AL KAMIL POWER COMPANY SAOG

Unaudited Financial Statements

30 September 2008

Registered office	**Principal place of business**
Safeway Building Al Khuwair P O Box 1360 Postal Code 112 Sultanate of Oman	25 km North of Al Kamil Sharqiya region Sultanate of Oman

AL KAMIL POWER COMPANY SAOG

Financial statements

for the nine months ended 30 September 2008

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Unaudited Income Statement

for the nine months ended 30 September 2008

	Note	Q3- 2008 RO'000	Q3- 2008 US $'000	Q3-2007 RO'000	Q3-2007 US $'000
Operating revenue	*4*	**12,638**	**32,853**	12,500	32,501
Operating costs	*5 & 21*	**(8,958)**	**(23,294)**	(8,835)	(22,971)
Gross profit		**3,680**	**9,559**	**3,665**	**9,530**
Other Income	6	**31**	**81**	82	213
Administrative and general expenses	*7&21*	**(246)**	**(640)**	(233)	(606)
Profit from operations		**3,465**	**9,000**	**3,514**	**9,137**
Finance costs	*18*	**(1,592)**	**(4,139)**	**(1,753)**	**(4,556)**
Profit before tax		**1,873**	**4,861**	**1,761**	**4,581**
Deferred taxation	*17*	**(224)**	**(582)**	**(211)**	**(549)**
Net profit for the period		**1,649**	**4,279**	**1,550**	**4,032**
Basic earnings per share	*22*	**0.171**	**0.44**	**0.161**	**0.42**

The notes on pages 6 to 21 form part of these financial statements.

AL KAMIL POWER COMPANY SAOG

Unaudited Balance Sheet
as at 30 September 2008

	Note	Q3- 2008 RO'000	Q3- 2008 US $'000	Q3-2007 RO'000	Q3-2007 US $'000
Assets					
Intangible Assets	8	**560**	**1,456**		
Property, plant and equipment	*9*	**39,027**	**101,466**	41,194	107,105
Long term advance	*12*	**355**	**924**	252	655
Total non-current assets		**39,942**	**103,846**	41,446	107,760
Inventories	*10*	**4,141**	**10,767**	4,092	10,639
Tariff receivables	*11*	**1,608**	**4,183**	1,471	3,825
Other receivables and prepayments	*12*	**367**	**954**	88	229
Cash at bank	*13*	**3,316**	**8,622**	4,397	11,432
Total current assets		**9,432**	**24,526**	10,048	26,125
Total assets		**49,374**	**128,372**	51,494	133,885
Equity					
Share capital	*14*	**9,625**	**25,025**	9,625	25,025
Legal reserve	*15*	**1,224**	**3,182**	1,024	2,662
Retained earnings		**4,280**	**11,128**	4,402	11,445
Shareholders' fund		**15,129**	**39,335**	15,051	39,132
Hedging deficit	*16*	**(2,029)**	**(5,276)**	(1,319)	(3,430)
		13,100	**34,059**	13,732	35,702
Liabilities					
Hedging deficit	*16*	**2,029**	**5,276**	1,319	3,430
Deferred tax liability	*17*	**1,653**	**4,298**	1,379	3,586
Long-term loans	*18*	**27,075**	**70,395**	29,256	76,066
Total non-current liabilities		**30,757**	**79,969**	31,954	83,082
Current maturities of long-term & Subordinated loans	*18*	**2,486**	**6,464**	2,372	6,167
Payables and accruals	*19*	**2,615**	**6,799**	3,086	8,024
Amounts due to related parties	*20*	**416**	**1,081**	350	910
Total current liabilities		**5,517**	**14,344**	5,808	15,101
Total liabilities		**36,274**	**94,313**	37,762	98,183
Total equity and liabilities		**49,374**	**128,372**	51,494	133,885
Net assets per share	*23*	**1.572**	**4.09**	1.564	4.07

The notes on pages 6 to 21 form part of these financial statements.

These financial statements were approved and authorised for issue by the Board of Directors on 22 October 2008 and were signed on its behalf by:

____________________ Chairman ____________________ Director

AL KAMIL POWER COMPANY SAOG

Unaudited Statement of changes in equity
for the quarter ended 30 September 2008

	Share capital	Legal reserve	Retained earnings	Shareholders' fund	Hedging deficit	Total equity	Total equity
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	US$'000
1-Jan-08	9,625	1,059	3,951	**14,635**	(1,734)	**12,901**	**33,545**
Net profit for the period	-	-	1,649	**1,649**	-	**1,649**	**4,279**
Transfer to legal reserve	-	165	(165)	**-**	-	**-**	**-**
Dividend paid	-	-	(1,155)	**(1,155)**	-	**(1,155)**	**(3,003)**
Interest expense	-	-	-	**-**	(943)	**(943)**	**(2,447)**
Fair value adjustment	-	-	-	**-**	648	**648**	**1,685**
							-
30-September-08	9,625	1,224	4,280	**15,129**	(2,029)	**13,100**	**34,059**
	.						
1-Jan-07	9,625	869	4,162	**14,656**	(1,171)	**13,485**	**35,060**
Net profit for the period	-		1,550	**1,550**		**1,550**	**4,031**
Transfer to legal reserve	-	155	(155)	**-**		**-**	**-**
Dividend paid	-		(1,155)	**(1,155)**	-	**(1,155)**	**(3,003)**
Interest expense	-			**-**	(318)	**(318)**	**(826)**
Fair value adjustment	-			**-**	170	**170**	**444**
				-			
30-September-07	9,625	1,024	4,402	**15,051**	(1,319)	**13,732**	**35,706**

The notes on pages 6 to 21 form part of these financial statements.

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Unaudited Cash Flow Statement
for the nine months ended 30 September 2008

	Q3- 2008 RO'000	**Q3- 2008 US $'000**	Q3-2007 RO'000	Q3-2007 US $'000
Cash flows from operating activities				
Cash receipt from OPWP and others	**12,052**	**31,335**	12,041	31,307
Cash paid to suppliers and employees	**(7,225)**	**(18,785)**	(7,249)	(18,848)
Cash generated from operations	**4,827**	**12,550**	4,792	12,459
Interest paid	**(1,026)**	**(2,668)**	(955)	(2,483)
Net cash from operating activities	**3,801**	**9,882**	3,837	9,976
Cash flows from investing activities				
Acquisition of property, plant and equipment	**(249)**	**(647)**	(531)	(1,380)
Proceeds from the disposal of fixed assets	**1**	**3**	-	-
Net cash used in investing activities	**(248)**	**(644)**	(531)	(1,380)
Cash flows from financing activities				
Repayment of loan	**(1,110)**	**(2,886)**	(996)	(2,590)
Dividend payment	**(1,155)**	**(3,003)**	(1,155)	(3,003)
Net cash used in financing activities	**(2,265)**	**(5,889)**	(2,151)	(5,593)
Net increase in cash and cash equivalents	**1,288**	**3,349**	1,155	3,003
Cash and cash equivalents at the beginning of the year	**2,028**	**5,273**	3,242	8,429
Cash and cash equivalents at 30 September	**3,316**	**8,622**	4,397	11,432

Cash and cash equivalents at the end of the year represent bank balances of the Company.

The notes on pages 6 to 21 form part of these financial statements.

AL KAMIL POWER COMPANY SAOG

Notes

(forming part of the financial statements)

1 Legal status and principal activities

Al Kamil Power Company SAOG (the "Company") was registered, and incorporated on 15 July 2000, as a closed joint stock company in the Sultanate of Oman. The Company was set up to build and operate a 285 MW electricity generating station at Al Kamil in the Sharqiya Region. The Company was converted to a general joint stock company on 22 September 2004.

2 Significant agreements

The Company has entered into the following significant agreements:

(i) Power Purchase Agreement ("PPA") with the Ministry of Housing, Electricity and Water ("MHEW"), Sultanate of Oman, granting the Company a long-term power supply agreement for a period of fifteen years commencing from the scheduled commercial operation date (COD). Under the terms of PPA, the company has the right and obligation to generate electricity. The Company was granted a Generation Licence by the Authority for Electricity Regulation ("AER"), a state regulatory body established under the Sector Law.

On 1 May 2005 the PPA was novated to Oman Power and Water Procurement Co SAOC (OPWP), a closed joint stock company owned by the Government of Oman ("Government"). All the financial commitments of OPWP are guaranteed by the Government of Oman. Provisions for novation and Government Guarantee were embodied in the PPA. The provisions for novation were enacted pursuant to the promulgation of the Sector Law in August 2004;

(ii) Natural Gas Sales Agreement ("NGSA") with the Ministry of Oil and Gas ("MOG") for the purchase of natural gas from MOG for the period of fifteen years at a pre-determined price;

(iii) Usufruct agreement with the Government for grant of Usufruct rights over the project site for 25 years;

(iv) Operation & Maintenance Agreement ("OAMA") with Al Kamil Construction & Services LLC ("AKCS"), a company incorporated in the Sultanate of Oman, and a related party, for operations and maintenance of the power plant. The Agreement is valid for a period of 15 years from the scheduled commercial operation date;

(v) Generation Licence granted by the Authority for Electricity Regulation, a governmental regulatory body established under the Sector Law.

(vi) Agreement with Société Générale and Bank Muscat SAOG for long-term loan facilities;

(vii) Agreement with National Bank of Oman for Stand-by Letter of Credit to fund the debt service reserve requirements of the long-term loan facilities.

3 Significant accounting policies

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as promulgated by the International Accounting Standards Board, the minimum disclosure requirements of the Capital Market Authority and the requirements of the Commercial Companies Law of 1974, as amended.

AL KAMIL POWER COMPANY SAOG

Notes

(forming part of the financial statements)

3 **Significant accounting policies *(continued)***

(b) Basis of preparation

These financial statements are prepared on the historical cost basis except for derivative financial instruments, which are stated at fair value. The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

The financial statements are presented in Rials Omani ("RO") and United States Dollars ("US$"), rounded off to the nearest thousand.

The presentation of financial statements, in conformity with IFRSs, requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenditures. The estimates and associated assumptions are based on historical experiences and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from those estimates.

The estimates and underlying assumptions are reviewed on an on going basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(c) Adoption status of new and forthcoming IFRS and interpretations

The Company has adopted IFRS 7 Financial Instruments: Disclosures which is effective for annual reporting periods beginning on or after 1 January 2007, and the consequential amendments to IAS 1: Presentation of Financial Statements.

The impact of the adoption of IFRS 7 and the changes to IAS 1 has been to expand the disclosures provided in these financial statements regarding the Company's financial instruments and management of capital.

The Management has reviewed the following new interpretations:

– IFRIC 11 IFRS 2: Group and Treasury Share Transactions (effective 1 March 2007);

– IFRIC 12 Service Concession Arrangements (effective 1 January 2008); and

– IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective 1 January 2008).

These interpretations have been adopted in the Company's financial statements for the year commencing 1 January 2008 and the adoption of those Interpretations has had no material impact on the financial statements of the Company in the year 2008.

(d) Revenue

Operating revenue comprises tariffs for fixed capacity and energy charges. Tariffs are calculated in accordance with the Power Purchase Agreement (PPA). The revenue is recognised on the basis of operating lease. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due and associated costs.

Interest income is recognised in the income statement using effective interest rate method.

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Notes

(forming part of the financial statements)

3 Significant accounting policies *(continued)*

(e) Operating lease payments

Payments made under operating leases are recognised on a straight-line basis over the term of the lease.

(f) Employee benefits

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

The Company's obligation in respect of non-Omani terminal benefits, which is an unfunded defined benefit retirement plan, is the amount of future benefits that such employees have earned in return for their services in the current and prior periods. The obligation is calculated using the projected unit credit method and is discounted to its present value.

(g) Finance cost

Finance costs comprise interest payable on borrowings on Escrow account. Finance costs are recognized as an expense in the period in which they are incurred

(h) Foreign currencies

Transactions in foreign currencies are translated to Rials Omani at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Rials Omani at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities denominated in foreign currencies that are stated at historical cost, are translated to Rials Omani at the foreign exchange rate ruling at the date of the transaction. All the foreign exchange differences are recognised in the income statement.

(i) Derivative financial instruments and hedging

The Company uses derivative financial instruments to hedge its exposure to certain portion of its interest rate risks arising from financing activities. In accordance with its treasury policy, the Company does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are recognised initially at cost. Subsequent to initial recognition, derivative financial instruments are stated at their fair value. Recognition of any resultant gain or loss depends on the nature of the item being hedged.

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised liability, the effective part of any gain or loss on the derivative financial instrument is recognised directly in equity. The ineffective part of any gain or loss is recognised in the income statement immediately.

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Notes

(forming part of the financial statements)

3 Significant accounting policies *(continued)*

(j) Intangible assets

The Company considers an intangible asset as an identifiable non-monetary asset without physical substance. The three critical attributes of an intangible asset are:

(a) identifiably

(b) control (power to obtain benefits from the asset)

(c) future economic benefits (such as revenues or reduced future costs)

An intangible asset is identifiable when it:

(a) is separable (capable of being separated and sold, transferred, licensed, rented, or exchanged, either individually or as part of a package) or

(b) arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

Amortisation is the systematic allocation of the depreciable amount of an intangible asset over its useful life. Carrying amount is the amount at which an asset is recognised in the balance sheet after deducting any accumulated amortisation and accumulated impairment losses thereon.

(k) Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses [refer to accounting policy (n)].

Subsequent expenditure

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul expenditure is capitalised. Other subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of property, plant and equipment. All other expenditure is recognised in the income statement as an expense as incurred.

Depreciation

Depreciation is charged on a straight-line basis over the estimated useful lives of items of property, plant and equipment and major components that are accounted for separately as follows:

	Years
Plant and machinery	6 - 30
Buildings and civil works	40
Other assets	
- Furniture, fixtures and office equipment	4
- Motor vehicles and computer equipment	3

Depreciation is charged from the month of addition to property, plant and equipment while no depreciation is charged in the month of sale. Depreciation method, useful lives as well as residual values are re-assessed annually.

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(forming part of the financial statements)

3 **Significant accounting policies *(continued)***

(l) *Inventories*

Fuel and maintenance spares stock is stated at the lower of cost and net realisable value. Cost is determined on the weighted average principle and includes all costs incurred in acquiring the inventories and bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(m) *Receivables*

Receivables are stated at their amortised cost less provision for impairment losses, if any.

(n) *Cash and cash equivalents*

Cash and cash equivalents comprise cash and bank balances. 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 equivalent for the purposes of statement of cash flows.

(o) *Impairment*

The carrying amounts of the Company's assets, other than inventories and deferred tax assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. Recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. An impairment loss is recognised in the income statement whenever the carrying amount of an asset exceeds its recoverable amount.

In assessing value in use, the estimated cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss in respect of a receivable is reversed if the subsequent increase in the recoverable amount can be related objectively to an event occurring after the impairment loss was recognised. In respect of other assets, 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 has been recognised.

(p) *Interest bearing borrowings*

Interest bearing borrowings are recognised initially at cost, less attributable costs such as loan arrangement fee and interest during the construction period. Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of borrowings on an effective interest rate basis.

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Notes

(forming part of the financial statements)

3 **Significant accounting policies *(continued)***

(q) *Payables and accruals*

Other payables and accruals are stated at their amortised cost.

(r) *Provisions*

A provision is recognised in the balance sheet 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. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(s) *Income tax*

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

Deferred tax is provided using the balance sheet liability method on all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is calculated on the basis of the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits 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.

4 Operating revenue

	Q3- 2008 RO'000	**Q3- 2008 US $'000**	Q3-2007 RO'000	Q3-2007 US $'000
Capacity charges	**5,646**	**14,675**	5,505	14,314
Energy charges	**6,992**	**18,178**	6,995	18,187
Total operating revenue	**12,638**	**32,853**	12,500	32,501

5 Operating costs

Fuel cost	**6,219**	**16,169**	6,220	16,172
Operation and maintenance charges	**1,328**	**3,453**	1,212	3,151
Depreciation	**1,362**	**3,545**	1,403	3,648
Amortisation of Intangible Assets	**49**	**127**	-	-
Total	**8,958**	**23,294**	8,835	22,971

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Notes

(forming part of the financial statements)

6 **Other income**

	Q3- 2008 RO'000	**Q3- 2008 US $'000**	Q3-2007 RO'000	Q3-2007 US $'000
Interest receivable and similar income	**30**	**78**	82	213
Profit and loss on sale of fixed assets	**1**	**3**		
	31	**81**	**82**	**213**

7 **Administrative and general expenses**

Employee costs	**129**	**335**	110	285
Depreciation	**8**	**21**	16	42
Legal and professional fees	**38**	**99**	28	73
Travelling	**7**	**18**	8	21
Social development costs	**1**	**3**	17	44
Utilities charges	**9**	**23**	16	41
Rent, rates and taxes	**8**	**21**	6	16
Directors / Shareholders meeting expenses	**15**	**39**	11	29
Share Registration fees	**10**	**26**	10	26
Miscellaneous expenses	**21**	**55**	11	29
				-
Total	**246**	**640**	233	606

Employee related expenses comprise the following:

Wages and salaries	**116**	**301**	99	257
Other benefits	**3**	**8**	2	5
Increase (reversal) in liability for unfunded defined benefit retirement plan	**10**	**26**	9	23
Total	**129**	**335**	110	285

The number of employees as at 30 September 2008 was 5 (30 September 2007: 4). The remuneration of key management personnel for Q3 2008 was RO 103,205 (30 September 2007: RO 91,155).

8 **Intangible asset**

Pursuant to the Natural Gas Sales Agreement (NGSA) with the Ministry of Oil and Gas (MOG), the Company transferred “Natural Gas Reception System” comprising multiple streams with redundancy each providing pressure reduction and control filtering, condensate extraction, heating, metering and on-line gas calorific value analysis to MOG. Although the ownership of this asset was transferred to MOG, AKPC retains the beneficial economic use of the asset until the expiry of the NGSA, i.e., 30 April 2017.

In terms of the Company’s stated policy on intangible assets and amortisation, the book value of the Natural Gas Reception System of RO 620,000 has been classified as intangible asset which will be amortised until the expiry of NGSA. Accordingly, the annual amortisation charge will be RO 65,244. However, for the nine months ended September 2008 an amortisation cost of RO 48,933 was accounted.

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Notes

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9 **Property, plant and equipment**

	Plant and machinery	Other assets	Building and civil works	Total	Total
	RO'000	**RO '000**	**RO'000**	**RO'000**	**US$'000**
Cost					
At 1 January 2008	47,317	362	916	48,595	126,347
Acquisitions	245	2	2	249	648
Disposals		(6)		(6)	(14)
Transfer					
30-September-08	47,562	358	918	48,839	126,981
Depreciation					
At 1 January 2008	(8,007)	(345)	(95)	(8,447)	(21,963)
Charge for the period	(1,346)	(9)	(15)	(1,370)	(3,566)
Disposals		6		6	14
Transfer					
30-September-08	(9,353)	(348)	(110)	(9,811)	(25,515)
Carrying amount					
At 30 September 2008	**38,209**	**10**	**808**	**39,027**	**101,466**
At 30 September 2007	40,346	20	828	41,194	107,105

Land, on which the power station building and auxiliaries are constructed, has been leased from the Government of the Sultanate of Oman for a period of 25 years. Lease rent is paid at the rate of RO 1,000 per annum.

10 **Inventories**

	Q3- 2008	**Q3- 2008**	Q3-2007	Q3-2007
	RO'000	**US $'000**	RO'000	US $'000
Liquid fuel	**897**	**2,332**	883	2,296
Maintenance spares	**3,244**	**8,435**	3,209	8,343
Total	**4,141**	**10,767**	4,092	10,639

In accordance with the terms of the various project agreements, the company is required to maintain a base stock of liquid fuel. Such liquid fuel stock is to be held to cover the contingency of interruption in the supply of gas fuel. The requirement is to hold minimum of five days' consumption in order to operate the turbines at full capacity.

11 **Tariff receivable**

Tariff receivable represents the amounts due from Oman Power & Water Procurement Company (OPWP) in respect of capacity and energy charges.

12 **Other receivables and prepayments**

Advances	**700**	**1,820**	298	775
Long term advances	**(355)**	**(924)**	(252)	(655)
	345	**896**	46	120
Prepayments	**16**	**42**	17	43
Other receivables	**6**	**16**	25	66
Total	**367**	**954**	88	229

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Notes

(forming part of the financial statements)

		Q3- 2008	**Q3- 2008**	Q3-2007	Q3-2007
		RO'000	**US $'000**	RO'000	US $'000
13	**Cash at bank**				
	Current Account	**-**	**-**	23	59
	Deposit accounts	**3,316**	**8,622**	4,374	11,373
	Total	**3,316**	**8,622**	4,397	11,432

During the nine months ended September 2008 the deposit accounts earned interest at rates ranging between 0.75% to 2.75% per annum, (2007: 1% and 5.5% per annum).

14 **Share capital**

	Q3- 2008 RO'000	**Q3- 2008 US $'000**	Q3-2007 RO'000	Q3-2007 US $'000
Authorised share capital of 25,000,000 (2007: 25,000,000) shares of RO 1 each	**25,000**	**65,000**	25,000	65,000
Issued and fully paid-up share capital of 9,625,000 (2007: 9,625,000) shares of RO 1 each	**9,625**	**25,025**	9,625	25,025

The Company's shareholders at September 2008 were as follows:

	Q3-2008		Q3-2007	
	Number of shares	**%**	Number of shares	%
National Power Al Kamil Investments Ltd.	**4,691,593**	**48.74**	4,691,593	48.74
Al Kamil Investments Ltd	**1,564,063**	**16.25**	1,564,063	16.25
National Power Oman Investments Ltd.	**594**	**0.01**	594	0.01
Others	**3,368,750**	**35.00**	3,368,750	35.00
	9,625,000	**100.00**	9,625,000	100.00

The three main shareholding companies are registered in the United Kingdom and are subsidiaries of International Power plc, a company registered in the United Kingdom. None of the ordinary shareholders, other than these three companies, own 10% or more of the Company's share capital.

15 **Legal reserve**

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 one-third of the Company's share capital.

16 **Hedging deficit**

The Term Loan facilities of the Company bear interest at US LIBOR plus applicable margins. In accordance with the Term Loan Agreement, the Company is obliged to fix the rate of interest through Interest Rate Swap Agreements ("IRS") for a minimum of 75% of its loan facility. In the prior year IRS amounting to approximately 75% of the loan was hedged at a fixed interest rate of 6.29% per annum, excluding margin. During 2005, further 11% of the loan was hedged at a fixed interest rate of 4.1325% per annum, excluding margin.

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Notes

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16 **Hedging deficit *(continued)***

As at 30 September 2008, based on the interest rates differential over the life of the IRS, an indicative deficit was assessed at approximately RO 2.029 million (US$ 5.276 million) by the counter parties to the IRS. In order to comply with International Accounting Standard 39 "Financial Instruments: Recognition and Measurement" fair value of the hedge instruments' indicative losses in the amount of approximately RO 2.029 million (US$ 5.276 million) has been recorded within the equity of the Company under "Hedging Deficit" and a similar amount is recorded under long term liabilities.

17 **Deferred taxation**

The Company was exempt from income tax for an initial period of five years from the commercial operation date by virtue of Royal Decree 54/2000.

At 30 September 2008, the Company's deferred tax liability amount to approximately RO 1.653 million (US$ 4.298 million) arising on temporary timing differences. The movement in deferred tax liability during the year is as follows:

	Q3- 2008	**Q3- 2008**	Q3-2007	Q3-2007
	RO'000	**US $'000**	RO'000	US $'000
1-Jan	**1,429**	**3,716**	1,169	3,040
Deferred tax charge for the year	**224**	**582**	210	546
30-September	**1653**	**4298**	1379	3586

Deferred tax expense represents the origination and reversal of temporary differences in respect of the following:

Accelerated depreciation	**3,908**	**10,160**	1,670	4,340
Tax loss for the year	**(2,255)**	**(5,862)**	(291)	(754)
	1,653	**4,298**	1,379	3,586

The assessments for the years 2003-2007 have not been finalised with the Department of Taxation Affairs, Ministry of Finance.

The current deferred tax liability is based on the assumption that the tax losses incurred during tax-exempt period would be available for carry forward indefinitely in post tax-exempt period. The Department of Taxation Affairs could disagree with the Company on the availability of tax losses incurred during the tax exemption period, against future taxable profits. Should this be the case, the Company would need to recognise an additional deferred tax liability of RO 1 Million (US$ 2,600,000) as of 30 September 2008.

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18 Long-term loan

	Q3- 2008	Q3- 2008	Q3-2007	Q3-2007
	RO'000	US $'000	RO'000	US $'000
Secured Loan	**27,871**	**72,465**	29,831	77,561
Unsecured Loan	**2,243**	**5,832**	2,468	6,417
	30,114	**78,297**	32,299	83,978
Current maturities of long term loans	**(2,486)**	**(6,464)**	(2,372)	(6,167)
Finance cost	**(553)**	**(1,438)**	(671)	(1,745)
Net long term loans	**27,075**	**70,395**	29,256	76,066

The amount of loans outstanding as at September 2008 is analysed as follows:

	Total	Payable within one year	Payable between 1 & 2 years	payable between 2 & 5 years	Payable after 5 years
RO'000	30,114	2,486	2,628	9,733	15,267
US$'000	78,297	6,464	6,833	25,306	39,694

Secured Loan

The Company had syndicated long-term loan facility from financial institutions in the aggregate amount of approximately RO 36 million (US$ 94 million). Société Générale and Bank Muscat SAOG are the arrangers of the facilities and have respectively been appointed as the offshore and on-shore security agents for the secured finance parties and as the security trustees. Société Générale is also the Facility and Security Agent for administration and monitoring of the overall loan facilities. The loan agreement contains certain restrictive covenants, which include, amongst others, restrictions over debt service and debt equity ratios, certain restrictions on the transfer of shares, payment of dividends, disposal of property, plant and equipment and incurrence of additional debt.

The loan facilities bear interest at US LIBOR plus applicable margins. Margin percentages are as follows:

Period	Margin Percentage
2005 to 2010	0.70%
2010 to 2015	0.90%
2016 to 2017	1.20%

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

Unsecured Loan

Unsecured loan facility of RO 2.486 million (US$ 6.464 million) from Bank Muscat SAOG bearing interest at fixed rate of 7.5% per annum and repayable by 1 January 2017.

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Notes

(forming part of the financial statements)

18 **Long-term loan *(continued)***

During the year, the Company incurred the following finance costs:

	Q3- 2008	**Q3- 2008**	Q3-2007	Q3-2007
	RO'000	**US $'000**	RO'000	US $'000
Secured loan	**1352**	**3,515**	1510	3,925
Unsecured loan	**127**	**330**	122	316
Amortisation of finance	**87**	**226**	93	242
Others	**26**	**68**	28	73
Total	**1592**	**4139**	1,753	4,556

19. **Payables and accruals**

	Q3- 2008	**Q3- 2008**	Q3-2007	Q3-2007
	RO'000	**US $'000**	RO'000	US $'000
Trade payable	**1,642**	**4,269**	1,509	3,924
Interest payable	**766**	**1,992**	960	2,497
Payable to Fixed Asset	**60**	**156**	460	1,196
Accruals and other payables	**147**	**382**	157	407
Total	**2,615**	**6,799**	3,086	8,024

Included in accruals and other payables is liability towards unfunded defined benefit retirement plan as follows:

1-Jan	**41**	**106**	24	62
Additional	**25**	**66**	9	23
30-September	**66**	**172**	33	85

20 **Amount due to related parties**

Al Kamil Construction & Services LLC	**416**	**1081**	350	910
Total	**416**	**1081**	350	910

21 **Related party transactions**

The Company has a related party relationship with entities over which certain shareholders and Directors are able to exercise significant influence. The Company also has a related party relationship with its Directors. In the ordinary course of business, such related parties provide goods and render services to the Company. The Company has entered into an Operation and Maintenance Agreement with Al Kamil Construction & Services LLC, a related party, for operations and maintenance of the plant for a period of 15 years from the scheduled commercial operations date or the termination date of PPA, whichever is earlier [refer to note 2(iv)].

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Notes
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21 **Related party transactions *(continued)***

Prices and terms for these transactions, which are entered into in the normal course of business, are on terms and conditions, which the Directors consider, are comparable with those that could be obtained from unrelated third parties. The volume of related party transactions during the half year ended 30 September 2008 was as follows:

	Q3- 2008	**Q3- 2008**	Q3-2007	Q3-2007
	RO'000	**US $'000**	RO'000	US $'000
Operating costs				
Fee charged by AKCS under the Operations and maintenance agreement	**1,675**	**4,355**	1,520	3,953
Costs incurred by AKCS on behalf of the Company	**7**	**19**	3	9
Costs incurred by AKPC on behalf of the Company	**0**	**0**	7	17
	1,682	**4,374**	1,530	3,979
Administrative and general expenses				
Directors' meeting fee	**4**	**10**	4	10
	4	**10**	4	10

22 **Basic earnings per share**

Basic earnings per share is calculated as follows:

Net profit for the period RO/US$ ('000)	**1,649**	**4,279**	1,550	4,032
Number of shares outstanding at 30 September ('000)	**9,625**	**9,625**	9,625	9,625
Basic earnings per share RO/US$	**0.171**	**0.44**	0.161	0.42

23 **Net assets per share**

Net assets per share is calculated by dividing the shareholders' fund at the period end by the number of shares outstanding as follows:

Shareholders' fund RO/US$ ('000)	**15,129**	**39,335**	15,051	39,132
Number of shares outstanding as at 30th September ('000)	**9,625**	**9,625**	9,625	9,625
Net assets per share RO/US$	**1.572**	**4.09**	1.564	4.07

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Notes

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24 **Dividends**

The Annual general Meeting of the Company held on 17 March 2008 approved a dividend of 12% (i.e. RO 0.120 per share) for the year 2007 to the shareholders of the Company who are on the shareholders' list registered with Muscat Depository & Securities Registration Co SAOC as at 30 June 2008. An amount of RO 1.155 million (US$ 3.003 million) was accordingly disbursed.

25 **Commitments**

	Q3-2008 RO '000	**Q3-2008 US$ '000**	Q3-2007 RO '000	Q3-2007 US$ '000
Letter of credit	**1,796**	**4,668**	1,923	5,000

Operating lease commitments

Land, on which the power station, buildings and ancillaries are constructed, has been leased from the Government for a 25-year period. At 30 September 2008, future minimum lease commitments under non-cancellable operating leases were as follows:

Within one year	**10**	**26**	6	16
Between two and five years	**4**	**10**	4	10
After five years	**12**	**31**	14	36

26 **Financial risk management**

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

(i) Credit risk
(ii) Liquidity risk
(iii) Market risk

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 receivables from a customer. The Company does not require collateral in respect of financial assets. The Company seeks to control credit risk by monitoring credit exposure. At 30 September 2008 the entire trade receivables was from Governance owned company, Oman Power and Water Procurement Co SAOC ("OPWP"). The maximum exposure to credit risk as at 30 September 2008 was RO 1.608 million (30 September 2007: RO 1.471 million). OPWP has a credit rating of A2 given by Moody's (OPWP Annual Report 2007). The Company has maintained all cash deposits with banks having credit rating by Moody's of A2 and above.

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Notes

(forming part of the financial statements)

26 **Financial risk management *(continued)***

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. As of 30 September 2008, the Company was not materially exposed to any liquidity risk.

The following are the contractual maturities of financial liabilities:

September 2008	**Carrying Amount RO'000**	**Amt due six months or less RO'000**	**More than six months RO'000**
Trade payables	**2058**	**2058**	
Other payables and accruals	**973**	**915**	**58**
	3031	**2973**	**58**

September 2007			
Trade payables	1859	1859	
Other payables and accruals	1577	1105	472
	3436	2964	472

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 optimizing the return on risk. As of 30 September 2008, the Company's market risk due to foreign exchange rates are analysed as under:

Financial assets / liabilities:

	Q3- 2008			Q3-2007		
	Carrying amount in balance sheet	Amount denominated in RO	Amount denominated in non RO	Carrying amount in balance sheet	Amount denominated in RO	Amount denominated in non RO
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Receivables	1,608	1,609		1,471	1,471	
Cash	3,316	1,082	2,234	4,397	2,699	1,698
Loans	(30,114)	(2,243)	(27,871)	(32,299)	(2,468)	(29,831)
Payables	(3,031)	(2,973)	(58)	(3,436)	(2,156)	(1,280)
	(27,667)	(2,525)	(25,142)	(29,867)	(454)	(29,413)

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Notes
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26 **Financial risk management *(continued)***

Market risk (continued)

The sensitivity of the hedging deficit as assessed by the counter parties to the Interest Rate Swap Agreements is given below:

Impact on balance sheet: increase/(decrease).

	Q3-2008 RO'000	Q3-2007 RO'000
In case of increase of 100 basis points in interest rates	**944**	1003
In case of decrease of 100 basis points in interest rate	**(944)**	(1003)

Fair value of financial instruments

The Management believe that the fair values of all financial assets and liabilities of the Company are not different from their carrying amounts at 30 September 2008.

	Q3- 2008		Q3-2007	
	Fair value RO'000	Carrying amount RO'000	Fair value RO'000	Carrying amount RO'000
Cash and cash equivalents	3,316	3,316	4,397	4,397
Accounts receivable	1,608	1,608	1,471	1,471
Amount due to related party	(416)	(416)	(350)	(350)
Accounts payable and accruals	(2,615)	(2,615)	(3,086)	(3,086)

27 **Comparative figures**

Certain prior year figures have been reclassified to conform to the presentation adopted in the current year.