years as Plant General Manager at Shuweihat S1 IWPP. He started out on Operations at large coal fired power plants (4000 MW) in the UK, moving on to CCGT technology (ABB 13E2) in 1996. He was the Manager of the world's first commercial biomass IGCC plant in the UK, and then was the Commissioning Manager for the largest CHP in Europe (two GE 9FA, and first GE 9FB in the UK). He moved to the UAE from the latest CCGT to be commissioned in the UK, at West Burton B (three GE 9FB).

Name	Mr. Takahito Iima
Year of Joining	27 March 2013
Education	Mr. Iima holds a Bachelor's Degree in Electrical Power Engineering from Waseda University (Japan).
Experience	<p>Mr. Iima is the General Manager of overseas business of Yonden. In this position, he assumes the management responsibility of its overseas business such as IPP/IWPPs development and management, and technical consulting for power industry under the Japanese Government's programs.</p> <p>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 (3,398km 187-500kV transmission lines and 20,827MVA substations) for 23 years. Subsequently, he has been engaged in the company's overseas business for the last 12 years.</p> <p>In addition to Al Batinah Power, Mr. Iima is also on the Board of Directors of SEP International Netherlands B.V. in the Netherlands and RLC Power Holding Company Limited in Qatar.</p>

Brief Profiles of Key Executive Officers

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

Name	Mr. Jurgen De Vyt
Position	Chief Executive Officer
Year of Joining	2014
Education	Master's Degree in Business Administration (Executive Management) from the Vlerick Leuven Ghent Management School and a Master's Degree in Electrical Engineering.
Experience	<p>He has over 22 years of experience in the management of major international projects in the industry, infrastructure and power sectors. Since he joined the GDF SUEZ Group in 1991, he has been in charge of multicultural teams, responsible for the realization of projects in Europe and Northern Africa. Between 2003 and 2006, Mr. De Vyt was the Project Director for the Sonatrach Gazoduc renovation project in Algeria. From 2007 to 2008, he was in charge of business development for renewable energy projects in Belgium. From 2008 till 2013 Mr. De Vyt worked on a new 800MW power plant in northern Germany, responsible for organisational and technical matters.</p>

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	<p>Mr. Murakami has more than 13 years of experience in the 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.</p>

AUDITED FINANCIAL STATEMENTS





KPMG
4th Floor, HSBC Bank Building
MBD
P.O. Box 641
P.C. 112
Sultanate of Oman

Tel 968 24709181
Fax 968 24700839

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

Report on the financial statements

We have audited the financial statements of Al Batinah Power Company SAOG ("the Company"), set out on pages 31 to 63, which comprise the statement of financial position as at 31 December 2014, and the statements of income, profit or loss and other comprehensive income, changes in equity and cash flows for the year ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditors' responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2014, and its financial performance and its cash flows for the year ended in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements

In our opinion, the financial statements of the Company as at and for the year ended 31 December 2014, in all material respects, comply with

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

18 February 2015


Ahmed Tufail

Income statement

for the year ended 31 December

	Notes	2014 RO	2014 USD	2013 RO	2013 USD
Revenues		51,872,482	134,908,927	43,164,525	112,261,441
Direct costs	15	<u>(29,853,773)</u>	<u>(77,643,104)</u>	<u>(21,974,653)</u>	<u>(57,151,239)</u>
Gross profit		22,018,709	57,265,823	21,189,872	55,110,202
Liquidated damages (net)	14	<u>-</u>	<u>-</u>	<u>1,283,045</u>	<u>3,336,918</u>
		22,018,709	57,265,823	22,472,917	58,447,120
General and administrative expenses	16	<u>(1,132,232)</u>	<u>(2,944,688)</u>	<u>(478,715)</u>	<u>(1,245,029)</u>
Profit before interest and tax		20,886,477	54,321,135	21,994,202	57,202,091
Finance costs (net)	17	<u>(12,329,593)</u>	<u>(32,066,561)</u>	<u>(9,482,348)</u>	<u>(24,661,497)</u>
Profit before tax		8,556,884	22,254,574	12,511,854	32,540,594
Tax expense	11	<u>(3,548,818)</u>	<u>(9,229,698)</u>	<u>(3,261,707)</u>	<u>(8,482,983)</u>
Net profit		<u>5,008,066</u>	<u>13,024,876</u>	<u>9,250,147</u>	<u>24,057,611</u>
Earnings per share					
Basic earnings per share (Baizas)	24	<u>7.42</u>	<u>-</u>	<u>18.23</u>	<u>-</u>

The notes on pages 37 to 63 form an integral part of these financial statements.

The report of the Independent Auditors is set forth on page 30.

Statement of profit or loss and other comprehensive income

for the year ended 31 December

	Notes	2014 RO	2014 USD	2013 RO	2013 USD
Net profit		5,008,066	13,024,876	9,250,147	24,057,611
Other comprehensive (loss)/ income, net of tax:					
<i>Item that will be reclassified to profit and loss</i>					
Cash flow hedges -effective portion of changes in fair value	19	<u>(7,544,186)</u>	<u>(19,620,772)</u>	<u>15,033,834</u>	<u>39,099,700</u>
Total comprehensive (loss)/ income for the year		<u>(2,536,120)</u>	<u>(6,595,896)</u>	<u>24,283,981</u>	<u>63,157,311</u>

The notes on pages 37 to 63 form an integral part of these financial statements.

The report of the Independent Auditors is set forth on page 30

Statement of financial position

as at 31 December

	Notes	2014 RO	2014 USD	2013 RO	2013 USD
Assets					
Non-current assets					
Property, plant and equipment	5	283,550,247	737,451,877	290,980,174	756,775,485
Deferred tax asset	11	1,620,327	4,214,116	430,743	1,120,268
Total non-current assets		285,170,574	741,665,993	291,410,917	757,895,753
Current assets					
Trade and other receivables	7	2,544,811	6,618,496	2,643,075	6,874,060
Inventories		1,824,259	4,744,497	1,893,314	4,924,097
Short term deposit	13	3,076,000	8,000,000	3,229,800	8,400,000
Cash and cash equivalents	8	561,558	1,460,487	1,827,349	4,752,534
Total current assets		8,006,628	20,823,480	9,593,538	24,950,691
Total assets		293,177,202	762,489,473	301,004,455	782,846,444
Equity and liabilities					
Equity					
Share capital	9(a)	67,488,743	175,523,389	67,488,743	175,523,389
Legal reserve	9(b)	1,592,488	4,141,712	1,091,682	2,839,224
Retained earnings		8,222,803	21,385,709	9,114,642	23,705,192
Shareholders' fund		77,304,034	201,050,810	77,695,067	202,067,805
Hedging reserve	19	(10,543,194)	(27,420,532)	(2,999,008)	(7,799,760)
Total equity		66,760,840	173,630,278	74,696,059	194,268,045
Liabilities					
Non-current liabilities					
Term loans	6	189,149,897	491,937,312	200,686,579	521,941,686
Derivative instruments	19	11,980,902	31,159,695	3,411,782	8,873,293
End of service benefits		10,369	26,965	6,146	15,983
Asset retirement obligation	12	463,030	1,204,239	425,119	1,105,640
Deferred tax liability	11	7,778,430	20,229,986	4,068,320	10,580,808
Total non-current liabilities		209,382,628	544,558,197	208,597,946	542,517,410
Current liabilities					
Term loans	6	13,001,238	33,813,362	11,875,621	30,885,880
Trade and other payables	10	3,032,496	7,886,856	3,179,829	8,270,037
Short term borrowing		1,000,000	2,600,780	2,655,000	6,905,072
Total current liabilities		17,033,734	44,300,998	17,710,450	46,060,989
Total liabilities		226,416,362	588,859,195	226,308,396	588,578,399
Total equity and liabilities		293,177,202	762,489,473	301,004,455	782,846,444
Net assets per share (Baizas)	23	114.54		153.12	

The financial statements were approved and authorised for issue in accordance with a resolution of the Board of Directors on 18 February 2015.

Deputy Chairman

Director

The notes on pages 37 to 63 form an integral part of these financial statements.

The report of the Independent Auditors is set forth on page 30.

Statement of cash flows

for the year ended 31 December

	Notes	2014 RO	2014 USD	2013 RO	2013 USD
Cash flows from operating activities:					
Net Profit		5,008,066	13,024,876	9,250,147	24,057,611
<i>Adjustments for:</i>					
Add: tax expense		3,548,818	9,229,698	3,261,707	8,482,983
Add: depreciation		7,465,527	19,416,196	5,561,824	14,465,081
Add: loss on sale of property, plant and equipment		56,213	146,195	44	114
Add: ineffective portion of hedge		(3,360)	(8,738)	3,360	8,738
Add: Asset retirement obligation-unwinding of discount		37,911	98,599	26,499	68,917
Add: amortisation of deferred finance cost		1,413,704	3,676,734	1,110,436	2,888,001
Add: end of service benefits		4,223	10,982	661	1,717
		<u>17,531,102</u>	<u>45,594,542</u>	<u>19,214,678</u>	<u>49,973,162</u>
<i>Changes in:</i>					
Trade and other receivables		98,264	255,564	(1,898,355)	(4,937,208)
Inventories		69,055	179,600	(90,377)	(235,053)
Trade and other payables		(147,333)	(383,181)	(9,322,721)	(24,246,344)
Asset retirement obligation		-	-	398,620	1,036,723
Net cash from operating activities		<u>17,551,088</u>	<u>45,646,525</u>	<u>8,301,845</u>	<u>21,591,280</u>
Cash flows from investing activities:					
Acquisition of property, plant and equipment		(311,885)	(811,144)	(123,150,568)	(320,287,562)
Proceeds from sale of property, plant and equipment		220,075	572,363	17	40
Transfer of capital work in progress		-	-	102,751,344	267,233,665
Net cash used in investing activities		<u>(91,810)</u>	<u>(238,781)</u>	<u>(20,399,207)</u>	<u>(53,053,857)</u>
Cash flows from financing activities:					
Movement in share capital		-	-	66,988,743	174,222,999
Movement in shareholder loan		-	-	(6,698,874)	(17,422,300)
Movement in equity bridge loan		-	-	(60,262,377)	(156,729,199)
(Repayment of)/net proceeds from term loans		(11,875,620)	(30,885,880)	16,672,581	43,361,716
Dividends paid		(5,399,099)	(14,041,871)	(3,652,750)	(9,500,000)
(Repayment of)/proceeds from short term borrowing		(1,655,000)	(4,304,291)	2,655,000	6,905,072
Movement in short term deposit		153,800	400,000	(3,229,800)	(8,400,000)
Refund of Euler Hermes premium		50,850	132,251	-	-
Net cash (used in)/from financing activities		<u>(18,725,069)</u>	<u>(48,699,791)</u>	<u>12,472,523</u>	<u>32,438,288</u>
Net (decrease) increase in cash and cash equivalents		(1,265,791)	(3,292,047)	375,161	975,711
Cash and cash equivalents at beginning of the period	8	1,827,349	4,752,534	1,452,188	3,776,823
Cash and cash equivalents at end of the period	8	<u>561,558</u>	<u>1,460,487</u>	<u>1,827,349</u>	<u>4,752,534</u>

The notes on pages 37 to 63 form an integral part of these financial statements.

The report of the Independent Auditors is set forth on page 30.

Statement of changes in equity

for the year ended 31 December 2014

	Share capital	Legal reserve	Retained earnings	Hedging reserve	Total
	RO	RO	RO	RO	RO
Balance at 1 January 2014	67,488,743	1,091,682	9,114,642	(2,999,008)	74,696,059
<i>Total comprehensive income</i>					
Net profit	-	-	5,008,066	-	5,008,066
<i>Other comprehensive income, net of income tax</i>					
Cash flow hedge - effective portion of changes in fair value	-	-	-	(7,544,186)	(7,544,186)
<i>Total comprehensive income</i>	-	-	5,008,066	(7,544,186)	(2,536,120)
<i>Transaction with owners of the Company</i>					
<i>Contribution and distribution</i>					
Transfer to legal reserve	-	500,806	(500,806)	-	-
Dividend	-	-	(5,399,099)	-	(5,399,099)
<i>Total transactions with owners of the Company</i>	-	500,806	(5,899,905)	-	(5,399,099)
Balance at 31 December 2014	67,488,743	1,592,488	8,222,803	(10,543,194)	66,760,840
	USD	USD	USD	USD	USD
Balance at 1 January 2014	175,523,389	2,839,224	23,705,192	(7,799,760)	194,268,045
<i>Total comprehensive income</i>					
Net profit	-	-	13,024,876	-	13,024,876
<i>Other comprehensive income, net of income tax</i>					
Cash flow hedge - effective portion of changes in fair value	-	-	-	(19,620,772)	(19,620,772)
<i>Total comprehensive income</i>	-	-	13,024,876	(19,620,772)	(6,595,896)
<i>Transaction with owners of the Company</i>					
<i>Contribution and distribution</i>					
Transfer to legal reserve	-	1,302,488	(1,302,488)	-	-
Dividend	-	-	(14,041,871)	-	(14,041,871)
<i>Total transactions with owners of the Company</i>	-	1,302,488	(15,344,359)	-	(14,041,871)
Balance at 31 December 2014	175,523,389	4,141,712	21,385,709	(27,420,532)	173,630,278

Statement of changes in equity (continued)

	Share capital	Legal reserve	Retained earnings	Hedging reserve	Total
	RO	RO	RO	RO	RO
Balance at 1 January 2013	500,000	166,667	4,442,260	(18,032,842)	(12,923,915)
<i>Total comprehensive income</i>					
Net profit	-	-	9,250,147	-	9,250,147
<i>Other comprehensive income, net of income tax</i>					
<i>Cash flow hedge - effective portion of changes in fair value</i>	-	-	-	15,033,834	15,033,834
<i>Total comprehensive income</i>	-	-	9,250,147	15,033,834	24,283,981
<i>Transaction with owners of the Company</i>					
<i>Contribution and distribution</i>					
Conversion of equity bridge and shareholder loans	66,988,743	-	-	-	66,988,743
Transfer to legal reserve	-	925,015	(925,015)	-	-
Dividend	-	-	(3,652,750)	-	(3,652,750)
<i>Total transactions with owners of the Company</i>	66,988,743	925,015	(4,577,765)	-	63,335,993
Balance at 31 December 2013	67,488,743	1,091,682	9,114,642	(2,999,008)	74,696,059
	USD	USD	USD	USD	USD
Balance at January 2013	1,300,390	433,463	11,553,342	(46,899,460)	(33,612,265)
<i>Total comprehensive income</i>					
Net profit	-	-	24,057,611	-	24,057,611
<i>Other comprehensive income, net of income tax</i>					
<i>Cash flow hedge - effective portion of changes in fair value</i>	-	-	-	39,099,700	39,099,700
<i>Total comprehensive income</i>	-	-	24,057,611	39,099,700	63,157,311
<i>Transaction with owners of the Company</i>					
<i>Contribution and distribution</i>					
Conversion of equity bridge and shareholder loans	174,222,999	-	-	-	174,222,999
Transfer to legal reserve	-	2,405,761	(2,405,761)	-	-
Dividend	-	-	(9,500,000)	-	(9,500,000)
<i>Total transactions with owners of the Company</i>	174,222,999	2,405,761	(11,905,761)	-	164,722,999
Balance at 31 December 2013	175,523,389	2,839,224	23,705,192	(7,799,760)	194,268,045

The notes on pages 37 to 63 form an integral part of these financial statements.

The report of the Independent Auditors is set forth on page 30.

Notes

(forming part of the financial statements)

1. Legal status and principal activities

Al Batinah Power Company (the “Company”) was registered as a closed Omani Joint Stock company (“SAOC”) on 2 August 2010 under the Commercial Companies Law of Oman.

The Company’s objectives are to develop, finance, design, construct, operate, maintain, insure, and own a power generating facility (the Sohar 2 Power Plant with a capacity of about 750MW), and associated gas interconnection facilities and other relevant infrastructure; making available the demonstrated power capacity; and selling the electricity energy delivered to Oman Power and Water Procurement Company SAOC (“OPWP”)

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

2. Significant event

The Founder Shareholders in the Extraordinary General Meeting (“EGM”) held on 31 March, 2014 resolved to convert the Company from SAOC to a public joint stock company (“SAOG”) in connection with which the Founder Shareholders offered to sell 35% of their shares for public subscription through an initial public offering and listing on the Muscat Securities Market (“IPO”).

The IPO was finalised during the month of June 2014 and the Company was listed on the Muscat Securities Market on 23 June, 2014.

The current major shareholders are shown in the note 9 (Equity).

3. Significant agreements

Project documents

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

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

Notes

(forming part of the financial statements)

3. Significant agreements (continued)

Finance Documents (continued)

- 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 Agreement for currency swap dated 12 October 2010 with Standard Chartered Bank.
- 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.

4 Basis of preparation and significant accounting policies

Basis of preparation

a. *Statement of compliance*

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

b. *Basis of measurement*

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

Notes

(forming part of the financial statements)

4 Basis of preparation and significant accounting policies (continued)

c. Use of estimates and judgements

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

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

Measurement of fair value

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

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

d. Currency

i. Presentation and functional currency

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

ii. Foreign currency transactions

In preparing the financial statements, transactions in currencies other than the Company's functional currency (foreign currencies) are recorded at the exchange rates prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are translated at the rates prevailing at the reporting date.

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

Notes

(forming part of the financial statements)

4 Basis of preparation and significant accounting policies (continued)

e. Financial instruments

i. Non derivative financial instrument

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

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

ii. Derivative financial instruments, including hedge accounting

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

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

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

iii. Cash flow hedges

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

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

Notes

(forming part of the financial statements)

4 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.

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

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

iv. Capital work in progress

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

v. Asset retirement obligation

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

Notes

(forming part of the financial statements)

4 Basis of preparation and significant accounting policies (continued)

g. Inventory

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

h. Impairment

i. Financial assets

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

Significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognised in the income statement. An impairment loss is reversed if reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in the income statement.

ii. Non – financial assets

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

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

i. Financial liabilities

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

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

j. Employee terminal benefits

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

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

Notes

(forming part of the financial statements)

4 Basis of preparation and significant accounting policies (continued)

k. Provisions

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

l. 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.

m. Deferred financing cost

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

n. Revenue

Revenue comprises tariffs for power capacity, electrical energy and fuel charges. Tariffs are calculated in accordance with the PPA. The operating revenue is recognised by the Company on an accrual basis of accounting. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due.

o. Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

Deferred tax is calculated on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the reporting date.

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

p. Dividend

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

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

Notes

(forming part of the financial statements)

4 Basis of preparation and significant accounting policies (continued)

q. New standards and interpretation not yet effective

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2014, and have not been applied in preparing these financial statements. Those which may be relevant to the Company 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 additions relating to financial liabilities. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of IFRS 9 and add new requirements to address the impairment of financial assets and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Company is currently assessing the impact of this standard and does not plan to adopt early.

r. New standards and interpretation applied during the previous year

During the previous year, following new standards were applied in preparing the financial statements with no significant effect on the current or previous year.

IAS 1: Presentation of financial statements

IAS 1 has amended and the name of statement of comprehensive income is changed to statement of profit or loss and other comprehensive income.

IFRS 13: Fair value measurements

IFRS 13 provides a single source of guidance on how fair value is measured, and replaces the fair value measurement guidance that is currently dispersed throughout IFRS. Subject to limited exceptions, IFRS 13 is applied when fair value measurements or disclosures are required or permitted by other IFRSs.

s. Determination of fair value

i. Derivative financial instruments

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

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

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

ii. Non-derivative financial liabilities

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

Notes

(forming part of the financial statements)

5. Property, plant and equipment

	Property, plant and equipment	Decommi- ssioning asset	Technical spares	Others assets	Total	Total
	USD	USD	USD	USD	USD	OMR
Cost						
1 January 2013	452,117,494	-	3,588,617	270,922	455,977,033	175,323,170
Additions during the year	318,383,936	1,036,723	856,448	10,455	320,287,562	123,150,568
Disposal during the year	-	-	-	(1,930)	(1,930)	(743)
Transfer during the year	864,586	-	(864,586)	-	-	-
1 January 2014	771,366,016	1,036,723	3,580,479	279,447	776,262,665	298,472,995
Additions during the year	27,750	-	686,226	97,168	811,144	311,885
Disposals during the year	(754,226)	-	-	(71,537)	(825,763)	(317,506)
31 December 2014	770,639,540	1,036,723	4,266,705	305,078	776,248,046	298,467,374
Depreciation						
1 January 2013	4,817,801	-	33,345	172,728	5,023,874	1,931,680
Disposals during the year	-	-	-	(1,775)	(1,775)	(683)
Charge for the year	14,260,947	19,800	94,787	89,547	14,465,081	5,561,824
1 January 2014	19,078,748	19,800	128,132	260,500	19,487,180	7,492,821
Disposal during the year	(35,670)	-	-	(71,537)	(107,207)	(41,221)
Charge for the year	19,158,871	26,280	202,934	28,111	19,416,196	7,465,527
31 December 2014	38,201,949	46,080	331,066	217,074	38,796,169	14,917,127
Carrying amount						
31 December 2014	732,437,591	990,643	3,935,639	88,004	737,451,877	283,550,247
31 December 2013	752,287,268	1,016,923	3,452,347	18,947	756,775,485	290,980,174

Notes

(forming part of the financial statements)

5. Property, plant and equipment (continued)

Change in accounting estimates

Useful life of the property, plant and equipment

In 2013, the Company has conducted and considered an operational efficiency review of its plant and machinery, which resulted in changes in the expected useful lives of items of property, plant and equipment.

The plant and machinery, buildings and pipelines related to the power plant which Management previously expected to be in use for 30 years is now expected to remain in operation for 40 years. As a result, the expected useful lives of these assets have increased. The effect of these changes on actual and expected depreciation expenses, included in the income statement, in current and future years, respectively, is as follows:

	2014	2015	2016	2017	2018	Later
	RO	RO	RO	RO	RO	RO
Decrease/ (increase) in depreciation expense	<u>2,469,821</u>	<u>2,468,270</u>	<u>2,468,270</u>	<u>2,468,270</u>	<u>2,468,270</u>	<u>(14,147,812)</u>
	USD	USD	USD	USD	USD	USD
Decrease/ (increase) in depreciation expense	<u>6,423,462</u>	<u>6,419,427</u>	<u>6,419,427</u>	<u>6,419,427</u>	<u>6,419,427</u>	<u>(36,795,349)</u>

6. Term loans

	2014	2014	2013	2013
	RO	USD	RO	USD
Term loans	212,040,554	551,470,881	223,916,175	582,356,761
Less: current portion	<u>(13,001,238)</u>	<u>(33,813,362)</u>	<u>(11,875,621)</u>	<u>(30,885,880)</u>
Non-current portion	199,039,316	517,657,519	212,040,554	551,470,881
Less: Unamortised transaction cost	<u>(9,889,419)</u>	<u>(25,720,207)</u>	<u>(11,353,975)</u>	<u>(29,529,195)</u>
	<u>189,149,897</u>	<u>491,937,312</u>	<u>200,686,579</u>	<u>521,941,686</u>

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 local banks with Credit Agricole Corporate and Investment Bank as the Global Facility Agent, Offshore Security Trustee, Offshore Account Bank, KEXIM Facility Agent and Commercial Facility Agent; with Bank Muscat SAOG as Onshore Security Agent, Onshore Account Bank; Performance Bond Issuing Bank and Performance Bond Facility Agent and; with KfW Ipex Bank GMBH as the Hermes Facility Agent.

The commercial standby facility was cancelled on 19 June 2013 on achievement of Commercial Operation Date (COD) as per terms of the CTA.

Notes

(forming part of the financial statements)

6. Term loans (continued)

At 31 December the outstanding amounts were as follows:

	2014	2014	2013	2013
	RO	USD	RO	USD
Hermes Covered Variable Facility	64,168,283	166,887,600	68,368,099	177,810,400
Commercaill Facility	48,368,087	125,794,765	49,531,338	128,820,125
Hermes Covered Fixed Facility	40,958,478	106,524,000	43,639,212	113,496,000
KEXIM Direct Facility	39,878,198	103,714,430	42,488,228	110,502,543
KEXIM Covered Facility	18,667,508	48,550,086	19,889,298	51,727,693
	<u>212,040,554</u>	<u>551,470,881</u>	<u>223,916,175</u>	<u>582,356,761</u>

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 2028.

Interest

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

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

Other fees

Under the terms of the above facilities, the Company was 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, loan and guarantee, hedging agreement, etc, which the Company is required to comply.

Notes

(forming part of the financial statements)

7 Trade and other receivables

	2014	2014	2013	2013
	RO	USD	RO	USD
Trade receivables	2,074,956	5,396,504	2,098,917	5,458,823
Prepayments	371,312	965,705	363,456	945,270
Due from related parties (note 18)	55,481	144,293	11,124	28,932
Other receivables	43,062	111,994	169,578	441,035
	<u>2,544,811</u>	<u>6,618,496</u>	<u>2,643,075</u>	<u>6,874,060</u>

8 Cash and cash equivalents

Cash in hand and at bank	<u>561,558</u>	<u>1,460,487</u>	<u>1,827,349</u>	<u>4,752,534</u>
--------------------------	----------------	------------------	------------------	------------------

9 Equity

(a) Share capital

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

31 December 2014

	Nationality	No. of shares held of nominal value 100 Baizas each	% of total	Aggregate nominal value of shares held (RO)
Kahrabel FZE	UAE	201,791,343	29.90	20,179,135
Multitech LLC	Omani	96,508,899	14.30	9,650,890
Civil Service Employees Pension Fund	Omani	53,875,161	7.98	5,387,516
SEP International Netherlands B.V.	Netherlands	48,254,453	7.15	4,825,445
Blue Horizon Sohar Power B.V.	Netherlands	48,254,453	7.15	4,825,445
Public Authority for Social Insurance	Omani	43,867,681	6.50	4,386,768
Ministry of Defence Pension Fund	Omani	38,345,869	5.68	3,834,587
Shareholders with less than 5% shareholding		<u>143,989,571</u>	<u>21.34</u>	<u>14,398,957</u>
		<u>674,887,430</u>	<u>100</u>	<u>67,488,743</u>
Nominal value in USD				<u>175,523,389</u>

Notes

(forming part of the financial statements)

9 Equity (continued)

The Company was registered with an initial share capital of 500,000 shares of RO 1 each at its establishment. In 2013, the Company increased its issued share capital from RO 500,000 to RO 67,488,743 by means of a debt/equity conversion of the equity bridge loans and shareholder loans. The details of the shareholders are as follows:

31 December 2013

	Nationality	No. of shares held of nominal value RO 1 each	% of total	Aggregate nominal value of shares held (RO)
Kahrabel FZE	UAE	31,044,822	46	31,044,822
Multitech LLC	Omani	14,847,523	22	14,847,523
SEP International Netherlands B.V.	Netherlands	7,423,762	11	7,423,762
Blue Horizon Sohar Power B.V.	Netherlands	7,423,762	11	7,423,762
Public Authority for Social Insurance	Omani	6,748,874	10	6,748,874
		<u>67,488,743</u>	<u>100</u>	<u>67,488,743</u>
Nominal value in USD				<u>175,523,389</u>

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

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

(b) *Legal reserve*

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

(c) *Hedging reserve*

Hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred (note 19).

(d) *Dividend*

Pursuant to the shareholders resolution of 27 March 2013, the Board of Directors, in the meeting held on 11 December 2013, approved a cash dividend of USD 9,500,000 from the audited accounts of the Company as of 31 August 2013 to the shareholders of the Company.

Pursuant to shareholders resolution of 23 March 2014, the Board of Directors, in the meetings held on 12 June 2014 and 20 October 2014 approved cash dividends of 1.5 baizas and 6.5 baizas per share, respectively from the audited accounts of the Company as of 31 December 2013 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 25 June 2014 and 1 December 2014, respectively.

Notes

(forming part of the financial statements)

10 Trade and other payables

	2014	2014	2013	2013
	RO	USD	RO	USD
Trade payables	-	-	56,905	147,997
Accrued fuel gas	560,839	1,458,622	600,489	1,561,741
Accrued interest cost	1,763,274	4,585,889	1,800,904	4,683,756
Other payable and accruals	708,383	1,842,345	721,531	1,876,543
	<u>3,032,496</u>	<u>7,886,856</u>	<u>3,179,829</u>	<u>8,270,037</u>

11 Tax expense

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

Deferred tax asset has been recognised directly in equity in respect of the changes in fair values of interest rate swap and forward rate contract (note 19).

a. *Income tax recognised in the income statement.*

	2014	2014	2013	2013
	RO	USD	RO	USD
Deferred tax expense is relating to temporary differences	<u>3,548,818</u>	<u>9,229,698</u>	<u>3,261,707</u>	<u>8,482,983</u>

b. *Reconciliation*

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

Profit before tax	<u>8,556,883</u>	<u>22,254,572</u>	<u>12,511,854</u>	<u>32,540,594</u>
Income tax as per rates mentioned above	1,026,826	2,670,549	1,501,423	3,904,871
Unrecognised deferred tax asset	<u>2,521,992</u>	<u>6,559,149</u>	<u>1,760,284</u>	<u>4,578,112</u>
Deferred tax expense for the year	<u>3,548,818</u>	<u>9,229,698</u>	<u>3,261,707</u>	<u>8,482,983</u>

12 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.

Notes

(forming part of the financial statements)

12 Asset retirement obligation (continued)

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

	2014	2013	2014	2013
	RO	USD	RO	USD
Balance at beginning of the year	425,119	1,105,640	-	-
Provision made during the year	-	-	398,620	1,036,723
Unwinding of discount during the year	37,911	98,599	26,499	68,917
Balance at the end of the year	<u>463,030</u>	<u>1,204,239</u>	<u>425,119</u>	<u>1,105,640</u>

13 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 installments and interest on due date. At each repayment date at the end of October the Company is required to put the scheduled amount towards the next six monthly payment. The amount lying in the DSPA cannot be utilized for any purpose other than servicing the loan installments and interest and is as such, restricted cash. The amount in the DSPA has been put into a short term deposit maturing on the next loan repayment date, i.e. 30 April 2015.

14 Liquidated damages

As per the EPC contract, the Early Power Commercial Operation Date ("EPCOD") was scheduled for 1 May 2012. The actual EPCOD was achieved on 3 June, 2012 resulting in a delay of 33 days for which the Company had invoiced liquidated damages ("LDs") to the EPC Contractor ("EPCC"). The full amount of the 33 days LDs were acknowledged by the EPCC and offset by the Company against EPCC progress payments as at 31 December 2013. Similarly LDs payable to the OPWP were accrued for 30 days (3 days relief granted by OPWP) of which LDs for 29 days were offset by OPWP against invoices raised by the Company as at 31 December 2013.

As per the EPC contract the Commercial Operation Date ("COD") was scheduled for 1 April 2013. The actual COD was achieved on 3 April 2013 resulting in a delay of 2 days. The Company had invoiced LDs to the EPCC for the 2 days delay which were acknowledged and settled by EPCC. No LDs were accrued as payable to OPWP since they had granted relief for the 2 days.

On 28 September 2013 the Company entered into a Settlement Agreement with the EPC Contractor, which determined all outstanding matters between the two parties. As part of this Settlement Agreement, the EPC Contractor agreed to compensate the Company for claims regarding liquidated damages and other payments to be made by the EPC to the Company.

Notes

(forming part of the financial statements)

15 Direct costs

	2014	2014	2013	2013
	RO	USD	RO	USD
Fuel gas	13,623,995	35,433,016	9,940,269	25,852,456
Depreciation (note 5)	7,454,719	19,388,085	5,527,393	14,375,534
Operation and maintenance fee	6,575,808	17,102,232	4,921,958	12,800,931
Seawater extraction	891,276	2,318,013	650,496	1,691,796
Insurance	751,881	1,955,477	527,304	1,371,403
Grid connection fee	162,265	422,015	134,516	349,845
Fuel oil	69,055	179,600	-	-
Asset retirement obligation - unwinding of discount (note 12)	37,911	98,599	26,499	68,917
Other operating expenses	286,863	746,067	246,218	640,357
	<u>29,853,773</u>	<u>77,643,104</u>	<u>21,974,653</u>	<u>57,151,239</u>

16 General and administrative expenses

Net IPO costs	261,493	680,085	-	-
Secondment fees	240,499	625,484	175,322	455,974
Plant inauguration costs	125,899	327,435	-	-
Employment costs	104,677	272,243	95,995	249,661
Agency fees	48,517	126,183	37,119	96,539
Office rent	19,610	51,000	15,750	40,961
Depreciation (note 5)	10,808	28,111	34,431	89,547
Other general and administrative expenses	320,729	834,147	120,098	312,347
	<u>1,132,232</u>	<u>2,944,688</u>	<u>478,715</u>	<u>1,245,029</u>

17 Finance costs (net)

Interest on term loans	5,708,983	14,847,811	4,471,817	11,630,213
Swap interest	4,946,207	12,863,997	3,782,397	9,837,183
Amortisation of deferred finance cost	1,413,704	3,676,734	1,110,436	2,888,001
DSRA LC fee	173,388	450,944	41,760	108,606
Exchange loss	60,476	157,284	55,353	143,957
Interest on working capital	34,753	90,384	17,221	44,788
Interest on payables	-	-	4	11
Ineffective portion of interest rate swap (note 19)	(3,360)	(8,738)	3,360	8,738
Interest income	(4,558)	(11,855)	-	-
	<u>12,329,593</u>	<u>32,066,561</u>	<u>9,482,348</u>	<u>24,661,497</u>

Notes

(forming part of the financial statements)

18 Related party transactions

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

Key Management benefits

Key Management personnel are those having authority for planning, directing and controlling the activities of the Company, directly or indirectly, including any director (whether executive or otherwise).

Total compensation paid to the top five employees including Key Management personnel for the year ended 31 December are as follows:

	2014 RO	2014 USD	2013 RO	2013 USD
Employee benefits	<u>338,740</u>	<u>880,988</u>	<u>405,606</u>	<u>1,054,892</u>

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

	2014 RO	2014 USD	2013 RO	2013 USD
Suez Tractebel Operation & Maintenance Oman LLC	6,582,175	17,118,792	5,515,125	14,343,627
Kahrabel Operation & Maintenance (Oman) LLC	131,532	342,087	128,817	335,024
Sojitz Corporation	91,501	237,975	129,700	337,320
International Power SA Dubai Branch	90,163	234,495	64,388	167,459
Electrabel S.A.	79,758	207,433	19,209	49,958
Shikoku Electric Power Co. Inc.	55,610	144,630	23,009	59,842
Al Suwadi Power Company SAOG	130,356	339,027	43,442	112,983
Multitech LLC	38,145	99,208	46,067	119,810
Public Authority for Social Insurance	17,340	45,094	43,410	112,901
Directors (sitting fees)	16,000	41,612	15,200	39,532
Kahrabel FZE	-	-	77,011	200,289
Tractebel Engineering S.A.	-	-	249,574	649,087
Tractebel Engineering S.A. Engineering Consultancy (Oman Branch)	-	-	47,644	123,912
	<u>7,232,580</u>	<u>18,810,353</u>	<u>6,402,596</u>	<u>16,651,744</u>

Notes

(forming part of the financial statements)

18 Related party transactions (continued)

The nature of the transactions is as follows:

O&M fixed fee	5,196,326	13,514,502	4,176,492	10,862,139
O&M variable fee	1,379,482	3,587,729	1,003,218	2,609,151
Secondment fees	240,499	625,484	235,507	612,502
DSRA LC fee	173,388	450,944	41,759	108,606
Professional fees	96,530	251,055	112,032	291,371
Others	130,355	339,027	44,554	115,875
Sitting fees	16,000	41,612	15,200	39,532
Interest on shareholders loans	-	-	22,497	58,509
Performance bond charges	-	-	167,460	435,527
Owner's engineer fees	-	-	249,574	649,087
Mobilisation fee	-	-	275,363	716,158
Minor inspection fee	-	-	58,940	153,287
	<u>7,232,580</u>	<u>18,810,353</u>	<u>6,402,596</u>	<u>16,651,744</u>

Balances due from related parties at the year end comprised (note 7)

Kahrabel Operation & Maintenance (Oman) LLC	37,503	97,536	1,178	3,064
Al Suwadi Power Company SAOG	17,978	46,757	9,946	25,868
	<u>55,481</u>	<u>144,293</u>	<u>11,124</u>	<u>28,932</u>

Notes

(forming part of the financial statements)

19 Hedging reserve

Derivative instruments ("assets/ (liabilities)") are as follows:

	2014	2014	2013	2013
	RO	USD	RO	USD
Interest rate swaps:				
<i>Term loans (note 19(a))</i>				
KfW Ipex Bank	(2,105,880)	(5,476,931)	(660,501)	(1,717,817)
Standard Chartered Bank	(4,518,593)	(11,751,868)	(1,893,758)	(4,925,249)
Credit Agricole Corporate & Investment Bank	(1,880,726)	(4,891,356)	(546,976)	(1,422,564)
HSBC Bank	(1,518,377)	(3,948,965)	(488,292)	(1,269,939)
Total fair value of interest rate swaps	(10,023,576)	(26,069,120)	(3,589,527)	(9,335,569)
Deferred tax asset (note 11)	1,202,829	3,128,294	430,743	1,120,268
Fair value of interest rate swaps net of tax	(8,820,747)	(22,940,826)	(3,158,784)	(8,215,301)
Forward rate contract:				
Fair value of forward rate contract	(1,957,326)	(5,090,575)	177,745	462,276
Deferred tax asset/(liability) (note 11)	234,879	610,869	(21,329)	(55,473)
Fair value of forward rate contract net of tax	(1,722,447)	(4,479,706)	156,416	406,803
Total fair value of derivative instruments	(11,980,902)	(31,159,695)	(3,411,782)	(8,873,293)
Less: Ineffective portion of hedge	-	-	3,360	8,738
Less: Deferred tax asset (note 11)	1,437,708	3,739,163	409,414	1,064,795
Total fair value of derivative instruments net of tax	(10,543,194)	(27,420,532)	(2,999,008)	(7,799,760)
Hedging reserve net of tax at the end of the year	(10,543,194)	(27,420,532)	(2,999,008)	(7,799,760)
Less: Hedging reserve net of tax at the beginning of the year	(2,999,008)	(7,799,760)	(18,032,842)	(46,899,460)
Effective portion of change in fair value of cash flow hedge for the year	(7,544,186)	(19,620,772)	15,033,834	39,099,700

Notes

(forming part of the financial statements)

19 Hedging reserve (continued)

- (a) The long term facilities (referred in note 6) (total drawdown of USD 490.5 million excluding Hermes Covered Fixed Facility of USD 120 million) of the Company bear interest at US LIBOR plus applicable margins.

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

The hedged notional amounts are approximately USD 73.9 million, USD 222.7 million, USD 101.6 million and USD 92.3 million at fixed interest rates of 2.9788%, 2.9708%, 2.975% and 2.953% per annum respectively, excluding margins.

- (b) Equity bridge loans and shareholders loan in the amount of USD 174.2 million bear interest at US LIBOR plus applicable margins.

The Company has entered into Interest Rate Swap Agreements (“IRS”) to hedge against the fluctuation in interest rates.

The IRS was entered into with HSBC Bank Middle East Limited, on 6 October 2010, Standard Chartered Bank on 7 October 2010 and an additional hedge with HSBC Bank Middle East Limited on 2 March 2011 for 100% of the equity bridge loans and shareholder loans.

The facility hedged notional amounts are approximately USD 24.6 million, USD 139.3 million and USD 10.3 million, at fixed interest rates of 0.7088%, 0.7085% and 0.95% per annum respectively, excluding margins.

The equity bridge loans and shareholder loan IRS agreements were terminated on 1 April 2013.

- (c) The O&M Agreement includes an outflow of approximately Euro 127 million, payable in Euro. The Company has entered into a Forward Rate Agreement (“FRA”) on 12 October 2010 with Standard Chartered Bank to hedge against fluctuations in Euro/USD exchange rate.

As per the FRA, the Company shall pay a fixed USD amount at an exchange rate of 1.4318 and receive contractual Euro amount at each maturity date.

20 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.

Notes

(forming part of the financial statements)

20 Financial risk management (continued)

(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, including equity bridge loans and shareholders loans, and excluding Hermes Covered Fixed Facility and Commercial Standby 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	2014	2014	2013	2013
	%	RO	USD	RO	USD
Financial liabilities					
<i>Term loans</i>					
	Libor +				
	1.45% and				
-USD variable rate loans ranging from	2.58%	180,276,964	444,946,881	180,276,963	468,860,761
- USD fixed rate loans	3.60%	43,639,212	106,524,000	43,639,212	113,496,000
		<u>223,916,176</u>	<u>551,470,881</u>	<u>223,916,175</u>	<u>582,356,761</u>

Note: Margins for 2013 ranged from 1.40% to 2.58%

Notes

(forming part of the financial statements)

20 Financial risk management (continued)

Interest rate risk (continued)

Cash flow sensitivity analysis for variable rate instruments

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

	Equity			
	100 bps Increase RO	100 bps Decrease RO	100 bps Increase USD	100 bps Decrease USD
31 December 2014				
Interest rate swap	<u>10,537,773</u>	<u>(11,866,089)</u>	<u>27,706,431</u>	<u>(30,861,091)</u>
31 December 2013				
Interest rate swap	<u>11,472,530</u>	<u>(12,963,569)</u>	<u>29,837,529</u>	<u>(33,715,395)</u>

Currency risk

The price under the O&M Agreement includes an amount of approximately Euro 127 million, payable in Euro. The Company has entered into FRA to hedge against fluctuations in Euro/USD exchange rate (note 18(c)). The Euro amounts hedged cover 70% of outflows for the period upto March 2018, 50% for the period April 2018 to March 2023 and 30% thereafter. Management considers that the Company is not exposed to significant foreign exchange risk because all 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 31 December would have affected the measurement of financial instruments denominated in a foreign currency and increased/ (decreased) equity and the income statement by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

	Equity		Profit or loss	
	Strengthening RO'000s	Weakening RO'000s	Strengthening RO'000s	Weakening RO'000s
31 December 2014				
EUR (10% movement)	<u>2,435</u>	<u>(2,435)</u>	<u>-</u>	<u>-</u>
	USD'000s	USD'000s	USD'000s	USD'000s
EUR (10% movement)	<u>6,333</u>	<u>(6,333)</u>	<u>-</u>	<u>-</u>
31 December 2013				
EUR (10% movement)	<u>1,468</u>	<u>(1,612)</u>	<u>-</u>	<u>-</u>
	USD'000s	USD'000s	USD'000s	USD'000s
EUR (10% movement)	<u>3,818</u>	<u>(4,194)</u>	<u>-</u>	<u>-</u>

Notes

(forming part of the financial statements)

20 Financial risk management (continued)

Sensitivity analysis (continued)

Apart from above, Management considers that the Company is not exposed to significant foreign exchange risk because all transactions and balances are either in RO or USD and RO is effectively pegged to the USD.

(b) Credit risk

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

	2014	2014	2013	2013
	RO	USD	RO	USD
Trade receivables	2,074,956	5,396,504	2,098,917	5,458,823
Other receivables and due from related parties	98,543	256,287	180,702	469,967
Short term deposit	3,076,000	8,000,000	3,229,800	8,400,000
Cash and cash equivalents	561,558	1,460,487	1,827,349	4,752,534
	<u>5,811,057</u>	<u>15,113,278</u>	<u>7,336,768</u>	<u>19,081,324</u>

(c) Liquidity risk

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

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

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

Notes

(forming part of the financial statements)

20 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:

	2014	2014	2013	2013
	RO	USD	RO	USD
Interest rate swaps:				
Term loans (note 19(a))				
KfW Ipex Bank	(2,105,880)	(5,476,931)	(660,501)	(1,717,817)
Standard Chartered Bank	(4,518,593)	(11,751,868)	(1,893,758)	(4,925,249)
Credit Agricole Corporate & Investment Bank	(1,880,726)	(4,891,356)	(546,976)	(1,422,564)
HSBC Bank	(1,518,377)	(3,948,965)	(488,292)	(1,269,939)
Total fair value of interest rate swaps	(10,023,576)	(26,069,120)	(3,589,527)	(9,335,569)
Deferred tax asset (note 11)	1,202,829	3,128,294	430,743	1,120,268
Fair value of interest rate swaps net of tax	(8,820,747)	(22,940,826)	(3,158,784)	(8,215,301)
Forward rate contract:				
Fair value of forward rate contract	(1,957,326)	(5,090,575)	177,745	462,276
Deferred tax asset/(liability) (note 11)	234,879	610,869	(21,329)	(55,473)
Fair value of forward rate contract net of tax	(1,722,447)	(4,479,706)	156,416	406,803
Total fair value of derivative instruments	(11,980,902)	(31,159,695)	(3,411,782)	(8,873,293)
Less: Ineffective portion of hedge	-	-	3,360	8,738
Less: Deferred tax asset (note 11)	1,437,708	3,739,163	409,414	1,064,795
Total fair value of derivative instruments net of tax	(10,543,194)	(27,420,532)	(2,999,008)	(7,799,760)
Hedging reserve net of tax at the end of the year	(10,543,194)	(27,420,532)	(2,999,008)	(7,799,760)
Less: Hedging reserve net of tax at the beginning of the year	(2,999,008)	(7,799,760)	(18,032,842)	(46,899,460)
Effective portion of change in fair value of cash flow hedge for the year	(7,544,186)	(19,620,772)	15,033,834	39,099,700

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

Fair value hierarchy

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

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

Notes

(forming part of the financial statements)

20 Financial risk management (continued)

Fair value hierarchy (continued)

	RO	USD	RO	USD
Derivative financial liabilities	<u>11,980,903</u>	<u>31,159,696</u>	<u>3,589,527</u>	<u>9,335,569</u>

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

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

Measurement of fair values

Type	Valuation technique	Significant unobservable inputs
Derivative instrument (Interest rate swaps)	Market comparison technique: fair value is calculated by the respective financial institutions.	Not applicable
Other financial liabilities	<u>Discounted cash flows</u>	<u>Not applicable</u>

Embedded derivatives

The following agreements contain embedded derivatives as follows:

- The PPA between the Company and OPWP contain embedded derivatives in the pricing formulae that adjusts the charge rates for the Plant to reflect changes in USD / RO currency exchange rates and changes in US price index and the Oman price index.
- The O & M agreement contains embedded derivatives in the pricing formulae that adjust the payments to reflect changes in relevant inflation indices.
- The SUA between the Company and SIPC contain 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.

Notes

(forming part of the financial statements)

21 Contingent liabilities

No contingent liabilities exist as at 31 December, 2014.

The Company had provided a bank guarantee from Bank Muscat SAOG in the amount of RO 30,000,000 (USD 78,023,407) in favour of OPWP.

This bank guarantee was counter indemnified by Corporate Guarantees and bank guarantees from the Shareholders.

Both the bank guarantee from Bank Muscat SAOG as well as the counter guarantees from Shareholders were terminated on 7 July 2013.

22 Commitments

Operating lease commitments:

At 31 December future minimum lease commitments under the Usufruct Agreement are as follows:

	2014	2014	2013	2013
	RO	USD	RO	USD
Within one year	139,662	363,230	139,662	363,230
Between two and five years	558,648	1,452,922	558,648	1,452,922
After five years	<u>1,229,792</u>	<u>3,198,418</u>	<u>1,369,454</u>	<u>3,561,648</u>

23 Net assets per share

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

	2014	2013
Net assets - shareholder funds (RO)	77,304,034	77,695,067
Weighted average number of shares outstanding during the period	674,887,430	507,415,573
Net assets per share (Baizas)	114.54	153.12

The management believes that the hedging deficit of RO 10.54 million (USD 27.41 million) [2013- RO 3.00 million (USD 7.80 million) at the end of the reporting period 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 agreements, the Company is not permitted to terminate the swap agreements. Accordingly the hedging deficit has been excluded from the Shareholder Funds.

Weighted average number of shares as at 31 December, 2013 is based on 5,000,000 shares outstanding as at 01 January, 2013 for three months (25% weightage) and 674,887,430 shares outstanding as at 31 December, 2013 for nine months (75% weightage).

(The nominal value per share in 2013 was based on RO 1 per share. For purpose of calculating the weighted average, it is assumed at 100 baizas per share to make it compatible with 2014 basis).

Notes

(forming part of the financial statements)

24 Basic earnings per share

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

	2014	2013
Net profit (RO)	5,008,066	9,250,147
Weighted average number of shares outstanding during the period	674,887,430	507,415,573
Basic earnings per share (Baizas)	7.42	18.23

Weighted average number of shares as at 31 December, 2013 is based on 5,000,000 shares outstanding as at 01 January, 2013 for three months (25% weightage) and 674,887,430 shares outstanding as at 31 December, 2013 for nine months (75% weightage).

(The nominal value per share in 2013 was based on RO 1 per share. For purpose of calculating the weighted average, it is assumed at 100 baizas per share to make it compatible with 2014 basis).

Variance in basic earnings per share between year ended 31 December 2014 and 31 December 2013 is due to lower weighted average number of shares outstanding in 2013 as a result of a debt/equity conversion on April 01, 2013 and the net income arising from the one-off settlement of liquidated damages under the EPC Contract in 2013 (refer to note 14 for details). In addition there is an impact of seasonality in the PPA tariff which is lower during October to March and higher during April to September. Since the Company started operations in April 2013, the seasonality impact for 2013 is only for three months as against six months in 2014.

25 Comparative figures

Certain comparative figures have been reclassified where necessary to conform to the current year presentation. In 2013 the Company had nine months of operations and therefore the figures in the income statement are not comparable with the current year.



