



السوادي للطاقة

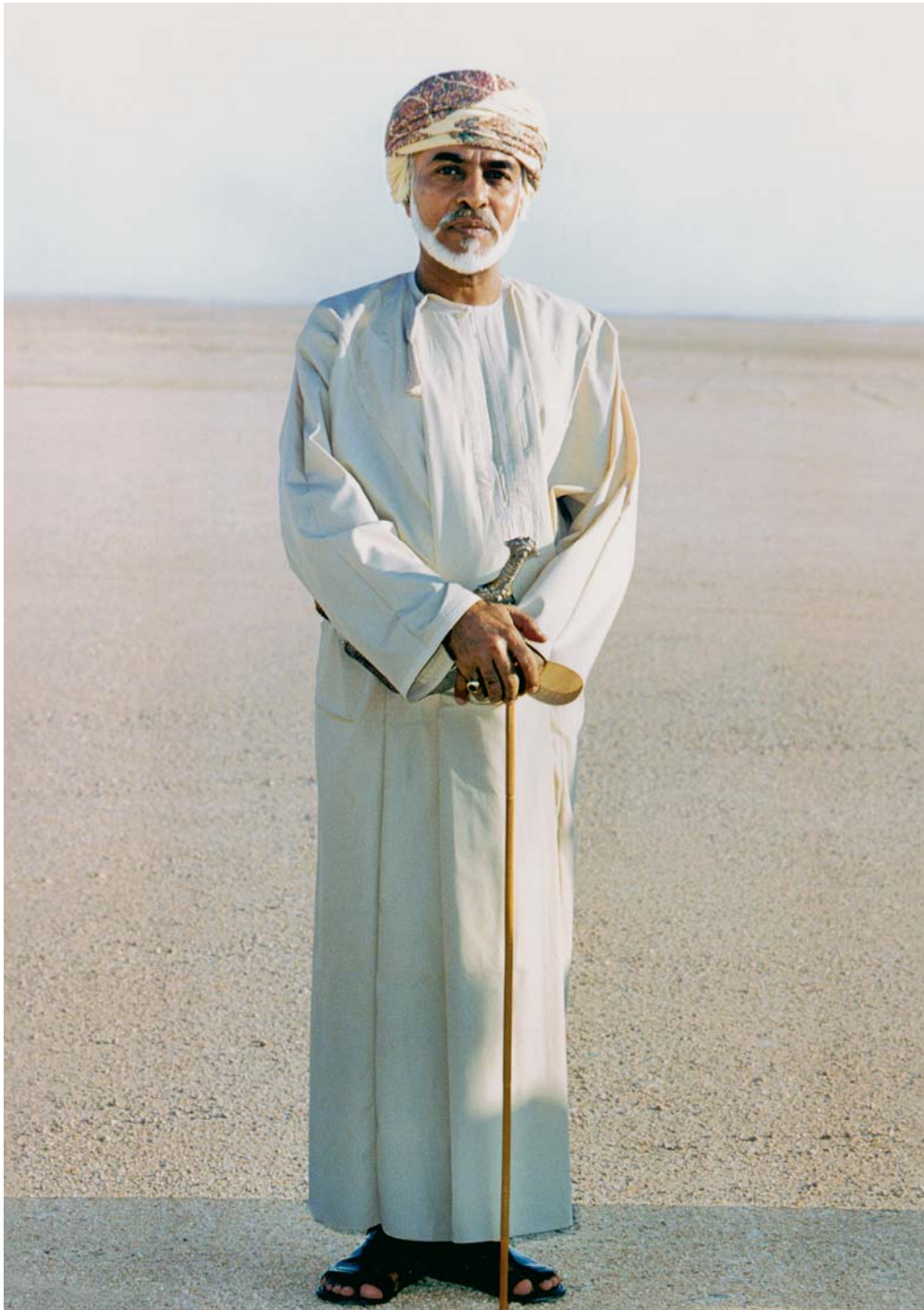
AL SUWADI POWER

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	17
MANAGEMENT DISCUSSION AND ANALYSIS REPORT	18
CORPORATE GOVERNANCE REPORT	21
AUDITED FINANCIAL STATEMENTS.....	31

BOARD OF DIRECTORS AND KEY EXECUTIVE OFFICERS

Board of Directors

Mr. Philippe Langlet	Chairman	
Mr. Rahul Kar	Deputy Chairman	Multitech LLC
Mr. Adnan Mohammed Salim Al Balushi	Director	
Mr. Ali Taqi Ibrahim Al-Lawati	Director	Public Authority for Social Insurance
Mr. Gillian-Alexandre Jeremy Huart	Director	Kahrabel FZE
Mr. Jan Sterck	Director	
Mr. Kazuichi Ikeda	Director	SEP International Netherlands B.V.
Mr. Ryuji Kikuchi	Director	Blue Horizon Barka Power B.V.
Mr. Saleh Nasser Abood Al Habsi	Director	Ministry of Defence Pension Fund
Mr. Santosh Nair	Director	
Mr. Yaqoub Harbi Salim Al Harthi	Director	

Representing

Key Executive Officers

Mr. Przemek Lupa	Chief Executive Officer
Mr. Muhammad Fawad Akhtar	Chief Financial Officer

BOARD OF DIRECTORS' REPORT

Dear Shareholders,

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

Al Suwadi Power was incorporated in 2010 after award of the Barka 3 IPP project. The Company owns and operates the 744MW power generation plant in Barka ("Barka 3" 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 Operations 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 1278 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 Rials Omani 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, ASPC 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 profit generated over the period. The power plant dispatched an aggregated net power volume of 3,157 GWh (2,508 GWh in 2013, which was an incomplete year since commercial operation date was declared in April 2013).

Barka 3 reliability for the year was 99.4% (99.7% in 2013), showing only 0.6% of forced outages (0.3% in 2013).

Financial results

ASPC generated a net profit of RO 4.82 million for the year 2014, compared to a net profit of RO 16.98 million for 2013.

It is important to note that ASPC 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 2013 was not affected by the low winter tariff in January to March as the plant was not yet in operation. Also, 2013 saw a particularly high net profit due to a one-off settlement with our EPC contractor.

The Company paid a dividend of 7.60 Baizas per share in 2014, compared to RO 5.92 Baizas per share in 2013.

The share price ended the year at 171 Baizas.

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 Ministry of Oil and Gas, 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 Capital Market Authority (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 for their support during the organization of the official plant inauguration by His Excellency Ahmad bin Abdallah bin Mohamed Al Shehhi (Minister of Regional Municipalities and Water Resources) on 26 March 2014.

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.

Philippe Langlet

Chairman

OPERATIONAL HIGHLIGHTS



Health and Safety

Health and safety performance is given utmost importance within ASPC 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 Lost Time Injuries (LTI) reported. The Company has introduced an HSE policy under the philosophy:

- Zero harm to people
- Zero environmental incidents

STOMO completed 1278 days without LTI since its mobilization to site. The Plant has completed 637 days of commercial operation without environmental incident. STOMO has proactively undertaken the process of ISO 14001 and OHSAS 18001 certification in 2014 for their operations in Barka 3, for which a stage two audit was successfully completed in December 2014.

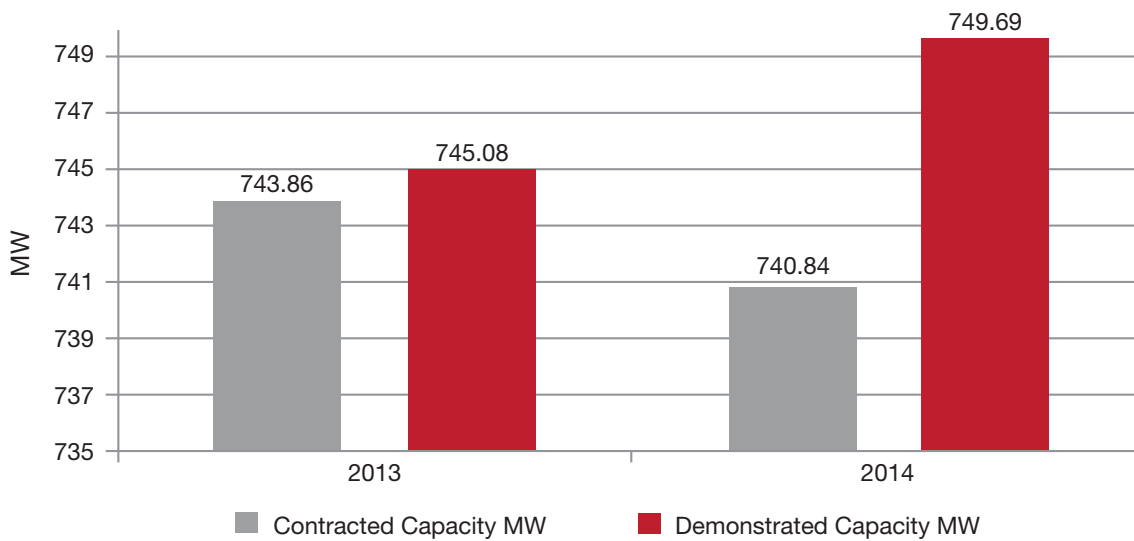
Many other proactive actions undertaken by the Company and STOMO have led to such an excellent accomplishment of HSE objectives:

- Frequent management reviews and safety walks
- Introduction of proactive key performance indicators (KPI)
- Introduction of the behavioral based program called “fresh eyes”
- Implementation of INTELEX – a safety incidents management system

Small incidents 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

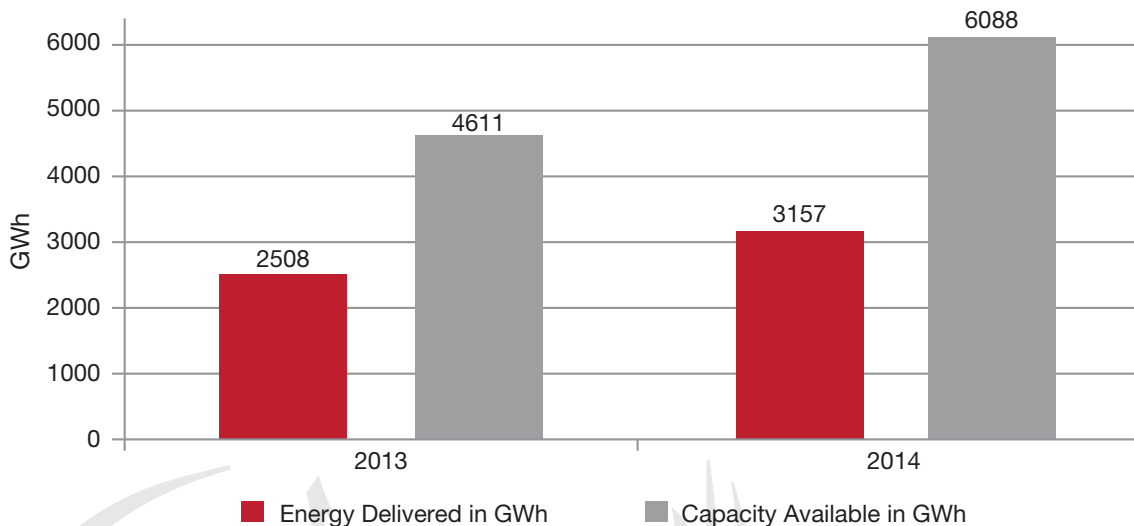
The capacity of a plant is defined as the total electrical power (MW), which can be delivered by the Plant at reference site conditions (RSC). The contractual capacity of ASPC under the PPA applicable from May 2014 till April 2015 is 740.85 MW. The annual performance test conducted in March 2014 demonstrated that the Plant met the contractual requirements. This capacity is expected to decline slightly over the period of PPA due to normal degradation of 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 6.4% (5.0% in 2013), resulting in an overall availability of 93.6% (95.0% in 2013).

In 2014, ASPC exported a total of 3,157 GWh of electrical energy with a utilization factor of 50.3% (52.9% in 2013).



Note: in 2013, 9 months of operation only

Reliability

The reliability of the Plant is its ability to deliver the declared capacity, as per the PPA. Any failure to deliver the declared capacity will be treated as forced outage. In 2014, the Plant reliability was 99.4% (99.7% in 2013), in other words, the forced outage rate in 2014 was 0.6% (0.3% 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.

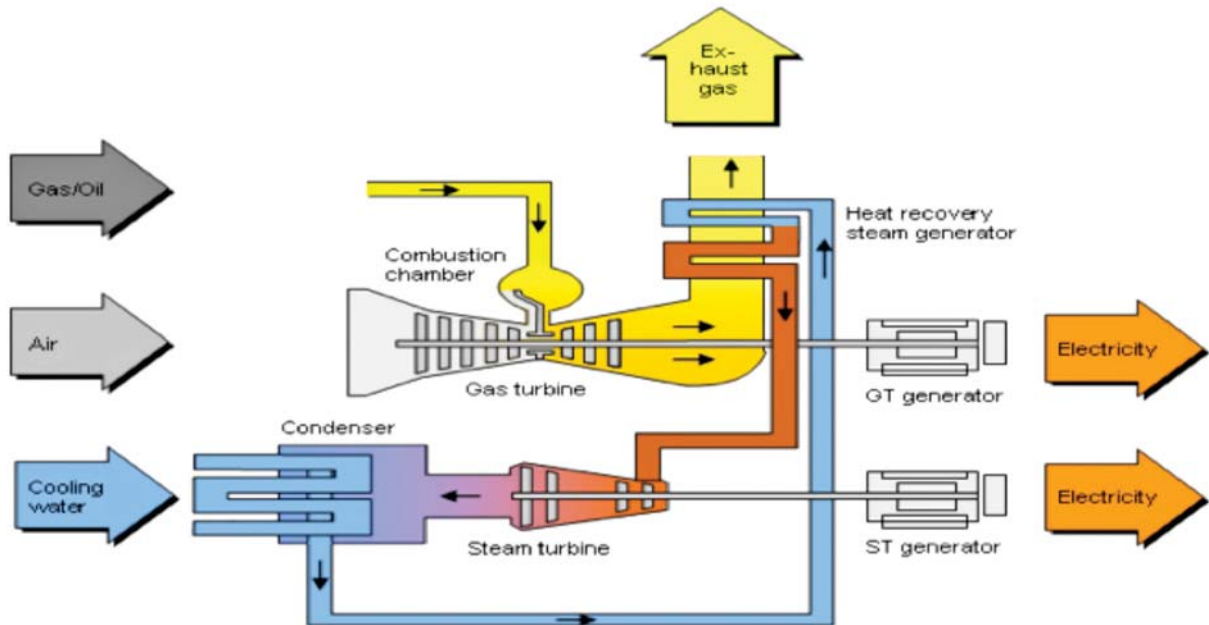
DESCRIPTION OF THE PROJECT



The Plant is located in Barka, approximately 100 km northwest of Muscat in Oman, adjacent to Barka-II IWPP. The Plant entered into full commercial operation on 4 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 dedicated sea water intake pipeline laid beneath the sea bed and discharged through a dedicated outfall pipeline into the sea. 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 the following 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.

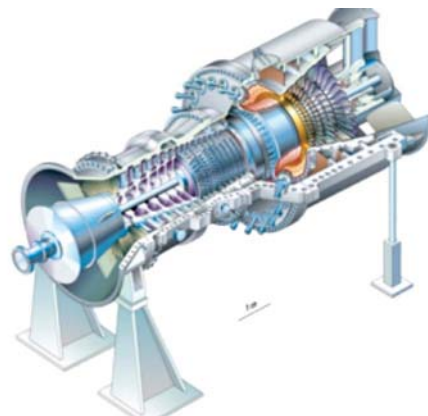
The auxiliary power for the Plant is derived from the Plant's internal electrical system with back up from the grid. The equipment and facilities required for the operation, testing, maintenance and repair of the equipment (for example control room, laboratory, stores, workshop, etc.) are available on 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 allow for 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 feedwater 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 SUWADI POWER COMPANY SAOG			
Document No.	Issue Year	Revision	
		No.	Date
ASPC/HSE/PL/0001	2014	00	June 4, 2014

Health, Safety and Environment (HSE) Policy Statement

<p>AL Suwadi 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 البالطة للطاقة (ش م ع) هي ملتزمة بتحقيق أعلى معايير ممكنة للصحة والسلامة البيئية وذلك لأننا نعتقد أنه من مسؤوليتنا الأخلاقية ضمان رفاهة 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>وسيتحقق 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 والالتزامات التي نتعهد بها لتحسين المستمر للوصول 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 الصناعي.</p> <p>5. تطبيق نظام إدارة الصحة والسلامة البيئية يستهدف مؤسستنا وجميع مقاولينا.</p> <p>6. رصد ومتابعة جميع الترخيصات والامتثال لجميع المتطلبات القانونية في سلطنة عمان.</p> <p>7. تعزيز ثقافة الصحة والسلامة البيئية من خلال التفاعل البناء مع الموظفين والمقاولين والمنظمين والحفاظ على العلاقات الفعالة على جميع المستويات.</p> <p>8. تنظيم مراجعات دورية للصحة والسلامة البيئية من قبل الإدارة.</p> <p>9. الإبلاغ عن أداء الصحة والسلامة البيئية في المؤسسة بطريقة شفافة وصادقة.</p> <p>10. توصيل هذه السياسة بشكل فعال لجميع أصحاب المصلحة المعنيين.</p> <p>11. ضمان التخطيط الملائم والاستعداد للاستجابة لحالات الطوارئ وإدارة الأزمات المرتبطة بها.</p>

Signed:  Przemek Lupa (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 discharge to 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 oversees and manages the development, construction and operation of the electricity and water production business of GDF SUEZ Energy International in the MENA region. It is an entity 100% owned directly by International Power, which is itself indirectly wholly owned by International Power Ltd.

International Power Ltd. is owned indirectly by 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 the Ministry of Defence. In addition, Multitech LLC's activities include trading in the areas of electrical products, welding products, water treatment and oilfield chemicals.

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

Multitech also engages in the trading of welding products, electrical products, water treatment & oilfield chemicals and cranes. Multitech is under the day to day management of Bahwan Engineering Company LLC, the flagship company of Suhail Bahwan Group.

Blue Horizon Barka Power B.V.

Blue Horizon Barka Power B.V. ("BHBP") is wholly owned subsidiary of Sojitz for investing in the Barka-3 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 business activities are wide-ranging, covering machinery, energy and metal, chemicals and consumer lifestyle-related business. 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/BHBP, 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 (1729 MW) in Saudi Arabia and Barka-3 (744 MW, CCGT) / Sohar-2 (744MW, CCGT) in Oman.

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

SEP International Netherlands B.V.

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

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

Also, its wholly owned parent company, Yonden, listed on the Tokyo Stock Exchange, is an electric power utility and carries out the integrated process of generating, transmitting, distributing, and selling electricity to 4 million people in the Shikoku region, Japan. Yonden employs more than 4,800 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

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>

Ministry of Defence Pension Fund

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

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

CORPORATE SOCIAL RESPONSIBILITY



The Company has launched its corporate citizenship with the official plant inauguration in March. Barka 3 was inaugurated by His Excellency Ahmad bin Abdallah bin Mohamed Al Shehhi (Minister of Regional Municipalities and Water Resources). The event was also attended by officials from the Public Authority for Electricity and Water (PAEW), government and municipality officials and senior representatives of the shareholders and other stakeholders.

ASPC 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 related 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 a long term PPAs, qualified producers (without PPAs and those having original PPAs expired) will be able to participate in a spot market and receive prices determined on a day-to-day basis in accordance with specified market rules. OPWP currently envisages that it will remain the single-buyer in accordance with its existing statutory duties.

Opportunities and Threats

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

Contractual Framework



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

Operational Highlights

Please refer to section “**Operational Highlights**” for operational performance of the Company.

Financial Highlights

<i>Figures in RO millions</i>		2014	2013
Revenues	1	51.06	43.26
Net Profit	2	4.82	16.98
Net Profit before Finance costs	3	18.22	27.03
Total Assets	4	314.80	323.01
Capital (Paid-up)	5	71.44	71.44
Shareholders' Fund (Net Assets)	6	84.45	85.07
Term Loans [^]	7	227.08	239.86
Weighted average number of shares [*]	8	714.41	537.05
Actual number of shares outstanding [*]	9	714.41	714.41
Ordinary Dividends	10	5.43	4.23
Key Financial Indicators			
Net Profit Margin	2/1	9.4%	39.2%
Return on Capital (Paid-up)	2/5	6.7%	23.8%
Return on Capital Employed	3/(6+7)	5.8%	8.3%
Debt Equity ratio	7:6	72.9 : 27.1	73.8 : 26.2
Net assets per share (Baizas)	6/8	118.22	158.39
Basic earnings per share (Baizas)	2/8	6.74	31.61
Dividends per share (Baizas)	10/9	7.60	5.92

[^] 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 Operations Date on 4 April 2013 while the comparative figures for 2013 reflect a 9 months 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 51.06 million in 2014 were higher as compared to RO 43.26 million in 2013.

The Net Profit of RO 4.82 million in 2014 was however lower than RO 16.98 million in 2013 mainly due to 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 8.99 million under the EPC Contract in 2013.

Analysis of Balance Sheet

Total Assets of the Company stood at RO 314.80 million as on December 31, 2014 as compared to RO 323.01 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 2.94 million as at December 31, 2014 as compared to RO 3.07 million last year.

The Shareholders Funds (Net Assets) at RO 84.45 million as of December 31, 2014 were lower compared to RO 85.07 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 the Equity by RO 11.04 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 227.08 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 5.43 million (translating to 7.60 Baizas per share) in 2014 (paid out of the audited retained earnings for the year ended December 31, 2013) was higher compared to RO 4.23 million (5.92 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 controls environment of the Company.



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Report to the shareholders of Al Suwadi 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 22 to 30.

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 BOD and management of Al Suwadi Power Company SAOG (“ASPC”) 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 BOD is elected by the general meeting of the shareholders and the executive management is appointed by the BOD. 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 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 BOD 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 BOD 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	Mr. Philippe Langlet * (Chairman)	Non-Executive & Independent	-	v	v	v	3	-
	Mr. Rahul Kar (Deputy Chairman)	Non-Executive & Independent	v	v	v	v	4	v
	Mr. Adnan Mohammed Salim Al Balushi *	Non-Executive & Independent	-	-	-	-	-	-
	Mr. Ali Taqi Al-Lawati	Non-Executive & Independent	v	v	v	v	4	v
	Mr. Jan Sterck	Non-Executive & Non-Independent	v	v	v	proxy	4	x
	Mr. Gillian-Alexandre Huart *	Non-Executive & Independent	-	-	-	-	-	-
	Mr. Kazuichi Ikeda	Non-Executive & Independent	v	proxy	proxy	proxy	4	x
	Mr. Ryuji Kikuchi	Non-Executive & Independent	proxy	v	v	proxy	4	x
	Mr. Saleh Nasser Abood Al Habsi *	Non-Executive & Independent	-	-	-	-	-	-
	Mr. Santosh Nair	Non-Executive & Independent	v	v	v	v	4	x
Mr. Yaqoub Harbi Salim Al-Harhi *	Non-Executive & Independent	-	-	-	-	-	-	
Resigned	Mr. Mario Savastano ** (Chairman)	Non-Executive & Independent	v	-	-	-	1	x
	Mr. Guillaume Baudet **	Non-Executive & Independent	v	v	v	v	4	x
	Mr. Johan Van Kerrebroeck **	Non-Executive & Non-Independent	proxy	v	v	v	4	x

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

* : appointed in 2014, ** : resigned during 2014

Footnote: pursuant to the provisions of Administrative Decision 137/2002, the Company has changed the composition of its BOD 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 Director	Position held	Name of companies
Mr. Ali Taqi Al-Lawati	Director	The First Mazoon Fund, National Mass Housing SAOC, Horizon Capital Markets SAOC and Mazoon Development SAOC
Mr. Rahul Kar	Director	Oman Ceramics SAOG, National Pharmaceutical Industries SAOG, Oman United Insurance Company SAOG and Bahwan Lamlanco SAOC.
Mr. Saleh Nasser Abood Al Habsi	Director	Renaissance Services 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 BOD 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. Kazuichi Ikeda	Member	v	proxy	proxy	proxy	4
Mr. Rahul Kar	Member	v	v	v	v	4
Mr. Gillian-Alexandre Huart **	New Chairman	-	-	-	-	-

v : attend, - : not in seat

* : resigned on 20 November 2014, ** : appointed on 30 December 2014

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 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 OMR 400 for the Board of Directors and OMR 200 for the Audit Committee. The sitting fee is payable to the Board 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 BoD and AC amount to RO 16,000. No further payments were paid to the BoD members or Audit Committee members.

b) Top 5 officers

The Company paid to its top 5 officers an aggregate amount of OMR 280,610 which includes secondment fee, salaries, performance related discretionary bonus and other benefits. The remuneration paid commensurate with their qualification, role, responsibility and performance.

Details of non-compliance by the Company

There were no penalties imposed on the Company by the 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 and 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	180	157	169	3,605.010
July	173	169	171	3,681.940
August	189	168	179	3,765.910
September	188	175	182	3,809.090
October	184	170	177	3,660.300
November	189	175	182	3,541.030
December	179	155	167	3,475.210

Note: the Company was listed on MSM from June 23, 2014.

b) Distribution of shareholding as of December 31, 2014

Category	Number of shareholders	Number of shares held	Share capital %
5% and above	7	545,773,452	76.40%
1% to 5%	4	50,448,754	7.06%
Less than 1%	4,266	118,184,134	16.54%
Total	4,277	714,406,340	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 13,636 in respect of audit (RO 10,536 for statutory and one-off for IPO) and tax (RO 3,100 for 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 : Mr. Philippe Langlet
Year of Joining : 2014
Education : DECS in Chartered Accountancy from Paris, France and Semalead from GDF SUEZ University in Paris, France.
Experience : Mr. Langlet joined as Chief Financial Officer of GDF SUEZ SAMEA i.e. South Asia, Middle East, Africa Region in May 2014. Prior to joining SAMEA, Mr. Langlet was the Finance & HR Director of International Power-GDF Suez Australia from February 2011 to May 2014 based in Melbourne.

Prior to joining International Power-GDF Suez in Australia, he had an extensive international experience mainly as Chief Financial Officer and Director within GDF Suez Group in several business lines and large joint ventures: (1) 13 years in the Oil Offshore Construction Industry (Mc Dermott-ETPM in UAE, Malaysia, Iran, France), (2) 6 years as CFO in Water and Waste Management (Suez Environment in Philippines/Macao and SITA Australia in Sydney) and 4 years as CFO in a major Power Generation JV in Oman (Barka 2).

Name : Mr. Rahul Kar
Year of Joining : 2013
Education : Degree in Commerce and is a Chartered Accountant
Experience : Mr. Kar has over 25 years of work experience. He is currently working as Financial Advisor in Suhail Bahwan Group Holding LLC in Muscat, Oman. He is also a Director and Audit Committee member in Oman Ceramics SAOG, Director and Audit Committee member in National Pharmaceutical Industries SAOG and Director and Executive Committee member in Oman United Insurance Company SAOG.

Name : Mr. Adnan Mohammed Salim Al Balushi
Year of Joining : 2014
Education : Degree in Economics and Business Administration
Experience : Mr. Al Balushi has 25 years of hands-on experience in corporate finance, treasury and investment management. He is currently working with Oman LNG in the capacity of chief investment officer with overall responsibility for managing company's investments globally. Before taking his current position, Mr. Al Balushi performed as the company's Corporate Treasurer with responsibility for providing functional leadership in managing company's treasury activities including cash management; banking operations; risk management; insurance; financing and debt management. Prior to joining Oman LNG in 1997, Mr. Al Balushi worked at the State General Reserve Fund (SGRF) as a senior investment officer responsible for managing multi-currency fixed-income and money markets portfolios. He started his career at the Ministry of Finance in 1989 and was involved in hedging Oman's oil revenue.

While still employed by Oman LNG, Mr. Al Balushi was seconded to Shell International, London, from 2002 to 2004, and to the Ministry of Finance, Muscat, from 2010 to 2014. At Shell he performed as Senior Advisor to various Shell businesses, providing them advice and support in their project finance, M&A and divestment activities. At the Ministry of Finance, he provided strategic support and professional advice to senior officials at the Ministry in all aspects related to the Treasury Management; Investment Management; governance of Sovereign Investment Funds and Government related enterprises; and development and financing of major projects in Oil & Gas, Power, Shipping & Logistics; and Real Estate sectors.

Name : **Mr. Ali Taqi Ibrahim Al-Lawati**
Year of Joining : 2014
Education : Degree in real estate and insurance and a Diploma in capital markets with specialised focus on financial analysis.
Experience : Mr. Al Lawati has a total of 17 years of experience in the Investment Department with PASI. He possesses experience in the management of international and local investments for traditional and alternative asset classes, and currently is head of real estate Investment section at PASI.

Name : **Mr. Jan Sterck**
Year of Joining : 2013
Education : Degree in Electronics Engineering
Experience : Mr. Sterck has 31 years of experience in the power generation industry.

In 1982, after his military service, he joined the Belgian utility Electrabel, where he worked for 11 years in operations and maintenance departments of the Doel 3 and 4 nuclear units. In 1993, Mr. Sterck joined the Tractebel Electricity & Gas International business unit of Tractebel S.A. when it started its international development activities. Since then he has served in different IPP power generation projects worldwide, taking key positions in operations and project management. Among those projects, in 1996, was the United Power Company SAOG - Manah power project in Oman, the first IPP in the Middle East. In 2006 Mr. Sterck returned to the Brussels head office to take up the position of SVP Generation in Suez Energy International (SEI), covering plant operations, support to business development and construction activities.

He maintained this position during the merger with GDF and the reorganization of the power generation activities in GDF SUEZ Branch Energy Europe and International (BEEI). On occasion of the integration of International Power, he took up the position of head of New Build in the present GDF SUEZ Branch Energy International.

Name : **Mr. Gillian-Alexandre Jeremy Huart**
Year of Joining : 2014
Education : Master's degree in Business Engineering (Solvay Brussels School of Economics and Management), Master's Degree in Political Sciences (University of Brussels) and Management Degree from INSEAD in Singapore.
Experience : Mr. Gillian-Alexandre Huart joined GDF SUEZ Group in 2002 and developed over this period various experiences in energy business in Europe and Asia Countries. After a few years as consultant for Accenture, Mr. Gillian-Alexandre Huart took over in 2002 a Senior Internal Auditor position within Electrabel, subsidiary of GDF SUEZ, before taking managerial responsibilities in 2005 for both Market Research & Competitive Intelligence department within Electrabel Marketing and Sales Business Unit, covering BeNeDeLux, France and Italy. In 2008, he moved to the GDF SUEZ's office in Bangkok as a Senior Vice-President Business Development in Asia. He worked on several projects in the region and successfully closed various transactions in Singapore, Thailand, Laos and India. Since 2014, he is a member of the Boards of both Ras Girtas Power Company (Qatar) and Al Suwadi Power Company SAOG (Oman) as well as Chairman of the Audit Committee of Al Suwadi Power Company SAOG.

Name : **Mr. Kazuichi Ikeda**
Year of Joining : 2013
Education : Master's degree in Electrical Engineering from Osaka University (Japan).
Experience : Mr. Ikeda is the Senior Manager and Head of IPP Development Team of Yonden, a parent of SEPI. In this position, he is responsible for IPP/IWPPs development and management of its overseas portfolio.

Mr. Ikeda started his career in Yonden in 1995 as an Electrical Engineer and has been involved in construction, maintenance and performance management of various thermal power plants in Japan for more than 12 years. Subsequently, he has been engaged in overseas IPP/IWPPs development over the last 8 years out of which he worked for Ras Laffan C IWPP project in Qatar for more than two and a half years as one of the management personnel in charge of the maintenance of the whole plant (2,730 MW - power & 63 MIGD - water).

Name : **Mr. Ryuji Kikuchi**
Year of Joining : 2013
Education : Degree in Architecture and a Master's degree in Business Administration with specialisation in General Management.
Experience : Mr. Kikuchi has more than 10 years of experience in power generation industry in various countries including Oman, UAE, India, Vietnam, Mexico etc. In those projects he was specifically involved in I(W)PP development, EPC contracting, project finance and investment management. He also worked in finance department of Nissho Iwai (former Sojitz) for 4 years to cover trade and structured financing globally. He is currently the Project Leader for I(W)PP development in Sojitz Corporation and the part-time director for Asia Power (Pvt) Ltd in Sri Lanka, an IPP company.

Name : **Mr. Saleh Nasser Abood Al Habsi**
Year of Joining : 2014
Education : MBA and M.Sc. in Finance both from University of Maryland (USA), and BSBA and BA from Boston University (USA). Attended senior executive program at London Business School and High Performance Boards Program at IMD Switzerland.
Experience : Mr. Al Habsi is General Manager of Ministry of Defence Pension Fund and has more than 20 years of experience in the financial sector. Mr. Al Habsi is member of the Board of GrowthGate Capital, a regional Private Equity Co. and Renaissance Services SAOG. He has previously served as Chairman of Muscat Fund; Deputy Chairman of Gulf Custody Company Oman SAOC; Board Member of Bank Dhofar SAOG; Board Member National Bank of Oman; and Board Member Al Omaniya Financial Services SAOG.

Name : **Mr. Santosh Nair**
Year of Joining : 2014
Education : Degree in Commerce and is a member of the Institute of Chartered Accountants of India.
Experience : Mr. Nair has over 15 years of professional experience and has extensively worked on various investment proposals for Bahwan Engineering Group in the power sector. He was deputed as Chief Financial Officer of Sharqiyah Desalination Company SAOG for 5 years and is presently heading the commercial division of Bahwan Engineering Group. His areas of expertise include Project Agreements, Project Financing and Finance & Accounting. He played an active role in the successful close of the IPO of Sharqiyah Desalination Company SAOG.

Name : Mr. Yaqoub Harbi Salim Al-Harhi
Year of Joining : 2014
Education : Bachelor's degree in Mechanical Engineering from the Sultan Qaboos University.
Experience : Mr. Al-Harhi has more than 12 years of experience in power generation industry in various power / desalination plants. He is currently the General Manger of Al-Kamil construction and service LLC which has O&M agreement with Al Kamil Power Company the owner of 285 MW power plant in North Al Sharqiyah.

Brief Profiles of Key Executive Officers

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

Name : Mr. Przemek Lupa
Position : Chief Executive Officer
Year of Joining : 2013
Education : Master's degree in Management from the Solvay Business School, Brussels, with an exchange program at the Asian Institute of Technology, Bangkok. CEDEP (INSEAD) General Management Program, Fontainebleau.
Experience : Mr. Lupa joined Al Suwadi Power from GDF SUEZ Energy Asia-Pacific where he was SVP Business Development. He started his career within the GDF SUEZ Group in the Corporate & Project Finance department. He has spent 14 years in the GDF SUEZ Group: in Finance, Strategy and mostly Business Development, building experience on numerous transactions. He led projects that involved acquisitions, disposals, greenfields, equity restructurings, in various countries across Europe, Asia, Middle East and Africa, in both merchant and contracted environments, and across a wide range of power generation technologies.

Name : Mr. Muhammad Fawad Akhtar
Position : Chief Financial Officer
Year of Joining : 2014
Education : Fellow member of Association of Chartered Certified Accountants, UK and Institute of Chartered Accountants of Pakistan and holds a Bachelor degree in Economics.
Experience : Mr. Akhtar joined Al Suwadi Power Company in August 2014 from GDF SUEZ Energy International where he was working in the capacity of General Manager Corporate Finance & Planning for two fully owned subsidiaries in Pakistan. He started his career with Ernst & Young where he spent 5 years. He joined the GDF SUEZ group in 2003 and remained extensively involved in dealing with project and finance documents, led the corporate finance and accounting functions and successful development of a greenfield project.

AUDITED FINANCIAL STATEMENTS





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

Report on the financial statements

We have audited the financial statements of Al Suwadi Power Company SAOG ("the Company"), set out on pages 33 to 64, 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

		2014	2014	2013	2013
	Notes	RO	USD	RO	USD
Revenues		51,062,724	132,802,924	43,258,695	112,506,358
Direct costs	15	(27,791,999)	(72,280,883)	(21,221,193)	(55,191,663)
Gross profit		23,270,725	60,522,041	22,037,502	57,314,695
Liquidated damages (net)	14	-	-	8,993,708	23,390,659
		23,270,725	60,522,041	31,031,210	80,705,354
General and administrative expenses	16	(1,098,332)	(2,856,520)	(449,705)	(1,169,583)
Profit before interest and tax		22,172,393	57,665,521	30,581,505	79,535,771
Finance costs (net)	17	(13,398,156)	(34,845,660)	(10,055,270)	(26,151,547)
Profit before tax		8,774,237	22,819,861	20,526,235	53,384,224
Tax expense	11	(3,956,210)	(10,289,233)	(3,550,657)	(9,234,478)
Net profit		4,818,027	12,530,628	16,975,578	44,149,746
Earnings per share					
Basic earnings per share (Baizas)	24	6.74	-	31.61	-

The notes on pages 39 to 64 form an integral part of these financial statements.
The report of the Independent Auditors is set forth on page 32.

Statement of profit or loss and other comprehensive income

for the year ended 31December

	Notes	2014 RO	2014 USD	2013 RO	2013 USD
Net profit		4,818,027	12,530,628	16,975,578	44,149,746
Other comprehensive (loss)/income, net of income tax:					
<i>Item that will be reclassified to profit and loss</i>					
Effective portion of change in fair value of cash flow hedge	19	<u>(7,951,544)</u>	<u>(20,680,218)</u>	<u>16,106,475</u>	<u>41,889,401</u>
Total comprehensive (loss)/income for the year		<u>(3,133,517)</u>	<u>(8,149,590)</u>	<u>33,082,053</u>	<u>86,039,147</u>

The notes on pages 39 to 64 form an integral part of these financial statements.
The report of the Independent Auditors is set forth on page 32.

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	305,295,558	794,006,653	313,007,650	814,064,110
Deferred tax asset	11	1,660,201	4,317,818	444,590	1,156,281
Total non-current assets		306,955,759	798,324,471	313,452,240	815,220,391
Current assets					
Trade and other receivable	7	2,707,226	7,040,898	2,779,347	7,228,469
Inventory		1,858,193	4,832,753	2,007,757	5,221,732
Short term deposit	13	2,768,400	7,200,000	2,960,650	7,700,000
Cash and cash equivalents	8	508,848	1,323,401	1,811,605	4,711,587
Total current assets		7,842,667	20,397,052	9,559,359	24,861,788
Total assets		314,798,426	818,721,523	323,011,599	840,082,179
Equity and liabilities					
Equity					
Share capital	9(a)	71,440,634	185,801,389	71,440,634	185,801,389
Legal reserve	9(b)	2,279,555	5,928,620	1,797,752	4,675,557
Retained earnings		10,734,517	27,918,117	11,827,781	30,761,458
Shareholders fund		84,454,706	219,648,126	85,066,167	221,238,404
Hedging reserve	19	(11,041,221)	(28,715,789)	(3,089,677)	(8,035,571)
Total equity		73,413,485	190,932,337	81,976,490	213,202,833
Liabilities					
Non-current liabilities					
Term loans	6	202,888,936	527,669,533	215,086,086	559,391,641
Derivative instruments	19	12,720,369	33,082,885	3,527,174	9,173,403
Deferred tax liability	11	7,957,343	20,695,300	3,888,705	10,113,668
Asset retirement obligation	12	539,815	1,403,941	496,861	1,292,226
End of service benefits		5,405	14,058	3,099	8,058
Total non-current liabilities		224,111,868	582,865,717	223,001,925	579,978,996
Current liabilities					
Term loans	6	13,783,991	35,849,132	12,780,708	33,239,814
Trade and other payables	10	3,149,082	8,190,072	3,552,476	9,239,210
Short term borrowing		340,000	884,265	1,700,000	4,421,326
Total current liabilities		17,273,073	44,923,469	18,033,184	46,900,350
Total liabilities		241,384,941	627,789,186	241,035,109	626,879,346
Total equity and liabilities		314,798,426	818,721,523	323,011,599	840,082,179
Net assets per share (Baizas)	23	118.22	-	158.39	-

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

Chairman

Director

The notes on pages 39 to 64 form an integral part of these financial statements.
The report of the Independent Auditors is set forth on page 32.

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		4,818,027	12,530,628	16,975,578	44,149,746
Adjustments for:					
Depreciation		8,026,706	20,875,698	5,981,794	15,557,332
Profit on sale of fixed asset		-	-	(22)	(58)
Ineffective portion of hedge		138,468	360,126	(104,956)	(272,968)
Amortisation of deferred finance cost		1,534,805	3,991,690	1,197,426	3,114,243
Asset retirement obligation -unwinding of discount		42,954	111,715	30,090	78,257
Tax expense		3,956,210	10,289,233	3,550,657	9,234,478
End of service benefits		2,306	6,000	724	1,885
		<u>18,519,476</u>	<u>48,165,090</u>	<u>27,631,291</u>	<u>71,862,915</u>
Changes in :					
Inventories		149,564	388,979	(448,997)	(1,167,739)
Trade and other receivables		72,121	187,571	1,119,012	2,910,306
Trade and other payables		(403,394)	(1,049,138)	(17,969,109)	(46,733,705)
Asset retirement obligation		-	-	466,771	1,213,969
Net cash from operating activities		<u>18,337,767</u>	<u>47,692,502</u>	<u>10,798,968</u>	<u>28,085,746</u>
Cash flows from investing activities:					
Acquisition of property, plant and equipment		(314,614)	(818,241)	(130,795,508)	(340,170,371)
Proceeds from sale of property, plant and equipment		-	-	80	207
Transfer of capital work in progress		-	-	112,863,489	293,533,131
Net cash used in investing activities		<u>(314,614)</u>	<u>(818,241)</u>	<u>(17,931,939)</u>	<u>(46,637,033)</u>
Cash flows from financing activities:					
Movement in share capital		-	-	70,940,634	184,500,999
Movement in shareholder loan		-	-	(7,094,063)	(18,450,100)
Movement in equity bridge loan		-	-	(63,817,434)	(165,975,121)
(Repayment of)/net proceeds from term loans		(12,780,708)	(33,239,814)	13,552,236	35,246,387
(Repayment of)/proceeds from short term borrowing		(1,360,000)	(3,537,061)	1,700,000	4,421,326
Refund of Euler Hermes premium		52,036	135,334	-	-
Movement in short term deposit		192,250	500,000	(2,960,650)	(7,700,000)
Dividends paid		(5,429,488)	(14,120,906)	(4,229,500)	(11,000,000)
Net cash flow (used in) / from financing activities		<u>(19,325,910)</u>	<u>(50,262,447)</u>	<u>8,091,223</u>	<u>21,043,491</u>
Net change in cash and cash equivalents		<u>(1,302,757)</u>	<u>(3,388,186)</u>	<u>958,252</u>	<u>2,492,204</u>
Cash and cash equivalents at beginning of the year	8	<u>1,811,605</u>	<u>4,711,587</u>	<u>853,353</u>	<u>2,219,383</u>
Cash and cash equivalents at end of the year	8	<u>508,848</u>	<u>1,323,401</u>	<u>1,811,605</u>	<u>4,711,587</u>

The notes on pages 39 to 64 form an integral part of these financial statements.
The report of the Independent Auditors is set forth on page 32.

Statement of changes in equity

for the year ended 31 December

	Share capital RO	Legal reserve RO	Retained earnings RO	Hedging reserve RO	Total RO
Balance at 1 January 2014	71,440,634	1,797,752	11,827,781	(3,089,677)	81,976,490
<i>Total comprehensive income</i>					
Net profit for the year	-	-	4,818,027	-	4,818,027
<i>Other comprehensive income, net of income tax</i>					
Cash flow hedge - effective portion of changes in fair value	-	-	-	(7,951,544)	(7,951,544)
<i>Total comprehensive income</i>	-	-	4,818,027	(7,951,544)	(3,133,517)
<i>Transaction with owners of the Company</i>					
<i>Contribution and distribution</i>					
Transfer to legal reserve	-	481,803	(481,803)	-	-
Dividend	-	-	(5,429,488)	-	(5,429,488)
<i>Total transactions with owners of the Company</i>	-	481,803	(5,911,291)	-	(5,429,488)
Balance at 31 December 2014	71,440,634	2,279,555	10,734,517	(11,041,221)	73,413,485
	USD	USD	USD	USD	USD
Balance at 1 January 2014	185,801,389	4,675,557	30,761,458	(8,035,571)	213,202,833
<i>Total comprehensive income</i>					
Net profit for the year	-	-	12,530,628	-	12,530,628
<i>Other comprehensive income, net of income tax</i>					
Cash flow hedge - effective portion of changes in fair value	-	-	-	(20,680,218)	(20,680,218)
<i>Total comprehensive income</i>	-	-	12,530,628	(20,680,218)	(8,149,590)
<i>Transaction with owners of the Company</i>					
<i>Contribution and distribution</i>					
Transfer to legal reserve	-	1,253,063	(1,253,063)	-	-
Dividend	-	-	(14,120,906)	-	(14,120,906)
<i>Total transactions with owners of the Company</i>	-	1,253,063	(15,373,969)	-	(14,120,906)
Balance at 31 December 2014	185,801,389	5,928,620	27,918,117	(28,715,789)	190,932,337

Statement of changes in equity (continued)

for the year ended 31 December

	Share capital RO	Legal reserve RO	Retained earnings RO	Hedging reserve RO	Total RO
Balance at 1 January 2013	500,000	100,194	779,261	(19,196,152)	(17,816,697)
<i>Total comprehensive income</i>					
Net profit for the year	-	-	16,975,578	-	16,975,578
<i>Other comprehensive income, net of income tax</i>					-
Cash flow hedge - effective portion of changes in fair value	-	-	-	16,106,475	16,106,475
<i>Total comprehensive income</i>	-	-	16,975,578	16,106,475	33,082,053
<i>Transaction with owners of the Company</i>					
<i>Contribution and distribution</i>					
Conversion of equity bridge and shareholder loans	70,940,634	-	-	-	70,940,634
Transfer to legal reserve	-	1,697,558	(1,697,558)	-	-
Dividend	-	-	(4,229,500)	-	(4,229,500)
<i>Total transactions with owners of the Company</i>	70,940,634	1,697,558	(5,927,058)	-	66,711,134
Balance at 31 December 2013	<u>71,440,634</u>	<u>1,797,752</u>	<u>11,827,781</u>	<u>(3,089,677)</u>	<u>81,976,490</u>
	USD	USD	USD	USD	USD
Balance at 1 January 2013	1,300,390	260,582	2,026,687	(49,924,972)	(46,337,313)
<i>Total comprehensive income</i>					
Net profit for the year	-	-	44,149,746	-	44,149,746
<i>Other comprehensive income, net of income tax</i>					
Cash flow hedge - effective portion of changes in fair value	-	-	-	41,889,401	41,889,401
<i>Total comprehensive income</i>	-	-	44,149,746	41,889,401	86,039,147
<i>Transaction with owners of the Company</i>					
<i>Contribution and distribution</i>					
Conversion of equity bridge and shareholder loans	184,500,999	-	-	-	184,500,999
Transfer to legal reserve	-	4,414,975	(4,414,975)	-	-
Dividend	-	-	(11,000,000)	-	(11,000,000)
<i>Total transactions with owners of the Company</i>	184,500,999	4,414,975	(15,414,975)	-	173,500,999
Balance at 31 December 2013	<u>185,801,389</u>	<u>4,675,557</u>	<u>30,761,458</u>	<u>(8,035,571)</u>	<u>213,202,833</u>

The notes on pages 39 to 64 form an integral part of these financial statements.

The report of the Independent Auditors is set forth on page 32.

Notes

(forming part of the financial statements)

1) Legal status and principal activities

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

The Company’s objectives are to develop, finance, design, construct, operate, maintain, insure, and own a power generating facility (the Barka 3 Power Plant with a capacity of about 750MW), and associated gas interconnection facilities and other relevant infrastructure; making available the demonstrated power capacity; and selling the electricity energy delivered to Oman Power and Water Procurement Company SAOC.

Commercial Operation of the Plant was achieved by the Company on 4 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. Usufruct Agreement relating to the Barka site dated 15 August 2010 with the Government of the Sultanate of Oman represented by the Ministry of Housing for grant of Usufruct rights over the plant site for 25 years from its effective date.
- iv. Turnkey Engineering, Procurement and Construction Contract (“EPC Contract”) dated 15 September 2010 with Siemens AG and GS Engineering and Construction Corp. to perform the engineering, procurement and construction of the Plant.
- v. Operation & Maintenance Agreement (“O&M Agreement”) with Suez Tractebel Operation and Maintenance Oman LLC (“STOMO”) dated 24 September 2010 for a period of 15 years from scheduled COD.
- vi. Electrical Connection Agreement dated December 2011 with Oman Electricity Transmission Company S.A.O.C for connection of the Company’s equipment to the transmission system.

Finance Documents

- vii. Common Terms Agreement (“CTA”) and Facility Agreements dated 16 September 2010 for long term loans with international and local banks.
- viii. First Amendment Agreement to the Common Terms Agreement and Facility Agreements with the parties dated 29 September 2010.

Notes

(forming part of the financial statements)

3) Significant agreements *(continued)*

- ix. Hedging Agreements for interest rate swap with Credit Agricole Corporate & Investment Bank (dated 5 October 2010), KfW IPEX Bank GMBH (dated 6 October 2010), HSBC Bank Middle East Limited (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 8.84 million.

Security Documents

- xii. Intercreditor Deed dated 16 September 2010 with The Export-Import Bank of Korea, Credit Agricole Corporate & Investment Bank (as the "Global Facility Agent" and "Offshore Security Trustee"), Bank Muscat SAOG (as the "Onshore Account Bank") and Others.
- xiii. Offshore Deed of Charge and Assignment dated 16 September 2010 with Credit Agricole Corporate & Investment Bank as "Offshore Security Trustee".
- xiv. Deed of Assignment of Re-insurance dated 16 September 2010 with Credit Agricole Corporate and Investment Bank as "Offshore Security Trustee"; and Oman United Insurance Company SAOG as "Insurer".
- xv. Sale and Purchase Agreement dated 16 September 2010 with Bank Muscat SAOG as the "Onshore Security Agent".
- xvi. Agreement for Security over Omani Shares dated 16 September 2010 between the Company as "the Company", the Founder Shareholders as the "Chargors", Bank Muscat SAOG as the "Onshore Security Agent"; and Credit Agricole Corporate & Investment Bank as the "Global Facility Agent".
- xvii. Commercial Mortgage over Company's Assets (including receipt) dated 21 September 2010 between the Company as "Mortgagor"; and Bank Muscat SAOG as "Mortgagee".
- xviii. Legal Mortgage dated 21 September 2010 between the Company as "Mortgagor"; and Bank Muscat SAOG as "Mortgagee".
- 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 ("IFRSs") 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 the 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)

Basis of preparation (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.

Significant accounting policies

d) Currency

i. Presentation and functional currency

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

ii. Foreign currency transactions

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

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

Non-monetary items that are measured at historical cost in a foreign currency are not translated at the exchange rates prevailing at the reporting date.

Translation gains and losses related to monetary items are recognized in the income statement in the period in which they arise, with the exception of those related to monetary items that qualify as hedging instruments in a cash flow hedge that are recognized initially in profit or loss and other comprehensive income to the extent that the hedge is effective.

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.

Notes

(forming part of the financial statements)

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

iii. Cash flow hedges (continued)

When the hedged item is a non-financial asset, the amount recognised in 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 profit or loss and other comprehensive income is recognised immediately in the income statement. In other cases the amount recognised in the profit or loss and other comprehensive income is transferred to the income statement in the same period that the hedged item affects the income statement.

f) Property, plant and equipment

i) Recognition and measurement

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

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and the difference is recognised in the income statement. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

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

Notes

(forming part of the financial statements)

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

iv) Capital work in progress

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

v) Asset retirement obligation

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

g) Inventory

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

h) Impairment

i) Financial assets

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

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

Notes

(forming part of the financial statements)

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

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

k) *Provisions*

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

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.

Notes

(forming part of the financial statements)

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

p) Dividend

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

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

q) New standards and interpretation not yet effective

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 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.

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.

r) Determination of fair value

i) Derivative financial instruments

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

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

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

ii) Non-derivative financial liabilities

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

Notes

(forming part of the financial statements)

5 Property, plant and equipment

	Property, plant and equipment USD	Decommi ssioning asset USD	Technical spares USD	Others assets USD	Total USD	Total OMR
Cost						
1 January 2013	487,905,972	-	3,450,879	181,187	491,538,038	188,996,375
Additions during the year	337,863,068	1,213,969	1,085,696	7,638	340,170,371	130,795,508
Transfer during the year	864,353	-	(864,353)	-	-	-
Disposal during the year	-	-	-	(519)	(519)	(200)
1 January 2014	826,633,393	1,213,969	3,672,222	188,306	831,707,890	319,791,683
Additions during the year	27,750	-	702,655	87,836	818,241	314,614
Disposal during the year	-	-	-	(39,990)	(39,990)	(15,376)
Transfer during the year	-	-	-	-	-	-
31 December 2014	826,661,143	1,213,969	4,374,877	236,152	832,486,141	320,090,921
Depreciation						
1 January 2013	1,962,488	-	9,723	114,607	2,086,818	802,381
Charge for the year	15,375,043	23,183	99,081	60,025	15,557,332	5,981,794
Disposal during the year	-	-	-	(370)	(370)	(142)
1 January 2014	17,337,531	23,183	108,804	174,262	17,643,780	6,784,033
Disposal during the year	-	-	-	(39,990)	(39,990)	(15,376)
Charge for the year	20,617,465	30,771	205,702	21,760	20,875,698	8,026,706
31 December 2014	37,954,996	53,954	314,506	156,032	38,479,488	14,795,363
Carrying amount						
31 December 2014	788,706,147	1,160,015	4,060,371	80,120	794,006,653	305,295,558
31 December 2013	809,295,862	1,190,786	3,563,418	14,044	814,064,110	313,007,650

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 had 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>2,647,612</u>	<u>2,647,612</u>	<u>2,647,612</u>	<u>2,647,612</u>	<u>2,647,612</u>	<u>(15,175,779)</u>
	USD	USD	USD	USD	USD	USD
Decrease/ (increase) in depreciation expense	<u>6,885,856</u>	<u>6,885,856</u>	<u>6,885,856</u>	<u>6,885,856</u>	<u>6,885,856</u>	<u>(39,468,861)</u>

6. Term loans

	2014	2014	2013	2013
	RO	USD	RO	USD
Term loans	227,076,799	590,576,850	239,857,507	623,816,664
Less: current portion	<u>(13,783,991)</u>	<u>(35,849,132)</u>	<u>(12,780,708)</u>	<u>(33,239,814)</u>
Non-current portion	213,292,808	554,727,718	227,076,799	590,576,850
Less: Unamortised transaction cost	<u>(10,403,872)</u>	<u>(27,058,185)</u>	<u>(11,990,713)</u>	<u>(31,185,209)</u>
	<u>202,888,936</u>	<u>527,669,533</u>	<u>215,086,086</u>	<u>559,391,641</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.

Notes

(forming part of the financial statements)

6. Term loans (continued)

At 31 December, the outstanding amounts were as follows:

	RO 2014	USD 2014	RO 2013	USD 2013
Hermes Covered Variable Facility	66,842,441	173,842,500	71,138,652	185,016,000
KEXIM Direct Facility	47,637,066	123,893,538	50,698,876	131,856,634
Commercial Facility	46,506,229	120,952,481	47,680,999	124,007,800
Hermes Covered Fixed Facility	41,133,810	106,980,000	43,777,632	113,856,000
KEXIM Covered Facility	24,957,253	64,908,331	26,561,348	69,080,230
	<u>227,076,799</u>	<u>590,576,850</u>	<u>239,857,507</u>	<u>623,816,664</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.

7. Trade and other receivables

	2014 RO	2014 USD	2013 RO	2013 USD
Trade receivables	2,254,951	5,864,633	2,277,311	5,922,786
Prepayments	352,638	917,134	348,291	905,828
Due from related parties (Note 18)	81,203	211,189	13,735	35,719
Other receivables	18,434	47,942	140,010	364,136
	<u>2,707,226</u>	<u>7,040,898</u>	<u>2,779,347</u>	<u>7,228,469</u>

Notes

(forming part of the financial statements)

8. Cash and cash equivalents

	2014	2014	2013	2013
	RO	USD	RO	USD
Cash in hand	496	1,289	922	2,398
Cash at bank	<u>508,352</u>	<u>1,322,112</u>	<u>1,810,683</u>	<u>4,709,189</u>
	<u>508,848</u>	<u>1,323,401</u>	<u>1,811,605</u>	<u>4,711,587</u>

Cash at bank includes RO 4,000 (USD 10,403); 2013: Nil, as margin money towards a bank guarantee.

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 Bzs.each	% of total	Aggregate nominal value of shares held (RO)
Kahrabel FZE	UAE	213,607,492	29.90	21,360,750
Multitech LLC	Omani	102,160,110	14.30	10,216,011
SEP International Netherlands B.V.	Netherlands	51,080,055	7.15	5,108,005
Blue Horizon Barka Power B.V.	Netherlands	51,080,055	7.15	5,108,005
Public Authority for Social Insurance	Omani	46,436,409	6.50	4,643,641
Ministry of Defence Pension Fund	Omani	43,660,903	6.11	4,366,090
Civil Service Employees Pension Fund	Omani	37,748,428	5.28	3,774,843
Shareholders with less than 5% shareholding		<u>168,632,888</u>	<u>23.61</u>	<u>16,863,289</u>
		<u>714,406,340</u>	<u>100</u>	<u>71,440,634</u>
Nominal value in USD				<u>185,801,389</u>

Notes

(forming part of the financial statements)

9. Equity (continued)

(a) Share capital (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 71,440,634 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	32,862,692	46	32,862,692
Multitech LLC	Omani	15,716,939	22	15,716,939
SEP International Netherlands B.V.	Netherlands	7,858,470	11	7,858,470
Blue Horizon Barka Power B.V.	Netherlands	7,858,470	11	7,858,470
Public Authority for Social Insurance	Omani	7,144,063	10	7,144,063
		<u>71,440,634</u>	<u>100</u>	<u>71,440,634</u>
Nominal value in USD				<u>185,801,389</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 714,406,340 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 11,000,000 from the audited accounts of the Company as of 31 August 2013 to the shareholders of the Company.

Notes

(forming part of the financial statements)

9. Equity (continued)

(d) Dividend (continued)

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 6.1 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.

10. Trade and other payables

	2014	2014	2013	2013
	RO	USD	RO	USD
Due to related parties (note 18)	17,978	46,757	226,495	589,063
Trade payables	-	-	55,184	143,523
Accrued fuel gas	730,448	1,899,734	558,633	1,452,882
Accrued finance cost	1,897,842	4,935,870	1,937,567	5,039,186
Other payables and accruals	502,814	1,307,711	774,597	2,014,556
	<u>3,149,082</u>	<u>8,190,072</u>	<u>3,552,476</u>	<u>9,239,210</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>3,956,210</u>	<u>10,289,233</u>	<u>3,550,657</u>	<u>9,234,478</u>

b) Reconciliation

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

Profit before tax	<u>8,774,237</u>	<u>22,819,861</u>	<u>20,526,235</u>	<u>53,384,224</u>
Income tax as per rates mentioned above	<u>1,052,908</u>	<u>2,738,383</u>	<u>2,463,148</u>	<u>6,406,107</u>
Unrecognised deferred tax asset	<u>2,903,302</u>	<u>7,550,850</u>	<u>1,087,509</u>	<u>2,828,371</u>
Deferred tax expense for the year	<u>3,956,210</u>	<u>10,289,233</u>	<u>3,550,657</u>	<u>9,234,478</u>

Notes

(forming part of the financial statements)

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. 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	2014	2013	2013
	RO	USD	RO	USD
At 1 January	496,861	1,292,226	-	-
Provision made during the year	-	-	466,771	1,213,969
Unwinding of discount during the year	42,954	111,715	30,090	78,257
At 31 December	<u>539,815</u>	<u>1,403,941</u>	<u>496,861</u>	<u>1,292,226</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 (net)

As per the EPC contract the Early Power Commercial Operation Date ("EPCOD") was scheduled for 1 May 2012. The actual EPCOD was achieved on 18 August 2012 resulting in a delay of 109 days for which the Company had invoiced liquidated damages ("LDs") to the EPC Contractor ("EPCC"). The full amount of the 109 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 had been accrued for 108 days of which 99 days LDs had been offset by OPWP against the invoices raised by the Company as at 31 December 2013. As per the EPC contract, the COD was scheduled for 1 April 2013. Actual COD was achieved on 4 April 2013 resulting in a delay of 3 days. The Company had invoiced LDs to the EPCC for the 3 days delay which were acknowledged and settled by them. No LDs were accrued as payable since OPWP had granted relief for the 3 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 RO	2014 USD	2013 RO	2013 USD
Fuel gas	12,059,448	31,363,976	9,511,156	24,736,429
Depreciation (note 5)	8,018,339	20,853,938	5,958,714	15,497,307
Operation and maintenance fees	6,413,501	16,680,107	4,865,428	12,653,908
Insurance	777,258	2,021,477	542,453	1,410,802
Fuel oil	149,564	388,979	-	-
Grid connection fee	162,662	423,047	136,558	355,157
Asset retirement obligation - unwinding of discount (note 12)	42,954	111,715	30,090	78,257
Other operating expenses	168,273	437,645	176,794	459,803
	<u>27,791,999</u>	<u>72,280,883</u>	<u>21,221,193</u>	<u>55,191,663</u>

16. General and administrative expenses

Net IPO costs	275,989	717,786	-	-
Secondment fees	241,165	627,217	175,156	455,542
Plant inauguration expenses	125,843	327,290	-	-
Employment costs	111,248	289,330	87,949	228,736
Agency fees	48,576	126,336	37,649	97,918
Office rent	18,435	47,946	14,249	37,056
Depreciation (note 5)	8,367	21,760	23,080	60,025
Other general and administrative expenses	268,709	698,855	111,622	290,307
	<u>1,098,332</u>	<u>2,856,520</u>	<u>449,705</u>	<u>1,169,583</u>

17. Finance costs (net)

Interest on term loans	6,102,887	15,872,267	4,784,111	12,442,422
Swap interest	5,366,249	13,956,435	4,086,974	10,629,322
Amortisation of deferred finance costs	1,534,805	3,991,690	1,197,426	3,114,243
DSRA LC fee	185,945	483,602	45,149	117,423
Ineffective portion of interest rate hedge (note 19)	138,468	360,126	(104,956)	(272,968)
Exchange loss	53,233	138,447	37,763	98,213
Interest on working capital	20,745	53,954	8,808	22,906
Interest income	(4,176)	(10,861)	(5)	(14)
	<u>13,398,156</u>	<u>34,845,660</u>	<u>10,055,270</u>	<u>26,151,547</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 into 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>280,610</u>	<u>729,805</u>	<u>321,399</u>	<u>835,888</u>

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

	2014 RO	2014 USD	2013 RO	2013 USD
Al Batinah Power Company SAOG	131,785	342,745	24,726	64,307
Blue Horizon Barka Power B.V	-	-	4,963	12,908
Electrabel S.A	85,535	222,457	20,755	53,979
International Power S.A. Dubai Branch	87,219	226,837	77,197	200,773
Kahrabel FZE	-	-	77,011	200,289
Kahrabel Operation & Maintenance (Oman) LLC	241,165	627,217	236,165	614,214
Laborelec	-	-	1,706	4,437
Multitech LLC	40,908	106,392	46,806	121,733
Public Authority for Social Insurance	18,594	48,360	45,839	119,217
Sojitz Corporation	20,454	53,196	18,416	47,895
Shikoku Electric Corporation Ltd.	34,032	88,510	34,615	90,025
Suez Tractebel Operations & Maintenance Oman LLC	6,413,501	16,680,107	4,942,417	12,854,141
Tractebel Engineering S.A.	-	-	258,649	672,690
Tractebel Engineering S.A. Engineering Consultancy(Oman Branch)	-	-	111,962	291,187
Directors (sitting fees)	16,000	41,612	14,400	37,451
	<u>7,089,193</u>	<u>18,437,433</u>	<u>5,915,627</u>	<u>15,385,246</u>

Notes

(forming part of the financial statements)

18. Related party transactions (continued)

	2014 RO	2014 USD	2013 RO	2013 USD
The nature of transactions is as follows:				
Interest on shareholders loans	-	-	23,820	61,952
Performance bond charges	-	-	168,229	437,526
Secondment fees	241,165	627,217	303,130	788,374
Professional fees	87,219	226,837	382,549	994,927
Mobilisation fee	-	-	275,363	716,158
O&M fixed fee	5,199,979	13,524,004	3,736,111	9,716,806
O&M variable fee	1,213,522	3,156,103	927,061	2,411,081
Sitting fees	16,000	41,612	14,400	37,451
DSRA LC fee	185,944	483,601	45,120	117,346
Others	145,364	378,059	39,844	103,625
	<u>7,089,193</u>	<u>18,437,433</u>	<u>5,915,627</u>	<u>15,385,246</u>
Balances due to related parties at the year end comprised:				
Al Batinah Power Company SAOG	17,978	46,757	9,946	25,868
Suez Tractebel Operations & Maintenance Oman LLC	-	-	216,549	563,195
	<u>17,978</u>	<u>46,757</u>	<u>226,495</u>	<u>589,063</u>
Balances due from related parties at the year end comprised:				
International Power S.A. Dubai Branch	80	208	-	-
Kahrabel Operation & Maintenance (Oman) LLC	79,421	206,555	13,715	35,668
Sohar Power Company SAOG	1,477	3,841	-	-
Suez Tractebel Operations & Maintenance Oman LLC	225	585	-	-
Sojitz Corporation	-	-	20	51
	<u>81,203</u>	<u>211,189</u>	<u>13,735</u>	<u>35,719</u>

Notes

(forming part of the financial statements)

19. Hedging reserve

At 31 December, derivative instruments assets (liabilities) were as follows:

	2014	2014	2013	2013
	RO	USD	RO	USD
Interest rate swaps:				
Term loans (note 19(a))				
KfW Ipex Bank	(2,274,567)	(5,915,650)	(703,620)	(1,829,961)
Standard Chartered Bank	(4,864,446)	(12,651,355)	(1,952,397)	(5,077,756)
Credit Agricole Corporate & Investment Bank	(2,007,737)	(5,221,682)	(555,085)	(1,443,653)
HSBC Bank	(1,616,293)	(4,203,623)	(493,817)	(1,284,309)
Total fair value of interest rate swaps	(10,763,043)	(27,992,310)	(3,704,919)	(9,635,679)
Deferred tax asset (note 11)	1,291,565	3,359,077	444,590	1,156,281
Fair value of interest rate swaps net of tax	(9,471,478)	(24,633,233)	(3,260,329)	(8,479,398)
Forward rate contract:				
Fair value of forward rate contracts	(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	(12,720,369)	(33,082,885)	(3,527,174)	(9,173,403)
Less: Ineffective portion of hedge	152,704	397,150	14,236	37,024
Less: Deferred tax asset (note 11)	1,526,444	3,969,946	423,261	1,100,808
Total fair value of derivative instruments net of tax	(11,041,221)	(28,715,789)	(3,089,677)	(8,035,571)
Hedging reserve net of tax at the end of the year	(11,041,221)	(28,715,789)	(3,089,677)	(8,035,571)
Less: Hedging reserve net of tax at the beginning of the year	(3,089,677)	(8,035,571)	(19,196,152)	(49,924,972)
Effective portion of change in fair value of cash flow hedge for the year	(7,951,544)	(20,680,218)	16,106,475	41,889,401

19(a) The long term facilities (referred in note 6) (total drawdown of USD 534.1 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 Ipex Bank GMBH, dated 6 October 2010 and Credit Agricole Corporate and Investment Bank dated 5 October 2010 respectively, for these facilities (excluding Hermes Covered Fixed Facility Facility).

The facility hedged notional amounts are approximately USD 80.5 million, USD 242.3 million, USD 110.7 million and USD 100.6 million at fixed interest rates of 2.9613%, 2.935%, 2.97% and 2.938% per annum respectively, excluding margins.

19(b) The equity bridge loans and shareholder loan in the amount of USD 184.5 million bear interest at US LIBOR plus applicable margins.

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

Notes

(forming part of the financial statements)

19. Hedging reserve (continued)

The IRS was entered into with HSBC Bank Middle East Limited, on 6 October 2010, the 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 hedged notional amounts are approximately USD 26.1 million, USD 147.6 million and USD 10.8 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.

19(c) The O&M Agreement includes an outflow of approximately Euro 128 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.

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.

Notes

(forming part of the financial statements)

20 Financial risk management (continued)

Interest rate risk (continued)

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					
Term loans					
-USD variable rate loans ranging from	Libor + 1.45% and 2.58%	185,942,989	483,596,850	196,079,875	509,960,664
- USD fixed rate loan	3.60%	41,133,810	106,980,000	43,777,632	113,856,000
		<u>227,076,799</u>	<u>590,576,850</u>	<u>239,857,507</u>	<u>623,816,664</u>

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

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.

	100 bps Increase RO	100 bps Decrease RO	100 bps Increase USD	100 bps Decrease USD
31 December 2014				
Interest rate swap	<u>11,678,818</u>	<u>(13,006,579)</u>	<u>30,374,039</u>	<u>(33,827,254)</u>
31 December 2013				
Interest rate swap	<u>12,574,075</u>	<u>(14,205,670)</u>	<u>32,702,407</u>	<u>(36,945,826)</u>

Currency risk

The price under the O&M Agreement includes an amount of approximately Euro 128 million, payable in Euro. The Company has entered into FRA to hedge against fluctuations in Euro/USD exchange rate (note 21(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. 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.

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.

Notes

(forming part of the financial statements)

20 Financial risk management (continued)

Sensitivity analysis (continued)

	Equity		Profit or loss	
	Strengthening	Weakening	Strengthening	Weakening
31 December 2014	RO'000s	RO'000s	RO'000s	RO'000s
EUR (10% movement)	<u>2,435</u>	<u>(2,435)</u>	-	-
	USD'000s	USD'000s	USD'000s	USD'000s
EUR (10% movement)	<u>6,333</u>	<u>(6,333)</u>	-	-
31 December 2013	RO'000s	RO'000s	RO'000s	RO'000s
EUR (10% movement)	<u>1,468</u>	<u>(1,613)</u>	-	-
	USD'000s	USD'000s	USD'000s	USD'000s
EUR (10% movement)	<u>3,818</u>	<u>(4,194)</u>	-	-

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	<u>2,254,951</u>	<u>5,864,633</u>	2,277,311	5,922,786
Other receivables and due from related parties	<u>99,637</u>	<u>259,131</u>	153,745	399,855
Short term deposit	<u>2,768,400</u>	<u>7,200,000</u>	2,960,650	7,700,000
Cash and cash equivalents	<u>508,848</u>	<u>1,323,401</u>	1,811,605	4,711,587
	<u>5,631,836</u>	<u>14,647,165</u>	<u>7,203,311</u>	<u>18,734,228</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:

	Carrying amount	Contractual cash flow	Less than 1 year	More than 1 to 5 years	More than 5 years
	RO	RO	RO	RO	RO
31 December 2014					
Derivatives					
Derivative instruments	12,720,369	(13,890,407)	-	(7,151,199)	(6,739,208)
Non-derivatives Financial liabilities					
Term loan	216,672,927	(227,076,797)	(13,783,991)	(60,635,620)	(152,657,186)
Short term borrowing	340,000	(340,000)	(340,000)	-	-
Trade and other payables	3,149,082	(3,149,082)	(3,149,082)	-	-
	<u>232,882,378</u>	<u>(244,456,286)</u>	<u>(17,273,073)</u>	<u>(67,786,819)</u>	<u>(159,396,394)</u>
31 December 2014	USD	USD	USD	USD	USD
Derivatives					
Derivative instruments	33,082,885	(36,125,895)	-	(18,598,696)	(17,527,199)
Non-derivatives Financial liabilities					
Term loan	563,518,665	(590,576,849)	(35,849,132)	(157,699,924)	(397,027,794)
Short term borrowing	884,265	(884,265)	(884,265)	-	-
Trade and other payables	8,190,072	(8,190,072)	(8,190,072)	-	-
	<u>605,675,887</u>	<u>(635,777,081)</u>	<u>(44,923,469)</u>	<u>(176,298,620)</u>	<u>(414,554,993)</u>
	Carrying amount	Contractual cash flow	Less than 1 year	More than 1 to 5 years	More than 5 years
	RO	RO	RO	RO	RO
31 December 2013					
Derivatives					
Derivative instruments	3,704,919	(1,656,655)	-	(11,803,371)	10,146,716
Non-derivatives Financial liabilities					
Term loan	227,866,794	(239,857,507)	(12,156,058)	(55,495,246)	(172,206,203)
Short term borrowing	1,700,000	(1,700,000)	(1,700,000)	-	-
Trade and other payables	3,552,476	(3,552,476)	(3,552,476)	-	-
	<u>236,824,189</u>	<u>(246,766,638)</u>	<u>(17,408,534)</u>	<u>(67,298,617)</u>	<u>(162,059,487)</u>
31 December 2013	USD	USD	USD	USD	USD
Derivatives					
Derivative instruments	9,635,679	(4,308,596)	-	(30,697,973)	26,389,377
Non-derivatives Financial liabilities					
Term loan	592,631,455	(623,816,665)	(31,615,236)	(144,330,938)	(447,870,491)
Short term borrowing	4,421,326	(4,421,326)	(4,421,326)	-	-
Trade and other payables	9,239,210	(9,239,210)	(9,239,210)	-	-
	<u>615,927,670</u>	<u>(641,785,797)</u>	<u>(45,275,772)</u>	<u>(175,028,911)</u>	<u>(421,481,114)</u>

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

Notes

(forming part of the financial statements)

20 Financial risk management (continued)

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).

	2014	2014	2013	2013
	Level 2	Level 2	Level 2	Level 2
	RO	USD	RO	USD
Derivative financial liabilities	<u>12,720,369</u>	<u>33,082,885</u>	<u>3,704,919</u>	<u>9,635,679</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 the relevant inflation indices.

These embedded derivatives are not separated from the host contract, the PPA and the O&M agreements, 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. Operating lease commitments

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

Due:

	2014	2014	2013	2013
	RO	USD	RO	USD
Within one year	17,384	45,212	17,384	45,212
Between two and five years	69,536	180,847	69,536	180,847
After five years	271,522	706,170	288,906	751,382

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)	84,454,706	85,066,167
Weighted average number of shares outstanding during the period	714,406,340	537,054,755
Net assets per share (Baizas)	118.22	158.39

The management believes that the hedging deficit of RO 11.04 million (USD 28.72 million) [2013: RO 3.09 million (USD 8.04 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 714,406,340 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).

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 for the year (RO)	4,818,027	16,975,578
Weighted average number of shares outstanding during the period	714,406,340	537,054,755
Basic earnings per share (Baizas)	6.74	31.61

Notes

(forming part of the financial statements)

24. Basic earnings per share (continued)

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 714,406,340 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.

