1. General

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.

Power Purchase Amendment Agreement to supply additional power generating capacity of 14 MW for the Summer Period for the three years 2010-2012 was signed with OPWP.

(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 OAMA is valid for a period of 15 years from the scheduled commercial operations date or the termination date of PPA, whichever is earlier.

(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.

(viii) Electricity Connection Agreement (ECA) with Oman Electricity Transmission Company SAOC (OETC) for establishing a framework between OETC and the Company to provide connection of the power station to the transmission system and enforcement of the Grid Code between OETC and the Company.

3. Adoption of new and revised International Financial Reporting Standards (IFRS)

3.1 Standards and Interpretations adopted with no effect on the financial statements

For the 9 months ended 30 September 2012, the Company has adopted all the new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for the year beginning on 1 January 2012.
The following new and revised Standards and Interpretations have been adopted in these financial statements. Their adoption has not had any significant impact on the amounts reported in these financial statements but may affect the accounting for future transactions or arrangements.

IFRS 7: Financial Instruments: Disclosures, amendments enhancing disclosures about transfers of financial assets	The objective of this amendment is to require entities to provide disclosures in their financial statements that enable users to evaluate significance of financial instrument & the nature and extent of risks arising from financial instruments
IAS 12: Income Taxes, limited scope amendment (recovery of underlying assets)	The objective of this amendment is to resolve problems in practice under IAS 12, (which deals with income tax) without changing the fundamental approach under IAS 12

3.2 New and revised IFRS in issue but not yet effective

At the date of authorisation of these financial statements, the following new and revised Standards and Interpretations were in issue but not yet effective:

New Standards and amendments to Standards:

	Effective for annual periods beginning on or after
IAS 1: Presentation of Financial Statements, a*mendments to revise the way other comprehensive income is presented*	July 2012
IAS 19: Employee Benefits, *amended Standard resulting from the Post-Employment Benefits and Termination Benefits project*s	January 2013
IAS 27: Consolidated and Separate Financial Statements, *reissued as IAS 27 Separate Financial Statements (as amended in 2011)*	January 2013
IAS 28: Investments in Associates, *reissued as IAS 28 Investments in Associates and Joint Ventures (as amended in 2011)*	January 2013
IFRS 7: Financial Instruments: Disclosures, *amendments enhancing disclosures about offsetting of financial assets and financial liabilities*	January 2013 and interim periods within those periods
IFRS 10: Consolidated Financial Statements	January 2013
IFRS 11: Joint Arrangements	January 2013
IFRS 12: Disclosure of Interests in Other Entities	January 2013
IFRS 13: Fair Value Measurement	January 2013
IFRS 7: Financial Instruments: Disclosures, *amendments requiring*	January 2015 (or otherwise

disclosures about the initial application of IFRS 9	when IFRS 9 is first applied)
IFRS 9: Financial Instruments: Classification and Measurement of financial assets *(intended as complete replacement for IAS 39)*	January 2015 (mandatory application date amended December 2011)

New Interpretations and amendments to Interpretations:

IFRIC 20 – *Stripping Costs in the Production Phase of a Surface Mine*	1 January 2013

Management anticipates that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Company in the period of initial application.

4. Summary of significant accounting policies

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, and comply with the disclosure requirements set out in the Rules for Disclosure and Proformas issued by the Capital Market Authority and the requirements of the Commercial Companies Law of 1974, as amended.

Basis of preparation

These financial statements are prepared on the historical cost basis except for certain 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 years.

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

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) identifiability;
(b) control (power to obtain benefits from the asset); and
(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.

Intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any.

4. Summary of significant accounting policies (continued)

Amortisation is the systematic allocation of the depreciable amount of an intangible asset over its estimated useful life. Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated amortisation and accumulated impairment losses thereon. The estimated useful life is reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

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 profit or loss 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

Certain assets are depreciated based on estimated machine hours. 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.

Impairment of tangible and intangible assets

The carrying amounts of the Company's tangible and intangible assets are reviewed at each reporting period 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 profit or loss whenever the carrying amount of an asset exceeds its recoverable amount.

4. Summary of significant accounting policies (continued)

Impairment of tangible and intangible assets (continued)

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 is reversed if the subsequent increase in the recoverable amount can be related objectively to an event occurring after the impairment loss was recognised. 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.

Borrowing costs

Borrowing costs comprise interest payable on borrowings. Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the cost of those assets. All other borrowing costs are recognized as expenses in the period in which they are incurred.

Inventories

Fuel and maintenance spares inventory 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.

Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances and bank deposits with a maturity of less than six months from the date of placement. 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 purposes of the statement of cash flows.

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 profit or loss over the period of borrowings on an effective interest rate basis.

4. Summary of significant accounting policies (continued)

Provisions

A provision is recognised in the statement of financial position when the Company has a legal or constructive obligation, as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. 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.

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 reporting period 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 foreign exchange differences are recognised in the profit or loss.

Financial instruments

Financial assets and financial liabilities are recognized on the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Tariff and other receivables are initially measured at their fair value and subsequently measured at amortised cost, using the effective interest method. Appropriate allowances for estimated irrecoverable amounts are recognised in the profit or loss when there is objective evidence that the asset is impaired.

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

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.

4. Summary of significant accounting policies (continued)

Derivative financial instruments and hedging (continued)

Derivative financial instruments are recognised initially at fair value. 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 part of any gain or loss on the derivative financial instrument that qualifies as an effective hedge is recognised directly in equity. The ineffective part of any gain or loss is recognised in the profit or loss immediately.

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 profit or loss using effective interest rate method.

Operating lease payments

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

Employee benefits

Provision in respect of employee benefits for non-Omani employees is made in accordance with the Oman labour laws, and is based on current remuneration and cumulative years of service at the reporting period date.

Retirement benefits for Omani employees are contributed in accordance with the terms of the Social Insurance Law of 1991. Such contributions are expensed when incurred.

Income tax

Income tax on the results for the 6 months comprises deferred tax. Income tax is recognised in the profit or loss 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 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.

5. Critical accounting judgments and key sources of estimation uncertainty

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.

The following are the significant estimates used in the preparation of the financial statements:

Useful lives of property, plant and equipment
Depreciation is charged so as to write off the cost of assets over their estimated useful lives. The calculation of useful lives is based on management's assessment of various factors such as the operating cycles, the maintenance programs, and normal wear and tear using its best estimates.

Decommissioning costs
Decommissioning costs are based on management's technical assessment of the probable future costs to be incurred in respect of the decommissioning of the plant facilities.

Deferred tax liability
The current deferred tax asset on tax loss 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.

Impairment of plant spares
The carrying amounts of the Company's plant and spares are reviewed at each reporting date to determine whether there is any indication of impairment. Based on management assessment there is no indicator of impairment for plant spares as at the reporting date.

6. Intangible assets

Pursuant to the Natural Gas Sales Agreement (NGSA) with the Ministry of Oil and Gas (MOG), the Company, effective November 2007, 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, the Company 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 (US$ 1.612 million) has been classified as intangible asset which will be amortised until the expiry of NGSA.

	Q3 2012 RO'000	**Q3 2012 US $'000**	Q3 2011 RO '000	Q3 2011 US $'000
Natural Gas Reception System				
Cost				
Balance at 1 January	**620**	**1612**	620	1612
Balance at 30 September	**620**	**1612**	620	1612
Amortisation				
Balance at 1 January	**(272)**	**(707)**	(207)	(538)
Amortization for the9 months	**(49)**	**(127)**	(49)	(127)
	(321)	**(834)**	(256)	(665)
Balance at 30 September	**299**	**778**	364	947

7. Property, plant and equipment

	Plant and machinery	Building and civil works	Other assets	Total	Total
	RO'000	RO'000	RO '000	RO'000	US$'000
Cost					
At 1 January 2011	51,310	921	353	52,584	136,718
Acquisitions	2,629	1	10	2,640	6,864
Transfer	-	-	-	-	-
Disposals	-	-	(8)	(8)	(21)
01-Jan-12	**53,939**	**922**	**355**	**55,216**	**143,561**
Acquisitions	**56**	**-**	**2**	**58**	**152**
Disposals	**-**	**-**	**(13)**	**(13)**	**(35)**
30-September-12	**53,995**	**922**	**344**	**55,261**	**143,678**
Depreciation					
At 1 January 2011	(13,794)	(164)	(325)	(14,283)	(37,138)
Charge for the period	(2,108)	(23)	(19)	(2,150)	(5,590)
Disposals	-	-	8	8	21
Transfer	-	-	-	-	-
01-Jan-12	**(15,902)**	**(187)**	**(336)**	**(16,425)**	**(42,707)**
Charge for the period	**(1,694)**	**(17)**	**(10)**	**(1,721)**	**(4,475)**
Disposals	**-**	**-**	**13**	**13**	**34**
30-September-12	**(17,596)**	**(204)**	**(333)**	**(18,133)**	**(47,148)**
Carrying amount					
At 30 September 2012	**36,399**	**718**	**11**	**37,128**	**96,530**
At 30 September 2011	36,792	740	22	37,554	97,639

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.

8. Inventories

	Q3 2012 RO'000	Q3 2012 US $'000	Q3 2011 RO'000	Q3 2011 US $'000
Liquid fuel	**938**	**2,439**	927	2,410
Maintenance spares	**309**	**803**	287	746
	1,247	**3,242**	1,214	3,156

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.

9. Tariff receivables

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

10. Other receivables and prepayments

	Q3 2012 RO'000	Q3 2012 US $'000	Q3 2011 RO'000	Q3 2011 US $'000
Advances	**1,463**	**3,804**	2,181	5,671
Long term advances	**(166)**	**(432)**	(1,646)	(4,278)
	1,297	**3,372**	535	1,393
Prepayments	**109**	**283**	11	28
Other receivables	**1**	**3**	2	4
Total	**1,407**	**3,658**	548	1,425

Long term advance represents a portion of the operation and maintenance fee paid to AKCS, the O&M contractor which management considers as a payment for future refurbishments based on the operation and maintenance cycles of the plant.

Notes to the unaudited financial statements for 9 months ended 30 September 2012 (continued)

11. Cash and cash equivalents

	Q3 2012 RO'000	**Q3 2012 US $'000**	Q3 2011 RO'000	Q3 2011 US $'000
Cash at bank				
Deposit accounts	**3,578**	**9,303**	1,516	3,942
	3,578	**9,303**	1,516	3,942

During the 9 months 2012 the deposit accounts earned interest at rates ranging between 0.20% and 1.75% per annum (2011 - 0.12% and 1.75% per annum).

12. Share capital

	Q3 2012 RO'000	**Q3 2012 US $'000**	Q3 2011 RO'000	Q3 2011 US $'000
Authorised share capital of 25,000,000 (2010: 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 (2010: 9,625,000) shares of RO 1 each	**9,625**	**25,025**	9,625	25,025

The Company's shareholders at 30 September comprised of the following:

	2012		2011	
	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. GDF Suez S.A. holds 100% shares of International Power plc.

13. 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. This reserve is not available for distribution.

14. 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. The Lenders have agreed to the Company's request to fix the rate of interest through Interest Rate Swap Agreement for an amount less than 75% of the loan amount. As at reporting date, IRS amounting to approximately 65% of the loan was hedged at a fixed interest rate of 6.29% per annum, excluding margin and further 8% of the loan was hedged at a fixed interest rate of 4.1325% per annum, excluding margin.

As at 30 September 2012, based on the interest rate differential over the life of the IRS, an indicative deficit was assessed at approximately RO 1.651 million (US$ 4.293 million) [2011 – RO 2.315 million (US$ 6.019 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 1.651 million (US$ 4.293 million) [2011 – RO 2.315 million (US$ 6.019 million] has been recorded within the equity of the Company under "Hedging Deficit" and a similar amount is recorded under long term liabilities.

	Q3 2012 RO'000	**Q3 2012 US $'000**	Q3 2011 RO'000	Q3 2011 US $'000
Cumulative change in fair value:				
At 1 January	**1,871**	**4,865**	2,302	5,985
Change in fair value during the period	**(220)**	**(572)**	13	34
At 30 September	**1,651**	**4,293**	2,315	6,019

15. Taxation

Income tax

By virtue of Royal Decree 54/2000 the Company was exempt from income tax for an initial period of five years which ended on 30 September 2007.

The assessments for the years since 2007 have not been finalised by the Department of Taxation Affairs, Ministry of Finance. The management believes that the tax assessed, if any, in respect of the un-assessed tax periods would not be material to the financial position of the Company as at 30 September 2012. No provision for current 9 months tax has been made as the Company has set-off taxable income for the period against previous years' tax losses brought forward.

15. Taxation (continued)

Deferred tax

At 30 September 2012, the Company's deferred tax liability amounts to approximately RO 2.992 million (US$ 7.779 million) [2011 – RO 2.606 million (US$ 6.775 million)] arising on temporary timing differences. The movement in deferred tax liability during the 9 months is as follows:

	Q3 2012 RO'000	**Q3 2012 US $'000**	Q3 2011 RO'000	Q3 2011 US $'000
at 1 Jan 2012	**2,675**	**6955**	2,332	6,063
Deferred tax charge for the period	**317**	**824**	274	712
at 31 September 2012	**2992**	**7779**	2606	6775

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

	Q3 2012 RO'000	**Q3 2012 US $'000**	Q3 2011 RO'000	Q3 2011 US $'000
Accelerated depreciation	**3,633**	**9,445**	3,817	9,924
Tax loss	**(641)**	**(1,666)**	(1,211)	(3,149)
	2,992	**7,779**	2,606	6,775

The deferred tax asset on tax loss 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 1.351 million (US$ 3.51 million) as of 30 September 2012 [2011 – RO 1.351 million (US$ 3.51 million)].

16. Long-term loans

	Q3 2012 RO'000	**Q3 2012 US $'000**	Q3 2011 RO'000	Q3 2011 US $'000
Secured loan	**17,516**	**45,542**	20,583	53,516
Unsecured loan	**1,343**	**3,491**	1,568	4,076
	18,859	**49,033**	22,151	57,592
Current maturities of long-term loans	**(3,592)**	**(9,340)**	(3,292)	(8,559)
Unamortised transaction costs	**(179)**	**(465)**	(256)	(666)
Net long term loans	**15,088**	**39,228**	18,603	48,367

AL KAMIL POWER COMPANY SAOG

Notes to the unaudited financial statements for 9 months ended 30 September 2012 (continued)

16. Long-term loans (continued)

The amount of loans outstanding is analysed as follows:

30 September 2012	**Total**	**Payable within one year**	**Payable between 1 and 2 years**	**Payable between 2 and 5 years**	**Payable after 5 years**
RO'000					
Secured loan	**17,516**	**3,367**	**3,067**	**11,082**	**-**
Unsecured loan	**1,343**	**225**	**225**	**893**	**-**
	18,859	**3,592**	**3,292**	**11,975**	**-**
US$'000					
Secured loan	**45,542**	**8,755**	**7,974**	**28,813**	**-**
Unsecured loan	**3,491**	**585**	**585**	**2,321**	**-**
	49,033	**9,340**	**8,559**	**31,134**	**-**

30 September 2011

	Total	Payable within one year	Payable between 1 & 2 years	Payable between 2 & 5 years	Payable after 5 years
RO'000					
Secured Loan	20,583	3,067	3,367	10,070	4,079
unsecured Loan	1,568	225	225	675	443
	22,151	3,292	3,592	10,745	4,522
US$'000					
Secured Loan	53,516	7,974	8,754	26,183	10,605
unsecured Loan	4,076	585	585	1,755	1,151
	57,592	8,559	9,339	27,938	11,756

Secured loan

In 2001, the Company obtained a 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.

16. Long-term loans (continued)

Secured loan (continued)

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

Period	Margin percentage
2010 to 2014	0.90%
2014 to 2017	1.20%

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

The secured loans bear interest at US LIBOR plus applicable margins. The financial statements provide for an increase of 134 Basis Points (on a weighted average basis) for the period 3 November 2009 to 30 September 2012, over the interest rate that would have been payable by the Company arising from the market disruption clause of the loan agreement.

Unsecured Loan

Unsecured loan facility of RO 1.343 million (US$ 3.491 million) [2011 - RO 1.568 million (US$ 4.076 million)] from Bank Muscat SAOG was rescheduled in 2007 with the following revised terms:

- The loan repayment period extended to1 January 2017;
- The annual instalment revised to RO 225,000 (US$ 585,000), with a final bullet payment of RO 442,000 (US$ 1.150 million) on 1 January 2017; and
- The fixed interest rate payable revised to 7.5% p.a.

During the 9 months, the Company incurred the following finance costs:

	Q3 2012 RO'000	**Q3 2012 US $'000**	Q3 2011 RO'000	Q3 2011 US $'000
Secured loan	**951**	**2,473**	1,105	2,873
Unsecured loan	**76**	**198**	89	231
Amortisation of transaction costs	**55**	**143**	65	169
Others	**29**	**75**	27	70
	1,111	**2,889**	1,286	3,343

17. Trade and other payables

	Q3 2012 RO'000	Q3 2012 US $'000	Q3 2011 RO'000	Q3 2011 US $'000
Trade payable	**2,458**	**6,391**	2,062	5,362
Interest payable	**535**	**1,391**	621	1,616
Payable to Fixed Asset Creditors	**83**	**216**	50	131
Accruals and other payables	**200**	**519**	147	383
		-		
Total	**3,276**	**8,517**	2,880	7,492

18. Due to related parties

Al Kamil Construction & Services LLC	**611**	**1,589**	562	1,461
	611	**1,589**	562	1,461

19. Net assets per share

Net assets per share is calculated by dividing the shareholders' fund at the 9 months ended September 2012 by the number of shares outstanding as follows:

	Q3 2012 RO'000	Q3 2012 US $'000	Q3 2011 RO'000	Q3 2011 US $'000
Shareholders' fund RO / US$ ('000)	**20,385**	**52,999**	18,720	48,667
Number of shares outstanding as at 30 September ('000)	**9,625**	**9,625**	9,625	9,625
Net assets per share (RO / US $)	**2.118**	**5.51**	1.945	5.06

20. Operating revenue

	Q3 2012 RO'000	Q3 2012 US $'000	Q3 2011 RO'000	Q3 2011 US $'000
Capacity charges	**6,158**	**16,011**	5,780	15,028
Energy charges	**10,245**	**26,637**	9,043	23,512
	16,403	**42,648**	14,823	38,540

21. Operating costs

	Q3 2012 RO'000	Q3 2012 US $'000	Q3 2011 RO'000	Q3 2011 US $'000
Fuel cost	**8,804**	**22,890**	7,783	20,236
Operation and maintenance charges	**1,861**	**4,839**	1,591	4,137
Depreciation	**1,711**	**4,449**	1,607	4,178
Amortisation of intangible assets	**49**	**127**	49	127
	12,425	**32,305**	11,030	28,678

22. Administrative and general expenses

Employee costs	**154**	**401**	164	427
Depreciation	**10**	**26**	14	36
Legal and professional fees	**11**	**29**	11	29
Travelling	**1**	**3**	6	16
Social development costs	**-**	**-**	1	3
Utilities charges	**8**	**20**	8	21
Rent, rates and taxes	**9**	**23**	9	23
Directors / Shareholders meeting expenses	**12**	**31**	13	34
Share Registration fees	**10**	**26**	10	26
Miscellaneous expenses	**18**	**46**	16	42
Total	**233**	**605**	252	657

Employee related expenses comprise the following:

Wages and salaries	**140**	**364**	150	390
Other benefits	**3**	**8**	2	5
Contribution to defined retirement plan	**1**	**3**	1	3
Increase in liability for employee benefits	**10**	**26**	11	29
	154	**401**	164	427

The number of employees as at 30 September 2012 was 4 (2011: 4).

23. Other income

Interest and other income	**3**	**8**	3	8
Profit on sale of property, plant and equipment	**2**	**5**	2	5
	5	**13**	5	13

24. Earnings per share - basic and diluted

Earnings per share, basic and diluted, is calculated as follows:

	Q3 2012	**Q3 2012**	Q3 2011	Q3 2011
Net profit for the 9 months RO / US$ ('000)	**2,322**	**6,038**	1,986	5,163
Number of shares outstanding at 30 September ('000)	**9,625**	**9,625**	9,625	9,625
Earnings per share - basic and diluted RO/US$	**0.241**	**0.63**	0.206	0.54

25. Related party transactions

The Company has related party relationships with entities over which certain shareholders and Directors are able to exercise significant influence. The Company also has related party relationships 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 the PPA, whichever is earlier [Note 2(iv)].

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 9 months was as follows:

	Q3 2012	**Q3 2012**	Q3 2011	Q3 2011
	RO'000	**US $'000**	RO'000	US $'000
Operating costs				
Fee charged by AKCS under the Operations and maintenance agreement	**2,364**	**6,146**	2,192	5,699
Costs incurred by AKCS on behalf of the Company	**-**	**-**	3	7
Fee Paid to Suez Tractebel SA Dubai	**5**	**14**	-	-
	2,369	**6,160**	2,195	5,706
Administrative and general expenses				
Directors' meeting fee	**3**	**8**	4	10
Compensation of key management personnel				
Short term benefits	**133**	**346**	144	374
Post employment benefits	**11**	**28**	11	29
	144	**374**	155	403

26. Segment information

The Company operates only in one business segment, namely, power generation within the Sultanate of Oman.

27. Dividends - paid and proposed

At the Annual general meeting of the Company held on18 March 2012 a cash dividend of 6% amounting RO 0.578 million (RO 0.060 per share) (US$ 1.502 million) was declared to be paid to the shareholders of the Company who are on the shareholder's list registered with Muscat Clearing and Depository and Co. SAOG as at 30 June 2012. The dividend has since been disbursed in July 2012. (Previous year a cash dividend of 8% amounting RO 0.770 million (RO 0.080 per share) was declared during the AGM).

28. Commitments

	Q3 2012 RO'000	**Q3 2012 US $'000**	Q3 2011 RO'000	Q3 2011 US $'000
Letter of credit	**1,979**	**5,146**	1,722	4,476
Capital commitment	**-**	**-**	-	-

Operating lease commitments

At 30 September , future minimum lease commitments under non-cancellable operating leases were as follows:

	Q3 2012 RO'000	**Q3 2012 US $'000**	Q3 2011 RO'000	Q3 2011 US $'000
Within one year	**10**	**26**	10	26
Between two and five years	**4**	**10**	4	10
After five years	**8**	**21**	8	18
	22	**57**	22	54

29. 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

Financial risk management (continued)

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 2012 the entire trade receivables were from a Government owned company, Oman Power and Water Procurement Company SAOC ("OPWP"). The maximum exposure to credit risk as of the end of the period was RO 2.119 million (US $ 5.509 million) [2011: RO 3.821 million (US $ 9.934 million)]. OPWP has a credit rating of A1 given by Moody's (Internet website). The Company has maintained all cash deposits with banks having credit rating by Moody's of Aa3 and above.

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 2012, the Company was not materially exposed to any liquidity risk.

The following are the contractual maturities of financial liabilities:

	Carrying Amount	Carrying Amount	6 Months or Less	6-12 Months	1-2 Years	More than 2 Years
	RO '000	US$ '000	RO '000	RO '000	RO '000	RO '000
September-12						
Long term loan	**-18,859**	**-49,033**	**-2,059**	**-1,533**	**-3,292**	**-11,975**
Trade and other Payables	**-3,276**	**-8,517**	**-3,276**	**-**	**-**	
Due to related parties	**-611**	**-1,589**	**-611**	**-**	**-**	**-**
	-22,746	**-59,139**	**-5,946**	**-1,533**	**-3,292**	**-11,975**
September-11						
Loan	-22,150	-57,592	-1,581	-1,711	-3,592	-15,266
Trade and other Payables	-2,880	-7,492	-2,820	-	-	-60
Due to related parties	-562	-1,461	-562	-	-	-
	-25,592	-66,545	-4,963	-1,711	-3,592	-15,326

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates 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. As of 30 September , the Company's market risk due to foreign exchange rates is analysed as under:

29. Financial risk management (continued)

Financial assets / liabilities:

	Q3 2012			Q3 2011		
	Carrying amount in statement of financial position	**Amount denominated in RO**	**Amount denominated in non RO**	Carrying amount in statement of financial position	Amount denominated in RO	Amount denominated in non RO
	RO'000	**RO'000**	**RO'000**	RO'000	RO'000	RO'000
Long term advances	**166**	**166**	**-**	1,646	1,646	-
Tariff and other receivables	**2,119**	**2,119**	**-**	4,369	4,369	-
Cash and cash equivalents	**3,578**	**2,238**	**1340**	1,516	157	1359
Long term loans	**-18,859**	**-1,343**	**-17,516**	-22,151	-1,567	-20,584
Due to related parties	**-611**	**-611**	**-**	-562	-562	-
Trade and other payables	**-3,276**	**-3,192**	**-83**	-2,880	-2,531	-349
	-16,883	**-623**	**-16,259**	-18,062	1,512	-19,574

Amounts denominated in non RO are based in US Dollars. The foreign currency risk is minimal as the US Dollar is pegged to the Rials Omani.

Interest rate risk

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

Impact on statement of financial position: increase / (decrease).

	September 2012 RO'000	September 2011 RO'000
In case of increase of 100 basis points in interest rates	**297**	444
In case of decrease of 100 basis points in interest rates	**(297)**	(444)

The sensitivity of the portion of the loan not covered under interest rate swap agreement is given below:

In case of increase of 100 basis points in interest rates	**62**	69
In case of decrease of 100 basis points in interest rates	**(62)**	(69)

At the end of the reporting period the interest rate profile of the Company's interest bearing financial instruments was:

	Q3 2012 RO'000	**Q3 2012 US $'000**	Q3 2011 RO'000	Q3 2011 US $'000
Floating rate instruments				
Financial assets	**1,339**	**3,481**	1,516	3,942

29. Financial risk management (continued)

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets or liabilities at fair value through profit or loss. Therefore a change in interest rates at the end of the reporting period would not affect profit or loss.

The Company has entered into an interest rate swap to hedge its interest rate risk exposure. Under interest rate swap contracts, the Company agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Company to mitigate the risk of the cash flow exposures on the issued variable rate debt.

All interest rate swap contracts exchanging floating rate interest amounts for fixed rate interest amounts are designated as cash flow hedges in order to reduce the Company's cash flow exposure resulting from variable interest rates on borrowings. The interest rate swaps and the interest payments on the loan occur simultaneously.

30. Fair value of financial instruments

The Management believes that the fair values of all financial assets and liabilities of the Company are not different from their carrying amounts at 30 September 2012.

31. Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and benefit other stakeholders. The management's policy is to maintain a strong capital base so as to maintain creditor and stakeholders' confidence and to sustain future development of the business.

Management aims to improve the current level of profitability by enhancing top line growth and prudent cost management.

32. Approval of financial statements

These financial statements were approved by the Board of Directors and authorized for issue on 22 October 2012.