Chairman's Report

1. Introduction

We are pleased to present the unaudited financial statements for nine months ended 30 September 2014.

2. Review of Operations for nine months ended 30 September 2014

The plant operated well during the nine months of the current year and achieved 99.47% commercial availability having suffered 105 hours of forced outages as against 20 hours of forced outages experienced for the similar period of 2013. The high level of outages was mainly due to the 75.5% higher start and stop instructions, as compared to 2013, received from Oman Electricity Transmission Company, the load dispatcher. Frequent plant's start and stop instructions can potentially result in higher plant degradation as also malfunction of critical parts and sensors leading to plant outages and impacts plant's smooth running. Following the plant's demonstration of 10 MW of additional generation capacity during the annual performance test in April 2014, an amendment agreement to the Power Purchase Agreement (PPA) was executed with OPWP and the Company was able to avail of an additional capacity income for 10MW for the months of May and June 2014.

During the current period, 1067 GWh of electricity was exported to the grid, 19.5% lower than the electricity of 1,326 GWh exported for the same period in 2013. However, as agreed within the project documents, the actual level of power generation has no major effect on the Company's net income.

As notified to the Muscat Securities Market on 18 September 2014, the Company was advised through a letter from the Secretary General of Taxation that the tax authorities do not agree with the Company's interpretation of the Royal Decree 54/2000. The Company robustly believes that it is entitled to the tax exemption benefit envisaged in the Royal Decree 54/2000. Previously, in the light of the tax advice received, the Company has not made any provision for taxation in its previously prepared and published financial statements. The stand taken by the tax department effectively denies a substantial tax benefit to the company and entails a lax liability of RO 1.359 million (US$ 3.53 million) for the years 2011-2013. The Company will seek the rightful redress through the tax appellate process prescribed under the Omani tax laws. However, as a prudent course of action, the company has made a provision for taxation amounting to RO 1.359 million (US$ 3.53 million) in the financial statements for nine months ended 2014.

This additional provision for taxation has negatively impacted the current period's net results and although the profit before taxation showed an improvement of 5% over similar period in 2013, the net profit during the nine months of the current year at RO 1.233 million (US$ 3.206 million) is 49% below the net profit for similar period in 2013.

The Company, after obtaining due financial and legal advice, submitted to Oman Power and Water Procurement Company its bid with revised tariff to extend the Power Purchase Agreement for the period May 2017 to the end of 2020. The results of the same are awaited.

3. Financial Results

a. ***Operating Revenue and Gross Profit***

During the current period the Company achieved a turnover of RO 14.491 million and as against a turnover of RO 16.317 million during the nine months ended September 2013, a fall of 11%. In spite of the drop in revenue, the gross profit of RO 3.785 million achieved by the Company for the nine months ended September 2014 was higher than the gross profit of RO 3.759 million earned for the similar period in 2013.

b. ***Operating costs & Administrative and General Expenses***

Effective control in operating costs saw an improvement in gross profit during the current period. However, mainly due to higher legal and professional fees paid by the company in the course of Company's share split exercise and ongoing the income tax matters, the administrative and general expenses were 17% higher as compared to the 9 months of the year 2013.

c. Financing Expenses

Net financing costs were RO 0.549 million, 28% lower than for the same period of 2013.

d. Net Profit & Earnings per share

Consequent to the unduly high tax provision made during the current period, the net profit was RO 1.233 million, thereby giving earnings per share of 13 Baiza for every share with a face value of 100 Baiza as compared to a net profit of RO 2.426 million for the similar period of 2013 giving earnings per share of 252 Baiza for every share with face value of RO1.

e. Trade and Other Receivables

At the end of the reporting period there were no overdue invoices payables by OPWP.

Future Outlook

The PPA extension negotiations are expected to be finalised in the last quarter of the current year. The Company will strive to negotiate and finalise with OPWP the extension of the Power Purchase Agreement, up to the end of 2020, in a manner which is beneficial to all stakeholders. Plant availability is expected to remain high.

Ramani Hariharan
Chairman