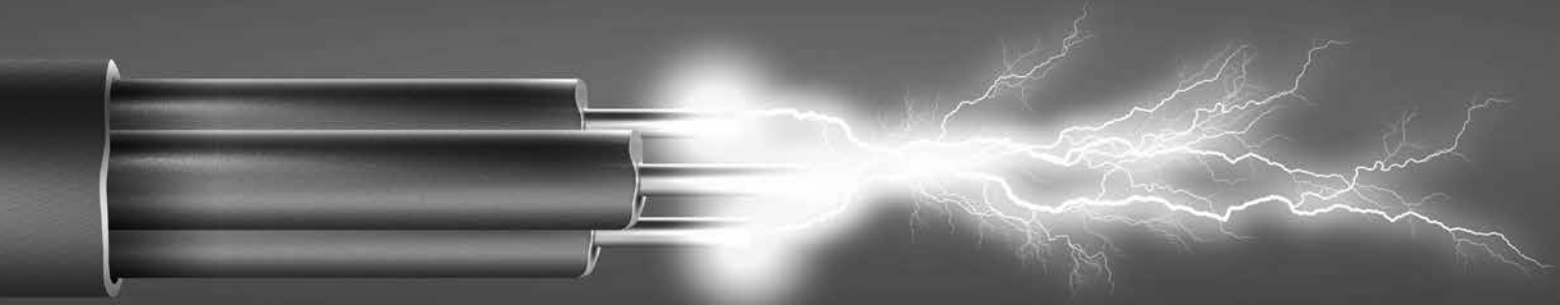


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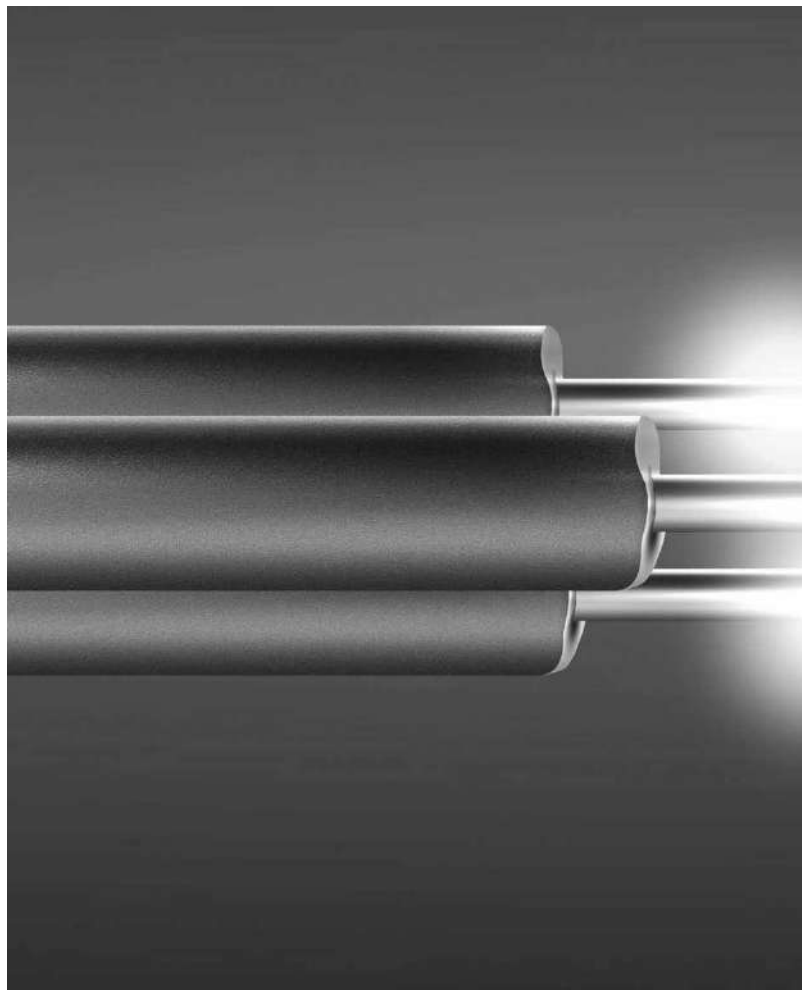
AL SUWADI POWER



ANNUAL REPORT 2015



HIS MAJESTY SULTAN QABOOS BIN SAID



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BOARD OF DIRECTORS AND KEY EXECUTIVE OFFICERS

Board of Directors

	Position	Representing
Mr. Philippe Claude Christian 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. Jan Sterck	Director	
Mr. Gillian-Alexandre Jeremy Huart	Director	Kahrabel FZE
Mr. Kazuichi Ikeda	Director	SEP International Netherlands B.V.
Mr. Mitsuo Nakamoto	Director	Blue Horizon Barka Power B.V.
Ms. Asiya Yarub Majid Al Saifi	Director	Ministry of Defence Pension Fund
Mr. Santosh Nair	Director	
Mr. Yaqoub Harbi Salim Al-Harhi	Director	

Key Executive Officers

Mr. Navneet Kasbekar	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 2015.

Corporate Governance

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

Operational Results

ASPC owns and operates the 744MW power generation plant in Barka ("the Plant"), selling electrical power to Oman Power and Water Procurement Company SAOC ("OPWP") under a 15-year Power Purchase Agreement ("PPA"). The operation and maintenance of the power plant is subcontracted to Suez Tractebel Operations and Maintenance Oman (STOMO) under a 15-year O&M Agreement.

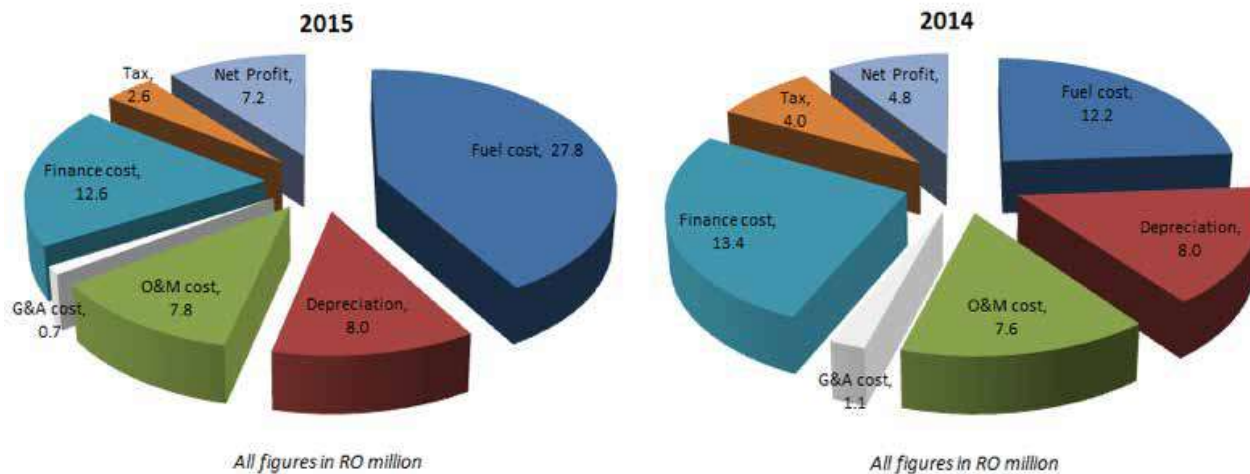
The Plant ran smoothly and efficiently, with commercial availability of 99.5% and delivered 3,834 GWh to the Omani grid. The thermal efficiency, which determines the efficiency in the economical utilisation of the gas, was splendid at 100.9%. Again, this admirable performance was achieved with no Lost Time Accidents to any of our staff, thereby clocking 1,643 Lost Time Accident free days since inception, and is reflective of our continued internal focus on Health, Safety, Environment and Quality Management. We acknowledge the excellent performance of our dedicated and diligent Operation and Maintenance team.

The highest standards of Health, Safety, Environment and Quality Management continue to be a central feature of the Company's operations. Regular surveillance audits on ISO 14001 and OHSAS 18001 have been done to ensure the highest standards of HSE in the Plant operations. The auditor's report found the Plant compliant with the health and safety requirements and few areas of improvement suggested in health and safety standards are being implemented.

Financial Results

The fuel cost for year 2015 increased as a result of increase in gas price by the Ministry of Oil and Gas with effect from 1 January 2015. As the gas price is a pass through element in the PPA, the Company's invoices to OPWP have correspondingly increased on a back to back basis.

The following graphs clearly depict an improvement in Company's operating parameters over the previous year. The excellent plant operations and reduction in general and administrative cost, finance cost and tax expense enabled the Company to achieve a net profit of RO 7.25 million, a 50.4% increase from RO 4.82 million earned in year 2014. Consequently, the net profit has seen a significant improvement.



The Company paid a dividend of 8.30 Baizas per share in 2015, compared to RO 7.60 Baizas per share in 2014. The share price ended the year at 191 Baizas.

Corporate Social Responsibility

The Company takes its role as a responsible corporate citizen seriously. In the course of its Corporate Social Responsibility initiative, the Company has agreed to give smart electronics boards and projectors for the schools in Barka in the year 2016.

Medium term Outlook

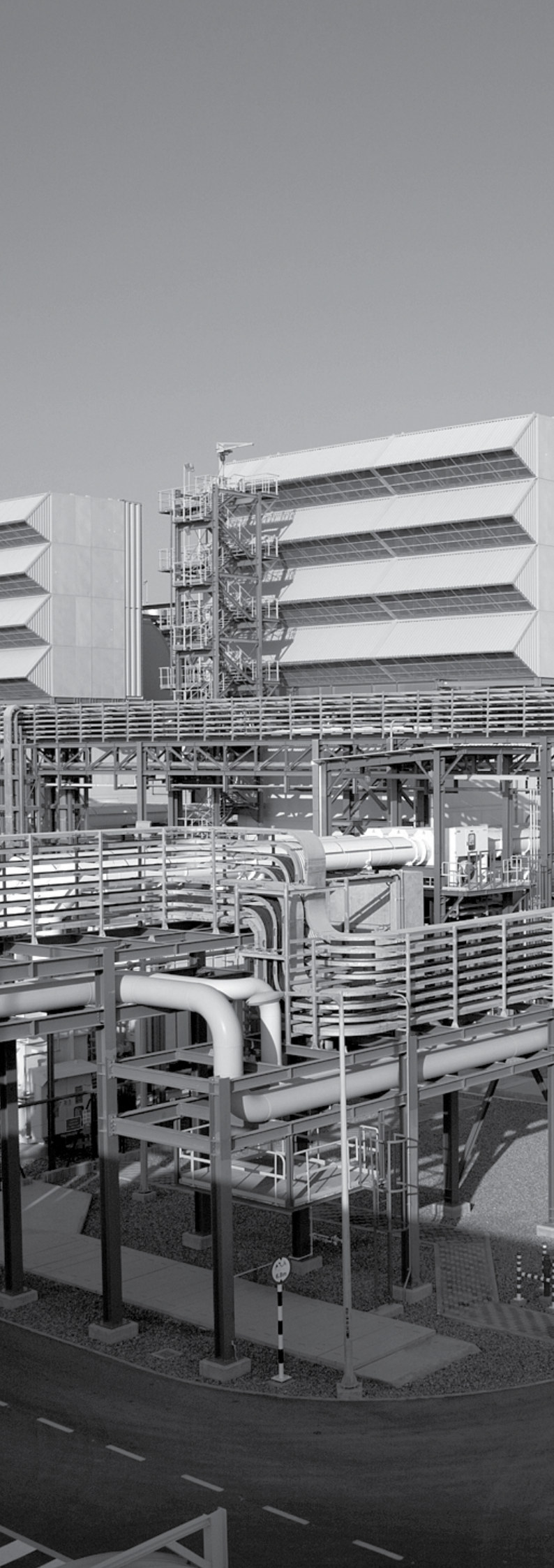
Efforts are in progress to refinance the Company's long term debts. If these prove successful, the Company's prospective cash flow will see significant improvement with a possibility of better dividend payments in the future.

All reasonable measures are taken by the management to maintain the high reliability levels in 2016. Any change in the power supply and demand landscape in the Sultanate has no impact on the financial performance of the Company since its net profit is mainly derived from its Plant availability and reliability.

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 thank all operations and maintenance staff in the power plant as well as the staff members of the Company for their loyalty and dedication. Thanks to their day-to-day work, the Company was able to achieve its goals and objectives.

Finally, on behalf of the Board of Directors, I would like to extend our deep appreciation and gratitude to His Majesty Sultan Qaboos Bin Said and His Government for their continued support and encouragement to the private sector by creating an environment that allows us to participate effectively in the growth of the Sultanate's economy and to dedicate our achievements to the building of a strong nation.

Philippe Langlet
Chairman



PROFILE OF THE MAJOR SHAREHOLDERS

Kahrabel FZE

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

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

Multitech LLC

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

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

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

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

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

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

Blue Horizon Barka Power B.V.

Blue Horizon Barka Power B.V. (BHBP) is a 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 15,936 people worldwide and achieved revenues of \$15.1 billion in the fiscal year ended in March 2015.

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

Sojitz, a direct shareholder of 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 and 13.2 MIGD of gross seawater desalination capacity in operation. Specifically in the Gulf region, Sojitz has long been involved in power and water projects including EPC desalination projects such as Ghubra Phase 1, 2, 3/4 and 5, Muhut and IPP projects such as PP11 IPP (1,729 MW) in Saudi Arabia and Barka-3 (744 MW, CCGT) / Sohar-2 (744MW, CCGT) in Oman.

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

SEP International Netherlands B.V.

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

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

Also, its wholly owned parent company, Yonden, listed on the Tokyo Stock Exchange, is an electric power utility and carries out the integrated process of generating, transmitting, distributing, and selling electricity to 4 million people in the Shikoku region, Japan. Yonden employs more than 4,700 people and has achieved consolidated operating revenues of USD 5.5 billion from the electricity sales of 27.5 billion kWh in the fiscal year ended March 31, 2015. Since its establishment in 1951, Yonden has contributed to regional development through the stable supply of low-cost, high-quality electricity by establishing a balanced energy mix that combines nuclear, coal, oil, gas, hydro, and solar power, totaling approximately 7,000MW (net and gross) in generating capacity at 64 power stations.

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

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

Public Authority for Social Insurance

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



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

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

Civil Service Employees Pension Fund (CSEPF)

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

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

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

Ministry of Defence Pension Fund ("MODPF")

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

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

The management of Al Suwadi Power Company SAOG (“ASPC” or the “Company”) is pleased to present its report on the Company’s business structure, opportunities and threats, operational and financial performance, risks and concerns, future outlook and other matters of importance to shareholders.

Industry structure and development

In 2004, the ‘Sector Law’ came into force which provides the framework for the industry structure of electricity and related water in Oman. It led to the 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 (“the Plant”) and the Company is fully dependent on timely payments by OPWP. OPWP is an entity with a high credit rating and a good track record of timely payments 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 Oil and Gas (MOG) secures the availability of fuel (natural gas) back to back with the PPA term. Effective January 2015, the MOG increased the price of gas from US\$1.5/MMBtu to US\$3/MMBtu. Going forward, the MOG is set to increase the price of gas by 3% or actual increase in designated US CPI, whichever is higher. However, as the gas cost is pass-through element under the PPA, the Company will have no impact from the increase in the gas price.

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

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

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

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

Discussion on operational and financial performance

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 2015 was excellent with no lost time injuries (LTI) reported. The Company takes pride to inform that the Plant has completed more than 1,643 days without an LTI.

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

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

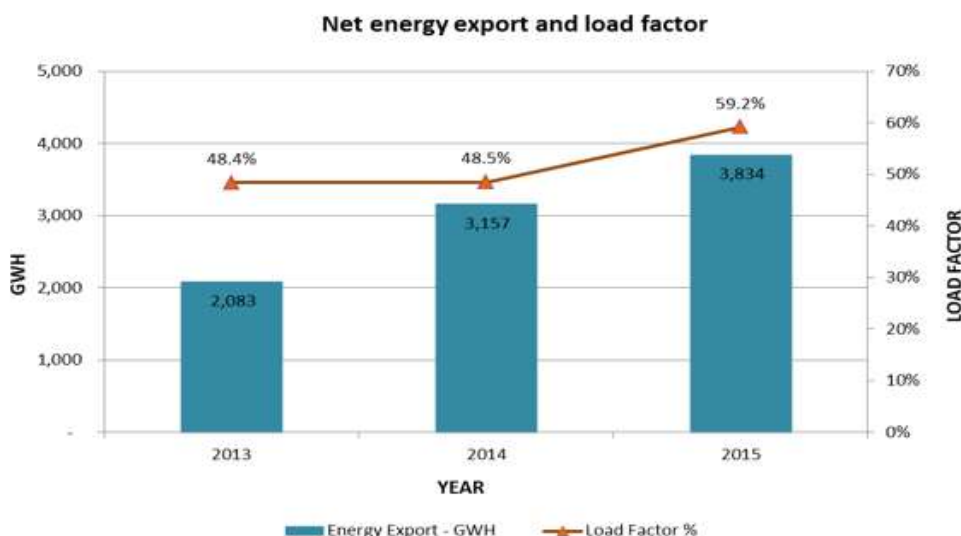
Every small incident or a near miss is taken very seriously, analyzed and actions are proactively implemented and shared internally and with board members so as to benefit from their experience and network to ensure best practice.

Human Resources – training and career development

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

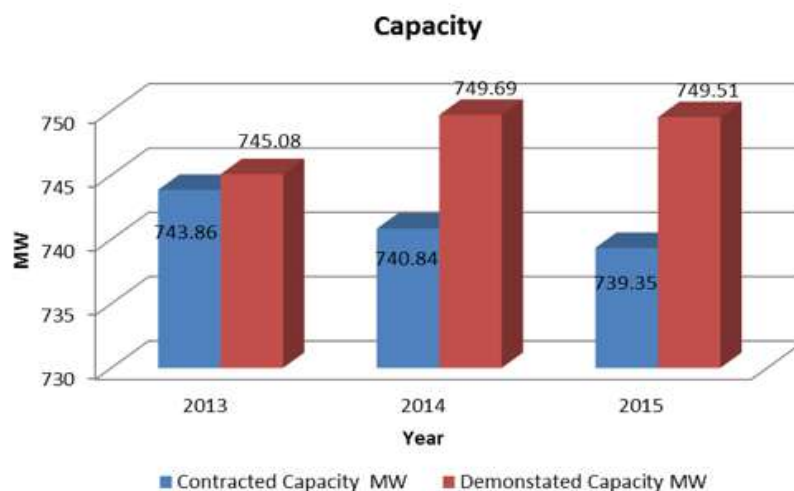
Net energy export and load factor

The net energy export and load factor has increased in 2015 compared to 2014.



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 guaranteed under the PPA and the demonstrated capacity for the years 2013-2015 is explained in the following graph:



Reliability

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

Thermal Efficiency (Heat Rate)

The efficiency of the power plant is measured in terms of the amount of heat required to produce one unit of power. During the year, the Company was successful in negotiating an increase in the pressure of gas supplied to the Plant by Oman Gas Company and consequently, there was a reduction in gas consumption and improvement in the thermal efficiency with a positive contribution to the bottom line.

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 original equipment manufacturer, Siemens. The hot gas path, through which the gas passes in the gas turbine, is proposed to be inspected in 2016 and 2017. This major activity will also include the repair/replacement of turbine hardware.

Warranty

Warranty on the main equipment and the balance of plant under the EPC Contract expired in June 2014 and April 2015, respectively. The EPC Contractor has extended the tenor of the Warranty Bond beyond the end dates. The management has closely monitored the resolution of the warranty claims by the EPC Contractors and presently, an extension of the warranty bond is sought until all warranty claims are duly resolved/ implemented.

Financial Highlights

Figures in RO millions		2015	2014	% change
Revenues	1	66.71	51.06	30.7%
Net Profit	2	7.25	4.82	50.4%
Net Profit before Finance costs	3	20.64	18.22	13.3%
Total Assets	4	305.46	313.14	-2.5%
Capital (Paid-up)	5	71.44	71.44	0.0%
Shareholders' Fund (Net Assets)	6	85.77	84.45	1.6%
Term Loans [^]	7	213.29	227.08	-6.1%
Weighted average number of shares	8	714.41	714.41	0.0%
Actual number of shares outstanding	9	714.41	714.41	0.0%
Ordinary Dividends	10	5.93	5.43	9.2%
Key Financial Indicators				
Net Profit Margin	2/1	10.9%	9.4%	n/a
Return on Capital (Paid-up)	2/5	10.1%	6.7%	n/a
Return on Capital Employed	3/(6+7)	6.9%	5.8%	n/a
Debt Equity ratio	7:6	71.3 : 28.7	72.9 : 27.1	n/a
Net assets per share (Baizas)	6/8	120.06	118.22	1.6%
Basic earnings per share (Baizas)	2/8	10.14	6.74	50.4%
Dividends per share (Baizas)	10/9	8.30	7.60	9.2%
[^] Excluding unamortised transaction cost				

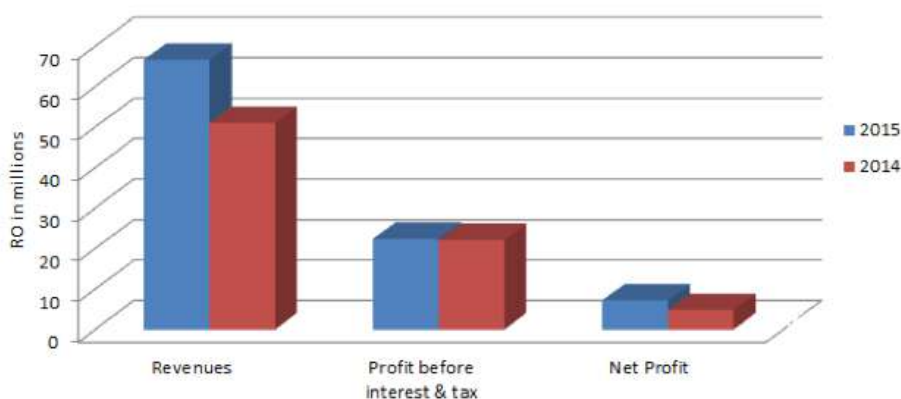
Analysis of Profit & Loss

The MOG increased the gas price effective 1 January 2015. As the gas price is a pass through element in the PPA, the Company's revenues have correspondingly increased on a back to back basis.

The increase in the Net Profit for the year 2015 to RO 7.25 million was mainly due to: (a) improvement in the Thermal Efficiency; (b) lower general and administrative (G&A) expenses as one off plant inauguration and initial public offering costs were incurred in the year 2014; (c) lower finance costs as a result of reduction in outstanding debt due to scheduled debt repayments; and (d) lower tax expense - deferred tax calculation impact.

Finally, earnings per share (EPS) are a measure of the overall profitability of the Company. It is defined as the profit in Baizas attributable to each share in the Company, based on the net profit for the year after tax. Consequently, the EPS increased to 10.14 Baizas for the year compared to 6.74 Baizas in 2014.

Key profitability indicators



Analysis of Balance Sheet

Total Assets of the Company stood at RO 305.46 million as on December 31, 2015 as compared to RO 313.14 million last year mainly due to depreciation charge for the year.

Trade Receivables reflect one month of invoice that will be settled by OPWP as per the terms of PPA.

Cash and cash equivalents and short term deposit net of short term borrowings stood at RO 2.58 million as at December 31, 2015 as compared to RO 2.94 million last year.

The Shareholders Funds (Net Assets) improved to RO 85.77 million as of December 31, 2015 mainly due to higher net profit during 2015.

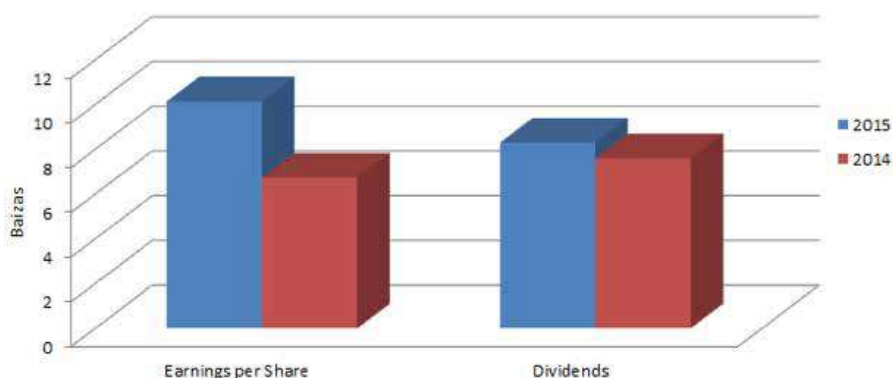
Term Loans (including non-current and current balances) saw a reduction to RO 213.29 million as a result of scheduled repayments in accordance with the Finance Documents.

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

Dividend Distribution

The Company's dividend policy of distributing available cash is conditional upon fulfilling of covenants and making adequate provisions for forecasted loan repayments and operating expenses in accordance with the Finance Documents. Consistent with the Company's policy and in accordance with Capital Market Authority regulations, the Company declared and distributed dividend of RO 5.93 million (translating to 8.30 Baizas per share) in 2015 (paid out of the audited retained earnings for the year ended December 31, 2014). The dividend payout for year 2015 was 9.2% higher than 2014.

Shareholders value



Risks and Concerns

Loss of Availability due to Mechanical Breakdown

The principal risk to ASPC is the Plant being unavailable due to mechanical breakdown. In order to mitigate this risk, ASPC ensures that STOMO operates and maintains the Plant in line with ASPC's policies, principles, directives and best practices in the industry.

Loss of Availability due to Accidental Damage

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

OPWP Payments

OPWP has settled in full all invoices within the agreed credit period.

Outlook

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

The management is optimistic about the future of ASPC. Recognising that the long-term sustainability of ASPC's financial results depends upon its efficient operational base, the management will continue to focus on ensuring high levels of Plant availability whilst closely controlling overhead costs.

The Company conducts no other business in the Sultanate of Oman or outside and has no subsidiaries.

Internal control systems and their adequacy

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

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

Gratitude and Conclusion

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



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PO. Box 641
PC. 112
Sultanate of Oman

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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 and the Executive Regulation of the Capital Market Law issued under the Decision No. 1/2009 dated 18 March 2009. The Report is set out on pages 21 to 30.

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

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

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

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

18 February 2016


Ahmed Tufail

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE REPORT

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

Company’s philosophy

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

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

In accordance with the CMA rules and guidelines on disclosure, the Company’s Statutory Auditors, KPMG, have issued a separate Report on the Company’s Governance Report for the year ended 31 December 2015.

Board of Directors

The BOD is elected by the general meeting of the shareholders and the executive management is appointed by the BOD. The election for the Board of Directors was held at the Annual General Meeting of the shareholders of the Company held on 27 March 2013 for a term of three year. The term of the current Board will expire at the conclusion of the Annual General Meeting of the shareholders of the company to be held on 14 March 2016.

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

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

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
			18 Feb	23 Apr	28 Jul	21 Oct	Total	29 Mar
Incumbent as of Dec 31, 2015	Mr. Philippe Langlet (Chairman)	Non-Executive & Independent	√	proxy	proxy	√	4	-
	Mr. Rahul Kar (Deputy Chairman)	Non-Executive, Independent & Nominee Director	√	√	x	proxy	3	√
	Mr. Adnan Mohammed Salim Al Balushi	Non-Executive & Independent	√	√	√	√	4	-
	Mr. Ali Taqi Al-Lawati	Non-Executive, Independent & Nominee Director	√	proxy	√	√	4	√
	Ms. Asiya Yarub Majid Al Saifi *	Non-Executive, Independent & Nominee Director	-	-	-	-	-	-
	Mr. Gillian-Alexandre Huart	Non-Executive, Independent & Nominee Director	√	√	√	√	4	-
	Mr. Jan Sterck	Non-Executive & Non-Independent	√	√	√	proxy	4	-
	Mr. Kazuichi Ikeda	Non-Executive, Independent & Nominee Director	√	proxy	proxy	√	4	√
	Mr. Mitsuo Nakamoto ^	Non-Executive, Independent & Nominee Director	-	-	√	√	2	-
	Mr. Santosh Nair	Non-Executive & Independent	√	√	proxy	proxy	4	-
Mr. Yaqoub Harbi Salim Al-Harhi	Non-Executive & Independent	√	√	√	√	4	√	
Resigned	Mr. Ryuji Kikuchi	Non-Executive, Independent & Nominee Director	proxy	proxy	-	-	2	-
	Mr. Saleh Nasser Abood Al Habsi	Non-Executive, Independent & Nominee Director	√	proxy	√	proxy	4	-

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

* : appointed on 8 December 2015

^ : appointed on 7 July 2015

During the year, the following directors resigned:

- Mr. Ryuji Kikuchi representing Blue Horizon Barka Power B.V. and was replaced by Mr. Mitsuo Nakamoto
- Mr. Saleh Nasser Abood Al Habsi representing Ministry of Defense Pension Fund and was replaced by Ms. Asiya Yarub Majid Al Saifi.

b) Directors holding directorship/chairmanship in other joint stock companies in Oman as of December 31, 2015

Name of Director	Position Held	Name of Companies
Mr. Ali Taqi Al-Lawati	Director	The First Mazoon Fund, National Mass Housing SAOC and Mazoon Development SAOC
Mr. Rahul Kar	Director	Oman Ceramics SAOG, National Pharmaceutical Industries SAOG and Oman United Insurance Company SAOG

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

Audit Committee

a) Brief description of terms of reference

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

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

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

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

b) Composition, position and attendance in 2015

Name of Committee Members	Position	Attendance				
		Feb 17	Apr 22	Jul 28	Oct 21	Total
Mr. Gillian-Alexandre Huart	Chairman	√	√	√	√	4
Mr. Kazuichi Ikeda	Member	√	√	√	√	4
Mr. Rahul Kar	Member	√	√	proxy	proxy	4

Process of nomination of the directors

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

The members of the Board of Directors are elected from amongst the shareholders or non-shareholders. A candidate, if a shareholder, for election to the Board of Directors is required to hold at least 5% of the Company's issued share capital.

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

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

Remuneration matters

a) Directors and Audit Committee members

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

Sitting fees for the year 2015 paid to the directors attending BOD and AC meetings amount to RO 17,200. No other payment was made 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 288,940 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 2015.

Means of communication with the shareholders and investors

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

Market price data

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

Month	Price (Baizas)			MSM Index (Service Sector)
	High	Low	Average	
January	181	168	175	3,542.37
February	183	178	181	3,566.37
March	183	180	182	3,425.86
April	194	180	187	3,439.78
May	200	189	195	3,467.60
June	209	195	202	3,468.00
July	230	196	213	3,525.42
August	230	204	217	3,259.79
September	217	208	213	3,225.49
October	220	211	216	3,277.94
November	215	202	209	3,130.56
December	204	190	197	3,055.62

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

Category	Number of shareholders	Number of shares held	Share capital %
5% and above	7	554,302,040	77.59%
1% to 5%	4	53,523,157	7.49%
Less than 1 %	3,233	106,581,143	14.92%
Total	3,244	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 2015. KPMG is a leading Audit, Tax and Advisory firm in Oman and is a part of KPMG Lower Gulf that was established in 1974. KPMG in Oman employs more than 180 people, amongst whom are 4 Partners, 7 Directors and 21 Managers, including Omani nationals. KPMG is a global network of professional firms providing Audit, Tax and Advisory services. KPMG operates in over 150 countries and has around 174,000 people working in member firms around the world. The independent member firms of the KPMG network are affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

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

Internal Auditor

Ms. Sumaiya Al Sharji is a full-time internal auditor of the Company. The internal auditor has conducted her duties and the responsibilities diligently. She has prepared and submitted her internal audit reports to the Audit Committee. No observation of major significance was reported by the internal auditor.

Acknowledgement by the Board of Directors

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



Chairman



Director



Profile of the Major Shareholders

Name	: Mr. Philippe Claude Christian 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 join 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 18 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 32 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 ENGIE organization, he holds the position of director Industrial Projects Oversight and Support for all power generation activities in the group.

Name	: Mr. Gillian-Alexandre Jeremy Huart
Year of Joining	: 2014
Education	: Master Degree in Business Engineering (Solvay Brussels School of Economics and Management), Master 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 manager 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 company 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 9 years. Subsequently, he has been engaged in overseas IPP/IWPPs development over the last 9 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. Mitsuo Nakamoto
Year of Joining	: 2015
Education	: Bachelor's Degree in Business Administration from Yokohama National University
Experience	: Mr. Nakamoto has more than 20 years of experience in the energy infrastructure industry. Since joining Sojitz in 1994, he has been involved in development of various infrastructure projects in Japan and overseas. From 2006 till 2010, he was the Chief Financial Officer in Phu My 3 IPP project (715 MW, gas fired) which has been operating since 2004 in southern part of Vietnam and from 2010 till 2014 he was the Chief Financial Officer in Al Batinah Power Company (Sohar-2 project 744MW, gas fired).

Name	: Ms. Asiya Yarub Majid Al Saifi
Year of Joining	: 2015
Education	: General Secondary Education Certificate in 1986 - Diploma in Social Insurance
Experience	: 26 years of experience with the Ministry of Defense including: 2 years of service at the Administration of the Engineering Services Department; 2 years of service at the Military Consumer Establishment; 11 years as Senior Clerk at the Ministry of Defense Undersecretary's Office; 5 years as Retirement Section Officer at the Ministry of Defense Undersecretary's Office; and 6 years as Assistant Director of the Retirement Department at the Ministry of Defense Fund.

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 16 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 13 years of experience in power generation industry in various power / desalination plants. Mr. Al-Harhi has taken several technical and managerial positions in many power or desalination plants. He is currently the Chief Executive Officer of Al Kamil Power Company SAOG.

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. Navneet Kasbekar

Position : Chief Executive Officer

Year of Joining : 2015

Education : Commerce Graduate and Member Institute of Chartered Accountants of India

Experience : Mr. Kasbekar has been in the power industry for over 15 years having earlier worked in Al Kamil Power company SAOG since January 2001. He joined Al Kamil Power Company SAOG as Finance Director and was actively associated in the setting up of the power project and installing systems and procedures in the organisation. He was promoted to the position of CEO in the year 2006. He has over 26 years general managerial experience in varied fields like real estate, hospitality and printing

Name : Mr. Muhammad Fawad Akhtar

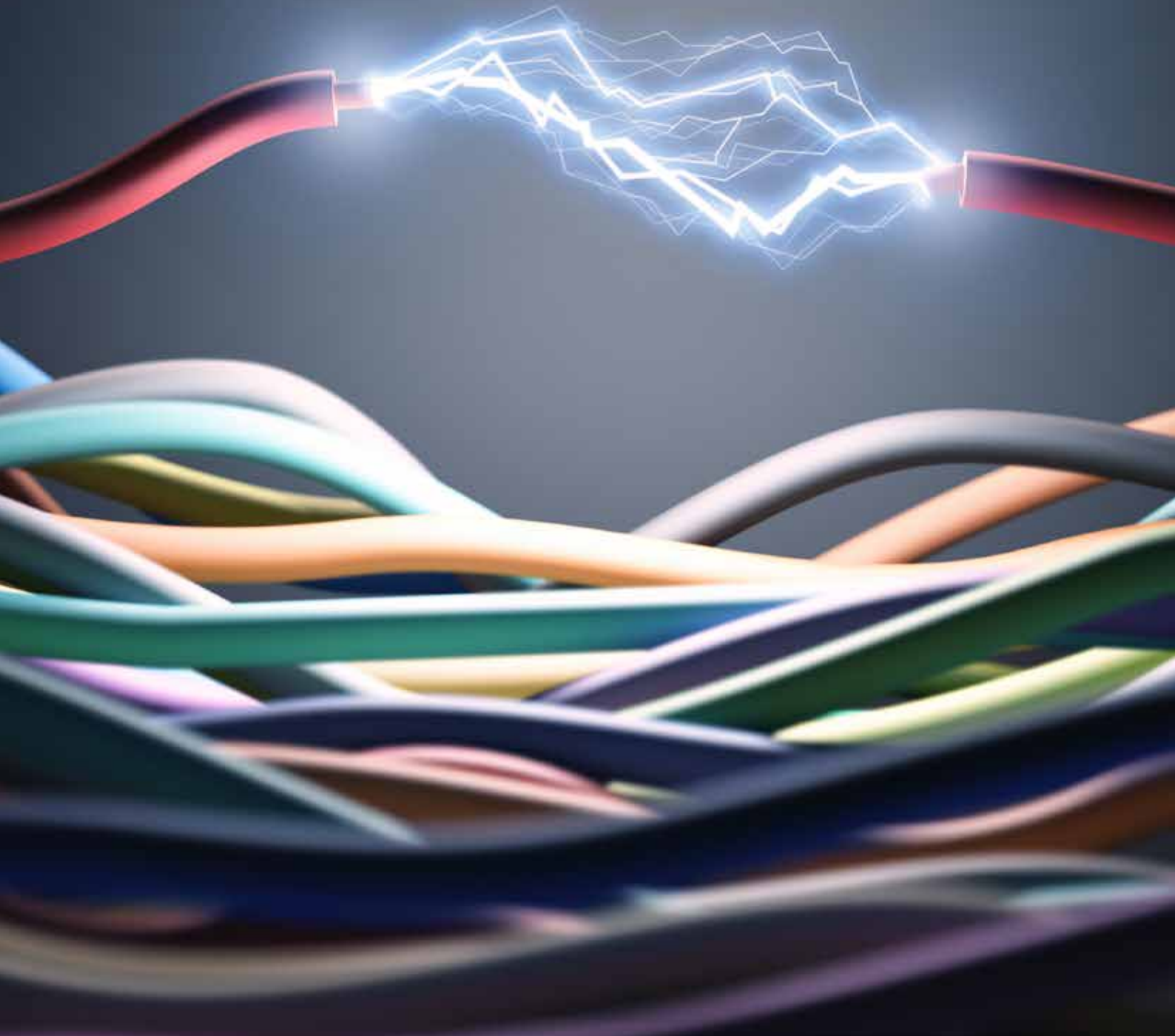
Position : Chief Financial Officer

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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Sultanate of Oman

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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 60, which comprise the statement of financial position as at 31 December 2015, and the statements of income, profit or loss and other comprehensive income, changes in equity and cash flows for the year ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditors' responsibility

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

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

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

Opinion

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

Report on other legal and regulatory requirements

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

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

18 February 2016


Ahmed Tuwaij

INCOME STATEMENT

for the year ended 31 December

		2015	2015	2014	2014
Notes		RO	USD	RO	USD
Revenues		66,714,076	173,508,649	51,062,724	132,802,924
Direct costs	14	(43,527,982)	(113,206,715)	(27,791,999)	(72,280,883)
Gross profit		23,186,094	60,301,934	23,270,725	60,522,041
Other income		44,825	116,581	-	-
		23,230,919	60,418,515	23,270,725	60,522,041
General and administrative expenses	15	(749,178)	(1,948,448)	(1,098,332)	(2,856,520)
Profit before interest and tax		22,481,741	58,470,067	22,172,393	57,665,521
Finance costs (net)	16	(12,618,870)	(32,818,905)	(13,398,156)	(34,845,660)
Profit before tax		9,862,871	25,651,162	8,774,237	22,819,861
Tax expense	11	(2,616,713)	(6,805,496)	(3,956,210)	(10,289,233)
Net profit		7,246,158	18,845,666	4,818,027	12,530,628
Earnings per share					
Basic earnings per share (Baizas)	23	10.14	-	6.74	-

The notes on pages 39 to 60 form an integral part of these financial statements.
The Independent Auditors' report is set forth on page 32.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December

		2015	2015	2014	2014
Notes		RO	USD	RO	USD
Net profit		7,246,158	18,845,666	4,818,027	12,530,628
Other comprehensive (loss), net of income tax:					
Item that will be reclassified to profit and loss					
Effective portion of change in fair value of cash flow hedge	18	(1,730,970)	(4,501,873)	(7,951,544)	(20,680,218)
Total comprehensive income/(loss) for the year		5,515,188	14,343,793	(3,133,517)	(8,149,590)


The notes on pages 39 to 60 form an integral part of these financial statements.
The Independent Auditors' report is set forth on page 32.

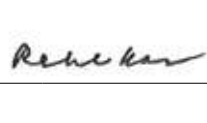
STATEMENT OF FINANCIAL POSITION

as at 31 December

	Notes	2015 RO	2015 USD	2014 RO	2014 USD
Assets					
Non-current assets					
Property, plant and equipment	5	297,340,384	773,316,993	305,295,558	794,006,653
Total non-current assets		297,340,384	773,316,993	305,295,558	794,006,653
Current assets					
Trade and other receivable	7	3,436,726	8,938,166	2,707,226	7,040,898
Inventory		1,823,426	4,742,330	1,858,193	4,832,753
Short term deposit	13	2,503,095	6,510,000	2,768,400	7,200,000
Cash and cash equivalents	8	353,714	919,932	508,848	1,323,401
Total current assets		8,116,961	21,110,428	7,842,667	20,397,052
Total assets		305,457,345	794,427,421	313,138,225	814,403,705
Equity and liabilities					
Equity					
Share capital	9(a)	71,440,634	185,801,389	71,440,634	185,801,389
Legal reserve	9(b)	3,004,171	7,813,187	2,279,555	5,928,620
Retained earnings		11,326,486	29,457,701	10,734,517	27,918,117
Shareholders' fund		85,771,291	223,072,277	84,454,706	219,648,126
Hedging reserve	18	(12,772,191)	(33,217,662)	(11,041,221)	(28,715,789)
Total equity		72,999,100	189,854,615	73,413,485	190,932,337
Liabilities					
Non-current liabilities					
Term loans	6	189,690,535	493,343,394	202,888,936	527,669,533
Derivative instruments	18	14,695,751	38,220,419	12,720,369	33,082,885
Deferred tax liability	11(c)	8,676,809	22,566,474	6,297,142	16,377,482
Asset retirement obligation	12	586,484	1,525,315	539,815	1,403,941
End of service benefits		7,661	19,923	5,405	14,058
Total non-current liabilities		213,657,240	555,675,525	222,451,667	578,547,899
Current liabilities					
Term loans	6	14,658,319	38,123,066	13,783,991	35,849,132
Trade and other payables	10	3,862,686	10,045,997	3,149,082	8,190,072
Short term borrowing		280,000	728,218	340,000	884,265
Total current liabilities		18,801,005	48,897,281	17,273,073	44,923,469
Total liabilities		232,458,245	604,572,806	239,724,740	623,471,368
Total equity and liabilities		305,457,345	794,427,421	313,138,225	814,403,705
Net assets per share (Baizas)	22	120.06	-	118.22	-

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


Chairman


Director

The notes on pages 39 to 60 form an integral part of these financial statements.
The Independent Auditors' report is set forth on page 32.

STATEMENT OF CASH FLOWS

for the year ended 31 December

		2015	2015	2014	2014
	Notes	RO	USD	RO	USD
Cash flows from operating activities:					
Net profit		7,246,158	18,845,666	4,818,027	12,530,628
<i>Adjustments for:</i>					
Depreciation		7,966,474	20,719,048	8,026,706	20,875,698
Ineffective portion of hedge		7,366	19,157	138,468	360,126
Amortisation of deferred finance cost		1,459,918	3,796,926	1,534,805	3,991,690
Asset retirement obligation -unwinding of discount		46,669	121,374	42,954	111,715
Tax expense		2,616,713	6,805,496	3,956,210	10,289,233
End of service benefits		2,256	5,865	2,306	6,000
		19,345,554	50,313,532	18,519,476	48,165,090
<i>Changes in:</i>					
Inventories		34,767	90,423	149,564	388,979
Trade and other receivables		(729,500)	(1,897,268)	72,121	187,571
Trade and other payables		713,604	1,855,925	(403,394)	(1,049,138)
Net cash generated from operating activities		19,364,425	50,362,612	18,337,767	47,692,502
Cash flows from investing activities:					
Acquisition of property, plant and equipment		(11,300)	(29,388)	(314,614)	(818,241)
Net cash used in investing activities		(11,300)	(29,388)	(314,614)	(818,241)
Cash flows from financing activities:					
Repayment of term loans		(13,783,991)	(35,849,131)	(12,780,708)	(33,239,814)
Repayment of short term borrowing		(60,000)	(156,047)	(1,360,000)	(3,537,061)
Refund of guarantee fee for Hermes Covered facilities		-	-	52,036	135,334
Movement in short term deposit		265,305	690,000	192,250	500,000
Dividends paid		(5,929,573)	(15,421,515)	(5,429,488)	(14,120,906)
Net cash used in financing activities		(19,508,259)	(50,736,693)	(19,325,910)	(50,262,447)
Net change in cash and cash equivalents		(155,134)	(403,469)	(1,302,757)	(3,388,186)
Cash and cash equivalents at beginning of the year	8	508,848	1,323,401	1,811,605	4,711,587
Cash and cash equivalents at end of the year	8	353,714	919,932	508,848	1,323,401

The notes on pages 39 to 60 form an integral part of these financial statements.
The Independent Auditors' report is set forth on page 32.

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December

	Share capital	Legal reserve	Retained earnings	Hedging reserve	Total
	RO	RO	RO	RO	RO
Balance at 1 January 2015	71,440,634	2,279,555	10,734,517	(11,041,221)	73,413,485
<i>Total comprehensive income</i>					
Net profit for the year	-	-	7,246,158	-	7,246,158
<i>Other comprehensive (loss), net of income tax</i>					
Cash flow hedge - effective portion of changes in fair value	-	-	-	(1,730,970)	(1,730,970)
<i>Total comprehensive income</i>	-	-	7,246,158	(1,730,970)	5,515,188
<i>Transaction with owners of the Company</i>					
<i>Contribution and distribution</i>					
Transfer to legal reserve	-	724,616	(724,616)	-	-
Dividend	-	-	(5,929,573)	-	(5,929,573)
<i>Total transactions with owners of the Company</i>	-	724,616	(6,654,189)	-	(5,929,573)
Balance at 31 December 2015	71,440,634	3,004,171	11,326,486	(12,772,191)	72,999,100
	USD	USD	USD	USD	USD
Balance at 1 January 2015	185,801,389	5,928,620	27,918,117	(28,715,789)	190,932,337
<i>Total comprehensive income</i>					
Net profit for the year	-	-	18,845,666	-	18,845,666
<i>Other comprehensive (loss), net of income tax</i>					
Cash flow hedge - effective portion of changes in fair value	-	-	-	(4,501,873)	(4,501,873)
<i>Total comprehensive income</i>	-	-	18,845,666	(4,501,873)	14,343,793
<i>Transaction with owners of the Company</i>					
<i>Contribution and distribution</i>					
Transfer to legal reserve	-	1,884,567	(1,884,567)	-	-
Dividend	-	-	(15,421,515)	-	(15,421,515)
<i>Total transactions with owners of the Company</i>	-	1,884,567	(17,306,082)	-	(15,421,515)
Balance at 31 December 2015	185,801,389	7,813,187	29,457,701	(33,217,662)	189,854,615

STATEMENT OF CHANGES IN EQUITY (CONTINUED)

for the year ended 31 December

	Share capital	Legal reserve	Retained earnings	Hedging reserve	Total
	RO	RO	RO	RO	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 (loss), net of income tax</i>					
Cash flow hedge - effective portion of changes in fair value	-	-	-	(7,951,544)	(7,951,544)
<i>Total comprehensive (loss)</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 (loss), net of income tax</i>					
Cash flow hedge - effective portion of changes in fair value	-	-	-	(20,680,218)	(20,680,218)
<i>Total comprehensive (loss)</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

The notes on pages 39 to 60 form an integral part of these financial statements.
The Independent Auditors' report 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 SAOC 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.
- 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 Agreements for currency swap with Standard Chartered Bank and Credit Agricole Corporate & Investment Bank dated 12 October 2010 and 4 August 2015 respectively.
- xi. Revolving Working Capital Facility Agreement dated 5 June 2012 with Bank Muscat SAOG for purpose of availing short term loans upto Omani Rial 8.84 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.

NOTES

(forming part of the financial statements)

3. SIGNIFICANT AGREEMENTS (CONTINUED)

- 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.

(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.

NOTES

(forming part of the financial statements)

4. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ii) Foreign currency transactions

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

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

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

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

(e) *Financial instruments*

(i) Non derivative financial instrument

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

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

(ii) Derivative financial instruments, including hedge accounting

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

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

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

(iii) Cash flow hedges

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

The cumulative gain or loss previously recognised in profit or loss and other comprehensive income and presented in the hedging reserve in equity remains there until the forecast transaction affects the income statement. When the hedged item is a non-financial asset, the amount recognised in 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.

NOTES

(forming part of the financial statements)

4. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) *Property, plant and equipment*

(i) Recognition and measurement

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

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

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

(ii) Subsequent expenditure

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

(iii) Depreciation

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

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

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

(iv) Capital work in progress

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

(v) Asset retirement obligation

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

(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.

NOTES

(forming part of the financial statements)

4. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ii) Non – financial assets

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

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

(i) *Financial liabilities*

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

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

(j) *Employee terminal benefits*

Obligations for contributions to a defined contribution retirement plan for Omani employees, in accordance with the Oman Social Insurance Scheme, are recognised as an expense in the income statement as incurred. The Company's obligation in respect of 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*

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

(o) *Income tax*

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

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

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

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 2015. The ones which may be relevant to the Company and have not been applied in preparing the financial statements are set out below:

IFRS 9: Financial Instruments

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

IFRS 15: Revenue from Contracts from Customers

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

(r) *Determination of fair value*

(i) *Derivative financial instruments*

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

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

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

(ii) *Non-derivative financial liabilities*

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

NOTES

(forming part of the financial statements)

5. PROPERTY, PLANT AND EQUIPMENT

	Property, plant and equipment	Decommi ssioning asset	Technical spares	Others assets	Total	Total
	USD	USD	USD	USD	USD	RO
Cost						
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)
1 January 2015	826,661,143	1,213,969	4,374,877	236,152	832,486,141	320,090,921
Additions during the year	-	-	24,549	4,839	29,388	11,300
Disposal during the year	-	-	-	(13,321)	(13,321)	(5,122)
31 December 2015	826,661,143	1,213,969	4,399,426	227,670	832,502,208	320,097,099
Depreciation						
1 January 2014	17,337,531	23,183	108,804	174,262	17,643,780	6,784,033
Charge for the year	20,617,465	30,771	205,702	21,760	20,875,698	8,026,706
Disposal during the year	-	-	-	(39,990)	(39,990)	(15,376)
1 January 2015	37,954,996	53,954	314,506	156,032	38,479,488	14,795,363
Charge for the year	20,617,464	30,770	37,448	33,366	20,719,048	7,966,474
Disposal during the year	-	-	-	(13,321)	(13,321)	(5,122)
31 December 2015	58,572,460	84,724	351,954	176,077	59,185,215	22,756,715
Carrying amount						
31 December 2015	768,088,683	1,129,245	4,047,472	51,593	773,316,993	297,340,384
31 December 2014	788,706,147	1,160,015	4,060,371	80,120	794,006,653	305,295,558

6. TERM LOANS

	2015 RO	2015 USD	2014 RO	2014 USD
Term loans	213,292,808	554,727,719	227,076,799	590,576,850
Less: current portion	(14,658,319)	(38,123,066)	(13,783,991)	(35,849,132)
Non-current portion	198,634,489	516,604,653	213,292,808	554,727,718
Less: Unamortised transaction cost	(8,943,954)	(23,261,259)	(10,403,872)	(27,058,185)
	189,690,535	493,343,394	202,888,936	527,669,533

NOTES

(forming part of the financial statements)

6. TERM LOANS (CONTINUED)

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

At 31 December, the outstanding amounts were:

	2015 RO	2015 USD	2014 RO	2014 USD
Hermes Covered Variable Facility	62,058,877	161,401,500	66,842,441	173,842,500
Commercial Facility	45,644,730	118,711,913	46,506,229	120,952,481
KEXIM Direct Facility	44,227,929	115,027,124	47,637,066	123,893,538
Hermes Covered Fixed Facility	38,190,078	99,324,000	41,133,810	106,980,000
KEXIM Covered Facility	23,171,194	60,263,182	24,957,253	64,908,331
	213,292,808	554,727,719	227,076,799	590,576,850

Repayments

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

Interest

- 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 is required to pay agency and other fees.

Securities

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

Covenants

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

7. TRADE AND OTHER RECEIVABLES

Trade receivables	3,107,106	8,080,899	2,254,951	5,864,633
Prepayments	327,709	852,299	352,638	917,134
Due from related parties (note 17)	-	-	81,203	211,189
Other receivables	1,911	4,968	18,434	47,942
	3,436,726	8,938,166	2,707,226	7,040,898

NOTES

(forming part of the financial statements)

8. CASH AND CASH EQUIVALENT

	2015 RO	2015 USD	2014 RO	2014 USD
Cash in hand	756	1,966	496	1,289
Cash at bank	352,958	917,966	508,352	1,322,112
	353,714	919,932	508,848	1,323,401

Cash at bank includes RO 4,000 (USD 10,403); [2014: RO 4,000 (USD 10,403)], 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 2015	Nationality	No. of shares held of nominal value	% of total	Aggregate nominal value of shares held
		100 Bzs. each		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	45,218,671	6.33%	4,521,867
Civil Service Employees Pension Fund	Omani	44,719,248	6.26%	4,471,925
Shareholders with less than 5% shareholding		160,104,300	22.41%	16,010,430
		714,406,340	100.00%	71,440,634
Nominal value in USD				185,801,389

31 December 2014

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		168,632,888	23.61%	16,863,289
		714,406,340	100.00%	71,440,634
Nominal value in USD				185,801,389

NOTES

(forming part of the financial statements)

9. EQUITY (CONTINUED)

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

(d) *Dividend*

Pursuant to shareholders resolution of 29 March 2015, the Board of Directors, in the meetings held on 23 April 2015 and 21 October 2015 approved cash dividends of 3.15 Baizas and 5.15 Baizas per share, respectively from the audited accounts of the Company as of 31 December 2014 to the shareholders of the Company, who are registered in the Company shareholders' register with Muscat Clearing and Depository Company SAOC. The cut off dates for entitlement to receive dividends were 31 May 2015 and 30 November 2015 respectively.

Unclaimed dividend relating to cut off date of 31 May 2015 in the amount of RO 4,285.672 has been deposited by Muscat Clearing & Depository Company (SAOC) with the Investors Trust Fund.

10. TRADE AND OTHER PAYABLES

	2015 RO	2015 USD	2014 RO	2014 USD
Accrued finance cost	1,839,020	4,782,887	1,897,842	4,935,870
Accrued fuel gas	1,413,257	3,675,571	730,448	1,899,734
Due to related parties (note 17)	36,208	94,169	17,978	46,757
Trade payables	398	1,034	-	-
Other payables and accruals	573,803	1,492,336	502,814	1,307,711
	3,862,686	10,045,997	3,149,082	8,190,072

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 18).

a) *Income tax recognised in the income statement:*

Deferred tax expense is relating to temporary differences

	2,616,713	6,805,496	3,956,210	10,289,233
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NOTES

(forming part of the financial statements)

11. TAX EXPENSE (CONTINUED)

b) Reconciliation

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

	2015 RO	2015 USD	2014 RO	2014 USD
Profit before tax	9,862,871	25,651,162	8,774,237	22,819,861
Income tax as per rate mentioned above	1,183,545	3,078,139	1,052,908	2,738,383
Unrecognised deferred tax asset	1,433,168	3,727,357	2,903,302	7,550,850
Deferred tax expense for the year	2,616,713	6,805,496	3,956,210	10,289,233

c) Deferred tax liability

	At 1 January 2015 RO	Recognised during the year RO	At 31 December 2015 RO
Deferred tax (liability)/asset recognised in income statement			
Depreciation for property, plant and equipment	(7,957,342)	(3,340,288)	(11,297,630)
Provision for site restoration	11,255	7,020	18,275
Losses carried forward	122,501	716,555	839,056
	(7,823,586)	(2,616,713)	(10,440,299)
Deferred tax asset directly recognised in equity			
Fair value adjustment of interest rate and forex swap	1,526,444	237,046	1,763,490
	(6,297,142)	(2,379,667)	(8,676,809)
Deferred tax liability			
Nominal value in USD	(16,377,482)	(6,188,992)	(22,566,474)

d) Status of tax returns

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

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:

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(forming part of the financial statements)

12. ASSET RETIREMENT OBLIGATION (CONTINUED)

	2015 RO	2015 USD	2014 RO	2014 USD
At 1 January	539,815	1,403,941	496,861	1,292,226
Unwinding of discount during the year	46,669	121,374	42,954	111,715
At 31 December	586,484	1,525,315	539,815	1,403,941

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 instalments and interest on due date. At each repayment date at the end of October the Company is required to put the scheduled amount towards the next six monthly payment. The amount lying in the DSPA cannot be utilized for any purpose other than servicing the loan instalments and interest and is as such restricted cash. The amount in the DSPA has been put into a short term deposit maturing on the next loan repayment date, i.e. 28 April 2016.

14. DIRECT COSTS

Fuel gas	27,708,224	72,063,002	12,059,448	31,363,976
Depreciation (note 5)	7,953,645	20,685,682	8,018,339	20,853,938
Operation and maintenance fees	6,689,025	17,396,685	6,413,501	16,680,107
Insurance	683,580	1,777,841	777,258	2,021,477
Grid connection fee	231,657	602,488	162,662	423,047
Fuel oil	69,046	179,573	149,564	388,979
Asset retirement obligation - unwinding of discount (note 12)	46,669	121,374	42,954	111,715
Other operating expenses	146,136	380,070	168,273	437,644
	43,527,982	113,206,715	27,791,999	72,280,883

15. GENERAL AND ADMINISTRATIVE EXPENSES

Secondment fees	247,896	644,724	241,165	627,217
Employment costs	135,412	352,176	111,248	289,330
Public company related costs	123,588	321,424	88,088	229,099
Agency fees	49,835	129,611	48,576	126,336
Office rent	22,950	59,688	18,435	47,946
Directors' sitting fees (note 17)	17,200	44,733	16,000	41,612
Depreciation (note 5)	12,829	33,366	8,367	21,760
Initial Public Offering costs (net)	-	-	275,989	717,786
Plant inauguration expenses	-	-	125,843	327,290
Other general and administrative expenses	139,468	362,726	164,621	428,144
	749,178	1,948,448	1,098,332	2,856,520

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(forming part of the financial statements)

16. FINANCE COSTS (NET)

	2015 RO	2015 USD	2014 RO	2014 USD
Interest on term loans	5,867,862	15,261,019	6,102,887	15,872,267
Swap interest	5,028,084	13,076,942	5,366,249	13,956,435
Amortisation of deferred finance costs	1,459,918	3,796,926	1,534,805	3,991,690
Debt Service Reserve Account ("DSRA") LC cost	188,492	490,226	185,945	483,602
Exchange loss	49,966	129,950	53,233	138,447
Interest on working capital	20,823	54,155	20,745	53,954
Ineffective portion of interest rate hedge (note 19)	7,366	19,157	138,468	360,126
Interest income	(3,641)	(9,470)	(4,176)	(10,861)
	12,618,870	32,818,905	13,398,156	34,845,660

17. RELATED PARTY TRANSACTIONS

Related parties comprise the shareholders, directors, key management personnel, business entities that have the ability to control or exercise significant influence 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:

Key Management benefits	288,940	751,469	280,610	729,805
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(forming part of the financial statements)

17. RELATED PARTY TRANSACTIONS (CONTINUED)

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

	2015 RO	2015 USD	2014 RO	2014 USD
Suez Tractebel Operations & Maintenance Oman LLC	6,709,735	17,450,547	6,413,501	16,680,107
Kahrabel Operation & Maintenance (Oman) LLC	274,597	714,168	241,165	627,217
Al Batinah Power Company SAOG	167,767	436,325	131,785	342,745
Electrabel S.A	86,702	225,494	85,535	222,457
Multitech LLC	41,470	107,854	40,908	106,392
International Power S.A. Dubai Branch	37,380	97,217	87,219	226,837
Shikoku Electric Power Co.,Inc.	30,151	78,417	34,032	88,510
Sojitz Corporation	20,735	53,927	20,454	53,196
Public Authority for Social Insurance	18,850	49,024	18,594	48,360
Directors (sitting fees) (note 15)	17,200	44,733	16,000	41,612
Tractebel Engineering S.A.	13,946	36,271	-	-
Sohar Power Company SAOG	1,865	4,851	1,477	3,841
	7,420,398	19,298,828	7,090,670	18,441,274

The nature of the above transactions is as follows:

O&M fixed fee	5,200,801	13,526,141	5,199,979	13,524,004
O&M variable fee	1,506,863	3,919,020	1,213,522	3,156,103
Secondment fees	247,896	644,724	241,165	627,217
DSRA LC cost	188,492	490,226	185,944	483,601
Professional fees	37,380	97,217	87,219	226,837
Directors' sitting fees (note 15)	17,200	44,733	16,000	41,612
Technical services	13,946	36,271	-	-
Others	207,820	540,496	146,841	381,900
	7,420,398	19,298,828	7,090,670	18,441,274

Balances due to related parties at the year end comprised:

Kahrabel Operation & Maintenance (Oman) LLC	17,643	45,886	-	-
Suez Tractebel Operations & Maintenance Oman LLC	18,565	48,283	-	-
Al Batinah Power Company SAOG	-	-	17,978	46,757
	36,208	94,169	17,978	46,757

Balances due from related parties at the year end comprised:

Kahrabel Operation & Maintenance (Oman) LLC	-	-	79,421	206,555
Suez Tractebel Operations & Maintenance Oman LLC	-	-	225	585
International Power S.A. Dubai Branch	-	-	80	208
Sohar Power Company SAOG	-	-	1,477	3,841
	-	-	81,203	211,189

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(forming part of the financial statements)

18. HEDGING RESERVE

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

	2015 RO	2015 USD	2014 RO	2014 USD
<u>Interest rate swaps:</u>				
<i>Term loans (note 18(a))</i>				
KfW IPEX - Bank GmbH	(2,271,061)	(5,906,531)	(2,274,567)	(5,915,650)
Standard Chartered Bank	(4,816,712)	(12,527,210)	(4,864,446)	(12,651,355)
Credit Agricole Corporate & Investment Bank	(1,903,561)	(4,950,744)	(2,007,737)	(5,221,682)
HSBC Bank	(1,591,311)	(4,138,650)	(1,616,293)	(4,203,623)
Total fair value of interest rate swaps	(10,582,645)	(27,523,135)	(10,763,043)	(27,992,310)
Deferred tax asset	1,269,917	3,302,776	1,291,565	3,359,077
Fair value of interest rate swaps net of tax	(9,312,728)	(24,220,359)	(9,471,478)	(24,633,233)
<u>Currency swaps:</u>				
Standard Chartered Bank	(4,096,129)	(10,653,131)	(1,957,326)	(5,090,575)
Credit Agricole Corporate & Investment Bank	(16,977)	(44,153)	-	-
Total fair value of currency swaps	(4,113,106)	(10,697,284)	(1,957,326)	(5,090,575)
Deferred tax asset	493,573	1,283,674	234,879	610,869
Fair value of currency swaps net of tax	(3,619,533)	(9,413,610)	(1,722,447)	(4,479,706)
Total fair value of derivative instruments	(14,695,751)	(38,220,419)	(12,720,369)	(33,082,885)
Less: Ineffective portion of hedge	160,070	416,307	152,704	397,150
Less: Deferred tax asset [note 11(c)]	1,763,490	4,586,450	1,526,444	3,969,946
Total fair value of derivative instruments net of tax	(12,772,191)	(33,217,662)	(11,041,221)	(28,715,789)
Hedging reserve net of tax at the end of the year	(12,772,191)	(33,217,662)	(11,041,221)	(28,715,789)
Less: Hedging reserve net of tax at the beginning of the year	(11,041,221)	(28,715,789)	(3,089,677)	(8,035,571)
Effective portion of change in fair value of cash flow hedge for the year	(1,730,970)	(4,501,873)	(7,951,544)	(20,680,218)

18(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).

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.

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(forming part of the financial statements)

18. HEDGING RESERVE (CONTINUED)

18 (b) The O&M Agreement includes an outflow of approximately Euro 81 million, payable in Euro.

The Company has entered into Forward Rate Agreements ("FRA") with Standard Chartered Bank and Credit Agricole Corporate and Investment Bank on 12 October 2010 and 4 August 2015 respectively to hedge against fluctuations in Euro/USD exchange rate. As per the FRAs', the Company shall pay a fixed USD amount at an exchange rate of 1.4318 and 1.1797 respectively and receive contractual Euro amounts at each maturity date.

19. FINANCIAL RISK MANAGEMENT

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

- Market risk
- Credit risk
- Liquidity risk

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

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

(a) *Market risk*

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

Interest rate risk

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

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

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

Interest rate	2015	2015	2014	2014	
%	RO	USD	RO	USD	
<i>Term loans</i>					
-USD variable rate loans ranging from	Libor + 1.45% and 2.58%	175,102,730	455,403,719	185,942,989	483,596,850
- USD fixed rate loans	3.60%	38,190,078	99,324,000	41,133,810	106,980,000
		213,292,808	554,727,719	227,076,799	590,576,850

Cash flow sensitivity analysis for variable rate instruments

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

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(forming part of the financial statements)

19. FINANCIAL RISK MANAGEMENT (CONTINUED)

	100 bps Increase RO	100 bps Decrease USD	100 bps Increase RO	100 bps Decrease USD
31 December 2015				
US LIBOR (100 basis points)	10,210,017	(11,131,282)	26,554,010	(28,950,017)
31 December 2014				
US LIBOR (100 basis points)	11,678,818	(13,006,579)	30,374,039	(33,827,254)

Currency risk

The price under the O&M Agreement includes an expected amount of approximately Euro 81 million, payable in Euro. The Company has entered into FRAs' to hedge against fluctuations in Euro/USD exchange rate (note 18(b)). The Euro amounts hedged cover 89% of the expected outflows for the period from January 2016 to August 2021, 67% for the period from September 2021 to March 2023 and 42% for the period from April 2023 to March 2028. 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.

	Equity		Profit or loss	
	Strengthening	Weakening	Strengthening	Weakening
31 December 2015	RO	RO	RO	RO
EUR (10% movement)	2,261,735	(2,261,735)	-	-
	USD	USD	USD	USD
EUR (10% movement)	5,882,276	(5,882,276)	-	-
31 December 2014	RO	RO	RO	RO
EUR (10% movement)	2,434,960	(2,434,960)	-	-
	USD	USD	USD	USD
EUR (10% movement)	6,332,797	(6,332,797)	-	-

(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:

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(forming part of the financial statements)

19. FINANCIAL RISK MANAGEMENT (CONTINUED)

	2015	2015	2014	2014
	RO	USD	RO	USD
Trade receivables	3,107,106	8,080,899	2,254,951	5,864,633
Short term deposit	2,503,095	6,510,000	2,768,400	7,200,000
Cash at bank	352,958	917,966	508,352	1,322,112
Other receivables and due from related parties	1,911	4,968	99,637	259,131
	5,965,070	15,513,833	5,631,340	14,645,876

(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.

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

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(forming part of the financial statements)

19. FINANCIAL RISK MANAGEMENT (CONTINUED)

	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 2015					
Derivatives					
Derivative instruments	14,695,751	(15,963,571)	-	(10,140,047)	(5,823,524)
Non-derivatives Financial liabilities					
Term loan	204,348,854	(213,292,808)	(14,658,319)	(62,994,278)	(135,640,211)
Short term borrowing	280,000	(280,000)	(280,000)	-	-
Trade and other payables	3,862,686	(3,862,686)	(3,862,686)	-	-
	223,187,291	(233,399,065)	(18,801,005)	(73,134,325)	(141,463,735)
31 December 2015	USD	USD	USD	USD	USD
Derivatives					
Derivative instruments	38,220,419	(41,517,741)	-	(26,372,034)	(15,145,707)
Non-derivatives Financial liabilities					
Term loan	531,466,460	(554,727,719)	(38,123,066)	(163,834,277)	(352,770,376)
Short term borrowing	728,218	(728,218)	(728,218)	-	-
Trade and other payables	10,045,997	(10,045,997)	(10,045,997)	-	-
	580,461,094	(607,019,675)	(48,897,281)	(190,206,311)	(367,916,083)
31 December 2014	RO	RO	RO	RO	RO
Derivatives					
Derivative instruments	12,720,369	(13,890,407)	-	(7,151,199)	(6,739,208)
Non-derivatives Financial liabilities					
Term loan	216,672,927	(227,076,799)	(13,783,991)	(60,635,621)	(152,657,187)
Short term borrowing	340,000	(340,000)	(340,000)	-	-
Trade and other payables	3,149,082	(3,149,082)	(3,149,082)	-	-
	232,882,378	(244,456,288)	(17,273,073)	(67,786,820)	(159,396,395)
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	(590,576,850)	(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)	-	-
	605,675,887	(635,777,082)	(44,923,469)	(176,298,620)	(414,554,993)

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

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(forming part of the financial statements)

19. 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).

	2015 Level 2 RO	2015 Level 2 USD	2014 Level 2 RO	2014 Level 2 USD
Derivative financial liabilities	14,695,751	38,220,419	12,720,369	33,082,885

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	Market comparison technique: fair value is calculated by the respective financial institutions	Not applicable
Other financial liabilities	Discounted cash flows	Not applicable

Embedded derivatives

The following agreements contain embedded derivatives as follows:

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

20. COMMITMENTS

- Operation and maintenance commitments
As per the O&M Agreement STOMO is scheduled to operate and maintains the plant until 31 March 2028. Under the O&M Agreement, the Company has to pay the following operating fees:
 - a fixed monthly fee; and
 - a variable fee

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(forming part of the financial statements)

20. COMMITMENTS (CONTINUED)

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

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

	2015 RO	2015 USD	2014 RO	2014 USD
Within one year	5,280,757	13,734,089	5,533,860	14,392,353
Between two and five years	21,113,659	54,911,987	21,115,385	54,916,476
After five years	36,039,109	93,729,803	41,318,140	107,459,402
	62,433,525	162,375,879	67,967,385	176,768,231

b) Land lease commitments

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

Due:

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	254,138	660,958	271,522	706,170

c) The Company has placed a purchase order for USD 129,696 (RO 49,868) in favour of Oman Oil Marketing Company SAOG towards supply of fuel oil. The fuel was delivered in January 2016.

21. OPERATING LEASE AGREEMENT FOR WHICH THE COMPANY ACTS AS A LESSOR

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

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

Within one year	31,555,248	82,068,265	31,558,996	82,078,012
Between two and five years	125,805,650	327,192,847	125,889,620	327,411,236
After five years	224,017,257	582,619,653	255,488,534	664,469,529
	381,378,155	991,880,765	412,937,150	1,073,958,777

22. NET ASSETS PER SHARE

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

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(forming part of the financial statements)

22. NET ASSETS PER SHARE (CONTINUED)

	2015	2014
Net assets – shareholder funds (RO)	85,771,291	84,454,706
Weighted average number of shares outstanding during the period	714,406,340	714,406,340
Net assets per share (Baizas)	<u>120.06</u>	<u>118.22</u>

The management believes that the hedging deficit of RO 12.77 million (USD 33.22 million) [2014: RO 11.04 million (USD 28.72 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.

23. BASIC EARNINGS PER SHARE

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

Net profit for the year (RO)	7,246,158	4,818,027
Weighted average number of shares outstanding during the period	714,406,340	714,406,340
Basic earnings per share (Baizas)	<u>10.14</u>	<u>6.74</u>

24. CONTINGENT LIABILITIES

No material contingent liabilities exist as at 31 December 2015.

25. COMPARATIVE FIGURES

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