

AL KAMIL POWER COMPANY SAOG

UNAUDITED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2013

Registered office:
PO Box 1360
Postal Code 112, Ruwi
Sultanate of Oman

Principal place of business:
Al Kamil
Wilayat of Al Kamil Al Wafi
Sharqiya, Sultanate of Oman

AL KAMIL POWER COMPANY SAOG

Unaudited financial statements for the 3 months ended 31 March 2013.

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AL KAMIL POWER COMPANY SAOG

UNAUDITED STATEMENT OF COMPREHENSIVE INCOME FOR THE 3 months ended 31st March 2013

	Note	Q1-2013 RO'000	Q1-2013 US \$'000	Q1-2012 RO'000	Q1-2012 US \$'000
Operating revenue	6	4,082	10,613	3,936	10,233
Operating costs	7	(3,050)	(7,932)	(2,883)	(7,497)
Gross profit		1,032	2,681	1,053	2,736
Administrative and general expenses	8	(109)	(284)	(75)	(193)
Profit from operations		923	2,397	978	2,543
Other income	9	-	-	1	3
Finance costs	10	(294)	(763)	(387)	(1,006)
Profit before taxation		629	1,634	592	1,540
Taxation	20	(75)	(196)	(71)	(185)
Profit for the period		<u>554</u>	<u>1,438</u>	<u>521</u>	<u>1,355</u>
Other comprehensive income					
Cumulative changes in fair value of cash flow hedges	19	(5)	(12)	(59)	(153)
Deferred tax impact on fair value of cash flow hedges	19	-	-	-	-
Other comprehensive income for the period		<u>(5)</u>	<u>(12)</u>	<u>(59)</u>	<u>(153)</u>
Total comprehensive income for the period		<u>549</u>	<u>1,426</u>	<u>462</u>	<u>1,202</u>
Basic earnings per share (RO/US\$)	26	<u>0.057</u>	<u>0.15</u>	<u>0.054</u>	<u>0.14</u>

The notes on pages 6 to 26 form an integral part of these financial statements.

AL KAMIL POWER COMPANY SAOG

UNAUDITED STATEMENT OF FINANCIAL POSITION AS AT 31 March 2013.

	Note	Q1-2013 RO'000	Q1-2013 US \$'000	Q1-2012 RO'000	Q1-2012 US \$'000
ASSETS					
Non-current assets					
Intangible assets	11	267	694	332	863
Property, plant and equipment	12	37,784	98,238	38,290	99,551
Long term advance	15	43	112	426	1,107
		<u>38,094</u>	<u>99,044</u>	<u>39,048</u>	<u>101,521</u>
Current assets					
Inventories	13	1,289	3,351	1,230	3,196
Tariff receivables	14	1,477	3,838	1,378	3,583
Other receivables and prepayments	15	190	494	571	1,486
Cash and cash equivalents	16	2,303	5,987	2,311	6,009
		<u>5,259</u>	<u>13,670</u>	<u>5,490</u>	<u>14,274</u>
Total assets		<u>43,353</u>	<u>112,714</u>	<u>44,538</u>	<u>115,795</u>
EQUITY					
Share capital	17	9,625	25,025	9,625	25,025
Legal reserve	18	2,314	6,015	2,023	5,259
Retained earnings		8,119	21,105	6,936	18,031
Shareholders' funds		20,058	52,145	18,584	48,315
Hedging deficit	19	(1,169)	(3,038)	(1,930)	(5,018)
Total equity		<u>18,889</u>	<u>49,107</u>	<u>16,654</u>	<u>43,297</u>
LIABILITIES					
Non-current liabilities					
Hedging deficit	19	848	2,204	1,337	3,475
Deferred tax	20	2,984	7,758	2,746	7,140
Long-term loans	21	13,251	34,453	15,900	41,341
End of service benefits		90	233	83	215
Provision for decommissioning costs	22	63	166	60	155
		<u>17,236</u>	<u>44,814</u>	<u>20,126</u>	<u>52,326</u>
Current liabilities					
Current maturities of long-term loans	21	3,403	8,847	4,229	10,994
Hedging deficit	19	480	1,248	593	1,543
Trade and other payables	23	2,898	7,535	2,552	6,635
Amounts due to related parties	24	447	1,163	384	998
		<u>7,228</u>	<u>18,793</u>	<u>7,758</u>	<u>20,170</u>
Total liabilities		<u>24,464</u>	<u>63,607</u>	<u>27,884</u>	<u>72,496</u>
Total equity and liabilities		<u>43,353</u>	<u>112,714</u>	<u>44,538</u>	<u>115,795</u>
Net assets per share (RO/US\$)	25	<u>2,084</u>	<u>5,42</u>	<u>1,931</u>	<u>5,02</u>

 Chairman

 Director

The accompanying notes from an integral part of these financial statements.

AL KAMIL POWER COMPANY SAOG

UNAUDITED STATEMENT OF CHANGES IN EQUITY FOR THE 3 MONTH ENDED 31 MARCH 2013.

	Note	Share capital RO'000	Legal reserve RO'000	Retained earnings RO'000	Shareholders' funds RO'000	Hedging deficit RO'000	Total equity RO'000	Total equity US\$'000
At 1 January 2012		<u>9,625</u>	<u>1,971</u>	<u>7,045</u>	<u>18,641</u>	<u>(1,871)</u>	<u>16,770</u>	<u>43,598</u>
Comprehensive income:								
Profit for the period		-	-	521	521	-	521	1,355
Other comprehensive income		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(59)</u>	<u>(59)</u>	<u>(153)</u>
Total comprehensive income		<u>-</u>	<u>-</u>	<u>521</u>	<u>521</u>	<u>(59)</u>	<u>462</u>	<u>1,202</u>
Transaction with owners:								
Transfer to legal reserve	18	-	52	(52)	-	-	-	-
Dividend paid	30	<u>-</u>	<u>-</u>	<u>(578)</u>	<u>(578)</u>	<u>-</u>	<u>(578)</u>	<u>(1,503)</u>
Total transaction with owners		<u>-</u>	<u>52</u>	<u>(630)</u>	<u>(578)</u>	<u>-</u>	<u>(578)</u>	<u>(1,503)</u>
At 31 March 2012		<u>9,625</u>	<u>2,023</u>	<u>6,936</u>	<u>18,584</u>	<u>(1,930)</u>	<u>16,654</u>	<u>43,297</u>
At 1 January 2013		<u>9,625</u>	<u>2,259</u>	<u>8,486</u>	<u>20,370</u>	<u>(1,164)</u>	<u>19,206</u>	<u>49,933</u>
Comprehensive income:								
Profit for the period		-	-	554	554	-	554	1,438
Other comprehensive income		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5)</u>	<u>(5)</u>	<u>(12)</u>
Total comprehensive income		<u>-</u>	<u>-</u>	<u>554</u>	<u>554</u>	<u>(5)</u>	<u>549</u>	<u>1,426</u>
Transaction with owners:								
Transfer to legal reserve	18	-	55	(55)	-	-	-	-
Dividend Provided	30	<u>-</u>	<u>-</u>	<u>(866)</u>	<u>(866)</u>	<u>-</u>	<u>(866)</u>	<u>(2,252)</u>
Total transaction with owners		<u>-</u>	<u>55</u>	<u>(921)</u>	<u>(866)</u>	<u>-</u>	<u>(866)</u>	<u>(2,252)</u>
At 31 March 2013.		<u>9,625</u>	<u>2,314</u>	<u>8,119</u>	<u>20,058</u>	<u>(1,169)</u>	<u>18,889</u>	<u>49,107</u>

The notes on pages 6 to 26 form an integral part of these financial statements.

AL KAMIL POWER COMPANY SAOG

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 March 2013

	Note	Q1-2013 RO'000	Q1-2013 US \$'000	Q1-2012 RO'000	Q1-2012 US \$'000
Cash flows from operating activities					
Cash receipts from customer and others		3,959	10,292	3,912	10,171
Cash paid to suppliers and employees		(2,355)	(6,123)	(2,753)	(7,158)
Cash generated from operations		1,604	4,169	1,159	3,013
Interest paid		(11)	(29)	(10)	(26)
Net cash generated from operating activities		1,593	4,140	1,149	2,987
Cash flows from investing activities					
Acquisition of property, plant and equipment		(484)	(1,257)	(19)	(49)
Proceeds from the disposal of property, plant and equipment		—	—	—	—
Net cash used in investing activities		(484)	(1,257)	(19)	(49)
Cash flows from financing activities					
Repayment of secured long term loans		—	—	—	—
Repayment of unsecured loan		(225)	(585)	(225)	(585)
Dividend paid		—	—	—	—
Net cash used in financing activities		(225)	(585)	(225)	(585)
Net increase/(decrease) in cash and cash equivalents		884	2,298	905	2,353
Cash and cash equivalents at the beginning of the year		1,419	3,689	1,406	3,656
Cash and cash equivalents at the end of 31 March 2013.	16	2,303	5,987	2,311	6,009

The notes on pages 6 to 26 form an integral part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE 3 MONTH ENDED 31 MARCH 2013****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 by MHEW to Oman Power and Water Procurement Company SAOC (OPWP), a closed joint stock company owned by the Government of Sultanate of Oman (Government). All the financial commitments of OPWP are guaranteed by the Government of Sultanate 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 operation 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) Agreements with Société Générale and Bank Muscat SAOG for long-term loan facilities.

(vii) Agreement with National Bank of Oman SAOG 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE 3 MONTH ENDED 31 MARCH 2013****3 Summary of significant accounting policies**

The principal accounting policies are summarised below. These policies have been consistently applied to all the years presented, unless otherwise stated.

3.1 Basis of preparation

(a) The financial statements have been prepared on historical cost basis, except for revaluation of derivatives that are measured at fair value, and in accordance with International Financial Reporting Standards (IFRS). The financial statements also comply with the Rules and Guidelines on Disclosure by Issuers of Securities and Inside Trading, with the Rules for Disclosure and Proforma issued by the Capital Market Authority and with the Commercial Companies Law of 1974, as amended.

(b) The financial statements are presented in Rials Omani (RO) and United States Dollar (US\$), rounded off to the nearest thousand. The Rials Omani is the measurement and presentation currency of these financial statements. For information purposes, Rials Omani amounts in these financial statements have been translated to US Dollar amounts at an exchange rate of 2.6 US Dollars to one Rial Omani.

(c) The preparation of financial statements in conformity with IFRS requires use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 5.

(d) Standards and amendments effective in 2013 and relevant for the company's operations:

For the period ended 31 March 2013, the company has adopted all of 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 periods beginning on 1 January 2013.

The adoption of these standards and interpretations has not resulted in changes to the company's accounting policies and has not affected the amounts reported for the current year.

(e) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the company:

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the company's accounting periods beginning on or after 1 January 2013 or later periods, but the company has not early adopted them and the impact of these standards and interpretations is not reasonably estimable as at 31 March 2013:

IFRS 9, 'Financial instruments' (effective on or after 1 January 2015);

IAS 32 (Amendments), 'Financial instruments: Presentation' (effective on or after 1 January 2014).

3.2 Revenue

Operating revenue comprises tariffs for fixed capacity and energy charges. Tariffs are calculated in accordance with the Power Purchase Agreement (PPA). The PPA with OPWP is considered to be a leasing arrangement under IFRIC 4. The lease arrangement is classified as an operating lease. Accordingly, the revenues earned under the PPA are recorded on a straight line basis over its term. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due and its associated costs.

3.3 Interest income and expenses

Interest income and expense are recognised on an accrual basis using the effective interest rate method.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE 3 MONTH ENDED 31 MARCH 2013****3 Summary of significant accounting policies (continued)****3.4 Leases**

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Payments made under operating leases are charged to the statement of comprehensive income on a straight-line basis over the term of the lease.

3.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors ('Board') that makes strategic decisions.

3.6 Foreign currency

Items included in the financial statements of the company are measured in Rials Omani (RO) being the currency of the primary economic environment in which the entity operates (the functional currency).

Foreign currency transactions are translated into Rials Omani at the exchange rate prevailing on the transaction date. Foreign currency assets and liabilities are translated into Rials Omani at the exchange rate prevailing at the statement of financial position date. Differences on exchange are dealt with in the statement of comprehensive income as they arise.

3.7 Income tax

Income tax on the results for the year comprises current and deferred tax.

Current tax is recognised in the statement of comprehensive income and is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous years.

Deferred tax is calculated using liability method, on the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the statement of financial position date. The tax effects on the temporary differences are disclosed under non-current liabilities as deferred tax. The principal temporary differences arise from depreciation on property, plant and equipment and changes in fair value of cash flow hedges.

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. The carrying amount of deferred tax assets is reviewed at reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred income tax assets and liabilities are offset as there is a legally enforceable right to offset these in Oman.

Current and deferred tax is recognised as an expense or benefit in the statement of comprehensive income except when they relate to items credited or debited directly to equity, in which case the tax is also recognised directly in equity.

3.8 Earnings per share

The company presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the period.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE 3 MONTH ENDED 31 MARCH 2013**

3 Summary of significant accounting policies (continued)

3.9 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.

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 each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

3.10 Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of property, plant and equipment is their purchase price together with any incidental expenses necessary to bring the assets to its intended condition and location.

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 charged to the statement of comprehensive income during the financial period in which it is 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:

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

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 disposal. Depreciation method, useful lives as well as residual values are re-assessed annually.

3.11 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE 3 MONTH ENDED 31 MARCH 2013****3 Summary of significant accounting policies (continued)****3.11 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 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.

3.12 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 recognised as an expenses in the year in which they are incurred.

3.13 Inventories

Fuel and maintenance spares inventory are 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 to bring them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, after allowing for the costs of realisation. Provision is made where necessary for obsolete, damaged and defective items, if any.

3.14 Financial assets

The company classifies its financial assets into loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

3.15 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than twelve months after the reporting date. These are classified as non-current assets. The company's loans and receivables comprise trade and other debtors and cash and cash equivalents in the statement of financial position (notes 3.16 and 3.17).

3.16 Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE 3 MONTH ENDED 31 MARCH 2013****3 Summary of significant accounting policies (continued)****3.17 Cash and cash equivalents**

All cash and bank balances, including short term deposits with a maturity of three months or less from the date of placement are considered to be cash and cash equivalents.

3.18 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs and are subsequently carried at amortised costs using the effective interest rate method. Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least twelve months after the statement of financial position date.

3.19 End of service benefits and leave entitlements

End of service benefits are accrued in accordance with the terms of employment of the company's employees at the statement of financial position date, having regard to the requirements of the Oman Labour Law 2003, as amended. Employee entitlements to annual leave and leave passage are recognised when they accrue to employees and an accrual is made for the estimated liability as a result of services rendered by employees up to the statement of financial position date. The accruals related to annual leave and leave passage are disclosed as current liabilities, while that relating to end of service benefits is disclosed as a non-current liability.

Contributions to a defined contribution retirement plan for Omani employees in accordance with the Omani Social Insurances Law of 1991 are recognised as an expense in the statement of comprehensive income as incurred.

3.20 Provisions

Provisions are recognised in statement of financial position when the company has a legal or constructive obligation as a result of a past event and it is probable that it will result in an outflow of economic benefits that can be reliably estimated.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. Where some or all of the economic benefits required to settle a provision are expected to be recovered from third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3.21 Trade and other payables

Payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method. Liabilities are recognised for amounts to be paid for goods and services received, whether or not billed to the company.

3.22 Dividend distribution

Dividends are recognised as a liability in the year in which the dividends are approved by the company's shareholders. Dividends for the year that are approved after the statement of financial position date are dealt with as an event after the financial position date.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE 3 MONTH ENDED 31 MARCH 2013**

3 Summary of significant accounting policies (continued)

3.23 Financial instruments

Financial assets and financial liabilities are recognised 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.

3.24 Derivative financial instruments and hedging activities

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 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, net-of tax. The ineffective part of any gain or loss is recognised in the statement of comprehensive income immediately.

4 Financial risk management

The company's activities expose it to a variety of financial risks including the effects of changes in market risk (including foreign exchange risk and interest rate risk), liquidity risk and credit risk. The company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance. Risk management is carried out by the management under policies approved by the Board of Directors.

4.1 Financial risk factors

(a) Market risk

(i) Foreign exchange risk

The company is exposed to foreign exchange risk arising from currency exposures primarily with respect to US Dollars (USD). The company has negotiated, with its bank, a fixed rate of exchange with respect to USD. Hence, the exposure to foreign currency risk is considered minimal. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. As of 31 March, the company's market risk due to foreign exchange rates is analysed as under:

Financial assets / liabilities:

Q1-2013

	Carrying amount in statement of financial position RO'000	Amount denominated RO'000	Amount denominated in other currencies RO'000
Tariff and other receivables (excluding prepayments and advances)	1,477	1,477	-
Cash and cash equivalents	2,303	1,282	1,021
Long term loans	(16,800)	(1,118)	(15,682)
Due to related parties	(447)	(447)	-
Trade and other payables (excluding accruals)	<u>(2,898)</u>	<u>(2,356)</u>	<u>(542)</u>
	<u>(16,365)</u>	<u>(1,162)</u>	<u>(15,203)</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE 3 MONTH ENDED 31 MARCH 2013**

4 Financial risk management (continued)

4.1 Financial risk factors (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

Q1-2012	Carrying amount in statement of financial position RO'000	Amount denominated in RO RO'000	Amount denominated in other currencies RO'000
Tariff and other receivables (excluding prepayments and advances)	1,378	1,378	-
Cash and cash equivalents	2,311	1,363	948
Long term loans	(20,345)	(1,343)	(19,002)
Due to related parties	(384)	(384)	-
Trade and other payables (excluding accruals)	<u>(2,522)</u>	<u>(1,865)</u>	<u>(687)</u>
	<u>(19,562)</u>	<u>(851)</u>	<u>(18,741)</u>

(ii) Interest rate risk

The company's interest rate risk arises from bank deposits and long-term borrowings. Bank deposits and borrowings at variable rates expose the company to cash flow interest rate risk. Management regularly monitors the returns on these bank deposits.

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

	Q1-2013 RO'000	Q1-2013 US \$'000	Q1-2012 RO'000	Q1-2012 US \$'000
Floating rate instruments				
Financial assets	<u>2,303</u>	<u>5,987</u>	<u>2,311</u>	<u>6,009</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE 3 MONTH ENDED 31 MARCH 2013**

4 Financial risk management (continued)

4.1 Financial risk factors (continued)

(a) Market risk (continued)

(ii) Interest rate risk (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 cash flow exposures on 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.

(b) Liquidity risk

In accordance with prudent liquidity risk management, the management aims to maintain sufficient cash balances and availability of funding through an adequate amount of committed credit facilities. The table below analyses the company's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are contractual discounted cash flows:

The following are the contractual maturities of financial liabilities:

	Carrying amount RO'000	Carrying amount US\$ '000	6 months or less RO'000	6 - 12 months RO'000	1 - 2 years RO'000	More than 2 years RO'000
Q1-2013						
Long term loans	16,800	43,680	1,533	1,869	3,355	10,043
Trade and other payables	2,898	7,535	2,898	-	-	-
Due to related parties	447	1,163	447	-	-	-
	<u>20,145</u>	<u>52,378</u>	<u>4,878</u>	<u>1,869</u>	<u>3,355</u>	<u>10,043</u>
Q1-2012						
Long term loans	20,345	52,897	1,711	1,834	3,403	13,397
Trade and other payables	2,552	6,635	2,491	-	-	61
Due to related parties	384	998	384	-	-	-
	<u>23,281</u>	<u>60,530</u>	<u>4,586</u>	<u>1,834</u>	<u>3,403</u>	<u>13,458</u>

The contractual undiscounted cash flows for the period ended 31 March 2013 and for the period ended 31 March 2012 would be gross amounts based on effective interest rates as disclosed under relevant notes.

The above commitments are expected to be met out of internally generated funds and cash and cash equivalents available with the company at the relevant maturity date.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE 3 MONTH ENDED 31 MARCH 2013**

4 Financial risk management (continued)

4.1 Financial risk factors (continued)

(c) 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 31 March 2013 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 year was RO 1.477million (US \$ 3.838 million) [2012: RO 1.378 million (US \$ 3.583 million)]. OPWP has a credit rating of A1 given by Moody's investors' service. The company has maintained all cash deposits with banks having credit rating by Moody's investors' service of P-1 and above.

The table below shows the balances with banks categorised by short-term credit ratings as published by Moody's Investors Service at the statement of financial position date:

Bank	Rating	Q1-2013 RO'000	Q1-2012 RO'000
Societe Generale	P-1	939	945
Bank Muscat SAOG	P-1	<u>1,364</u>	<u>1,366</u>
		<u>2,303</u>	<u>2,311</u>

4.2 Capital risk 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.

4.3 Fair value estimation

The carrying value of financial assets and liabilities with a maturity of less than one year approximates their fair values. The carrying amount of the non-current long term borrowings carrying variable interest rate approximates to its fair value, as the loan carries interest at LIBOR plus a fixed margin which is the current market rate.

5 Critical accounting judgments and key sources of estimation uncertainty

The presentation of financial statements, in conformity with IFRS, requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, incomes and expenditures. The estimates and associated assumptions are based on historical experience 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 recognised 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:

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE 3 MONTH ENDED 31 MARCH 2013**

5 Critical accounting judgments and key sources of estimation uncertainty (continued)

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.

Certain parts of property, plant and equipment are depreciated based on estimated machine hours. Calculation of machine hour rate depreciation involves significant assumptions in relation to estimated hours and hourly rate of depreciation.

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 company makes provision for deferred tax liability during the term of the power purchase agreement, arising primarily from accelerated tax depreciation.

The deferred tax asset on tax loss is based on the assumption that the tax losses incurred during tax-exemption period would be available for carry forward indefinitely in post tax-exemption 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 of plant spares as at the reporting date.

6 Operating revenue

	Q1-2013	Q1-2013	Q1-2012	Q1-2012
	RO'000	US \$'000	RO'000	US \$'000
Energy charges	1,743	4,532	1,722	4,477
Capacity charges	<u>2,339</u>	<u>6,081</u>	<u>2,214</u>	<u>5,756</u>
	<u>4,082</u>	<u>10,613</u>	<u>3,936</u>	<u>10,233</u>

7 Operating costs

	Q1-2013	Q1-2013	Q1-2012	Q1-2012
	RO'000	US \$'000	RO'000	US \$'000
Fuel costs	2,005	5,214	1,886	4,904
Operation and maintenance charges	553	1,438	465	1,209
Depreciation	476	1,238	516	1,342
Amortisation of intangible assets	<u>16</u>	<u>42</u>	<u>16</u>	<u>42</u>
	<u>3,050</u>	<u>7,932</u>	<u>2,883</u>	<u>7,497</u>

8 Administrative and general expenses

	Q1-2013	Q1-2013	Q1-2012	Q1-2012
	RO'000	US \$'000	RO'000	US \$'000
Employees costs	63	164	40	104
Legal and professional fees	8	21	3	8
Directors / shareholders' meeting expenses	5	13	7	18
Social development costs	7	18	-	-
Depreciation	2	5	4	10
Utilities	3	8	3	7
Rent, rates and taxes	3	8	3	8
Share registration fees	10	26	10	26
Travelling	-	-	-	-
Miscellaneous expenses	<u>8</u>	<u>21</u>	<u>5</u>	<u>12</u>
	<u>109</u>	<u>284</u>	<u>75</u>	<u>193</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE 3 MONTH ENDED 31 MARCH 2013**

8 Administrative and general expenses (continued)

Employees related expenses comprise the following:

	Q1-2013	Q1-2013	Q1-2012	Q1-2012
	RO'000	US \$'000	RO'000	US \$'000
Wages and salaries	59	153	38	99
Other benefits	1	3	0	0
Contribution to defined retirement plan	0	0	0	0
End of service benefits	<u>3</u>	<u>8</u>	<u>2</u>	<u>5</u>
	<u>63</u>	<u>164</u>	<u>40</u>	<u>104</u>

The number of employees as at 31 March 2013 was 4 (2012 - 4 employees).

9 Other income

	Q1-2013	Q1-2013	Q1-2012	Q1-2012
	RO'000	US\$ '000	RO'000	US\$ '000
Interest and other income	0	0	1	3
	<u>0</u>	<u>0</u>	<u>1</u>	<u>3</u>

10 Finance costs

	Q1-2013	Q1-2013	Q1-2012	Q1-2012
	RO'000	US \$'000	RO'000	US \$'000
Interest on secured loan, including hedge unwinding	246	639	332	863
Interest on unsecured loan	21	54	25	65
Amortisation of deferred finance costs	15	39	18	47
Others	<u>12</u>	<u>31</u>	<u>12</u>	<u>31</u>
	<u>294</u>	<u>763</u>	<u>387</u>	<u>1,006</u>

11 Intangible assets

Pursuant to the Natural Gas Sales Agreement (NGSA) with the Ministry of Oil and Gas (MOG), the company, effective from 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.

	Q1-2013	Q1-2013	Q1-2012	Q1-2012
	RO'000	US \$'000	RO '000	US \$'000
Cost				
At 1 January and 31 March	<u>620</u>	<u>1,612</u>	<u>620</u>	<u>1,612</u>
Amortisation				
At 1 January	(337)	(876)	(272)	(707)
Amortised for the year	<u>(16)</u>	<u>(42)</u>	<u>(16)</u>	<u>(42)</u>
At 31 March	<u>(353)</u>	<u>(918)</u>	<u>(288)</u>	<u>(749)</u>
Net book amount				
At 31 March	<u>267</u>	<u>694</u>	<u>332</u>	<u>863</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE 3 MONTH ENDED 31 MARCH 2013

12 Property, plant and equipment

Q1-2013	Plant and machinery RO'000	Building and civil works RO'000	Other assets RO'000	Total RO'000	Total US \$'000
Cost					
At 1 January	54,926	922	345	56,192	146,101
Acquisitions	484	-	-	484	1,257
Disposals	-	-	-	-	-
At 31 March	<u>55,410</u>	<u>922</u>	<u>345</u>	<u>56,676</u>	<u>147,358</u>
Depreciation					
At 1 January	17,869	210	335	18,414	47,878
Charge for the year	471	6	1	478	1,242
Disposals	-	-	-	-	-
At 31 March	<u>18,340</u>	<u>216</u>	<u>336</u>	<u>18,892</u>	<u>49,120</u>
Net book value					
At 31 March	<u>37,070</u>	<u>706</u>	<u>9</u>	<u>37,784</u>	<u>98,238</u>

Q1-2012	Plant and machinery RO'000	Building and civil works RO'000	Other assets RO'000	Total RO'000	Total US \$'000
Cost					
At 1 January	53,939	922	355	55,216	143,561
Acquisitions	19	-	-	19	49
Disposals	-	-	-	-	-
At 31 March	<u>53,958</u>	<u>922</u>	<u>355</u>	<u>55,235</u>	<u>143,610</u>
Depreciation					
At 1 January	15,902	187	336	16,425	42,707
Charge for the year	510	6	4	520	1,352
Disposals	-	-	-	-	-
At 31 March	<u>16,412</u>	<u>193</u>	<u>340</u>	<u>16,945</u>	<u>44,059</u>
Net book value					
At 31 March	<u>37,546</u>	<u>729</u>	<u>15</u>	<u>38,290</u>	<u>99,551</u>

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

(ii) Property, plant and equipment are mortgaged as security for the borrowings of the company (note 21).

13 Inventories

	Q1-2013 RO'000	Q1-2013 US \$'000	Q1-2012 RO'000	Q1-2012 US \$'000
Liquid fuel	934	2,428	922	2,396
Maintenance spares	355	923	308	800
	<u>1,289</u>	<u>3,351</u>	<u>1,230</u>	<u>3,196</u>

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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE 3 MONTH ENDED 31 MARCH 2013**

14 Tariff receivables

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

15 Other receivables and prepayments

	Q1-2013	Q1-2013	Q1-2012	Q1-2012
	RO'000	US \$'000	RO'000	US \$'000
Advances	192	499	966	2,512
Long term advances	(43)	(112)	(426)	(1,107)
	149	387	540	1,405
Prepayments	41	107	28	73
Other receivables	-	-	3	8
	<u>190</u>	<u>494</u>	<u>571</u>	<u>1,486</u>

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.

16 Cash and cash equivalents

	Q1-2013	Q1-2013	Q1-2012	Q1-2012
	RO'000	US \$'000	RO'000	US \$'000
Call and deposit accounts	2,299	5,976	1,026	2,668
Current account	4	11	1,285	3,341
	<u>2,303</u>	<u>5,987</u>	<u>2,311</u>	<u>6,009</u>

Deposits carry interest at rates ranging between 0.2% to 1% per annum (Q1 2012 - 0.45% to 1.75% per annum).

17 Share capital

	Q1-2013	Q1-2013	Q1-2012	Q1-2012
	RO'000	US \$'000	RO'000	US \$'000
Authorised share capital of 25,000,000 (2013 - 25,000,000) shares of RO 1 each	<u>25,000</u>	<u>65,000</u>	<u>25,000</u>	<u>65,000</u>
Issued and fully paid-up share capital of 9,625,000 (2013 - 9,625,000) shares of RO 1 each	<u>9,625</u>	<u>25,025</u>	<u>9,625</u>	<u>25,025</u>

The company's shareholders at 31 March comprised of the following:

	Q1-2013		Q1-2012	
	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	<u>3,368,750</u>	<u>35.00</u>	<u>3,368,750</u>	<u>35.00</u>
	<u>9,625,000</u>	<u>100.00</u>	<u>9,625,000</u>	<u>100.00</u>

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE 3 MONTH ENDED 31 MARCH 2013**

18 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 paid-up share capital. This reserve is not available for distribution.

19 Hedging deficit

The term loan facilities of the company bear interest at US LIBOR plus applicable margins (refer note 21). 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 IRS for an amount less than 75% of the loan amount post refinancing of the loan in 2005. During 2012, the company has hedged 100% of the secured loan. As at reporting date, 66% of the secured loan was hedged at a fixed interest rate of 6.29% per annum, excluding margin, 8% of the loan was hedged at a fixed interest rate of 4.1325% per annum, excluding margin and further on 27 November 2012, 26% of the loan was hedged at a fixed interest rates ranging from 0.44% to 1.21% per annum, excluding margin.

As at 31 March 2013, based on the interest rate differential over the life of the IRS, a fair value loss of approximately RO 1.328 million was assessed (US\$ 3.452 million) [2012 - RO 1.930 million (US\$ 5.018 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' fair value losses in the amount of approximately RO 1.328 million (US\$ 3.452 million) [2012 - RO 1.930 million (US\$ 5.018 million)] has been recorded as liabilities under Hedging Deficit and net of tax amount has been recorded in the statement of changes in equity.

	Q1-2013	Q1-2013	Q1-2012	Q1-2012
	RO'000	US \$'000	RO'000	US \$'000
Cumulative change in fair value:				
At 1 January	1,164	3,026	1,871	4,865
Change in fair value during the year	5	12	59	153
At 31 March	<u>1,169</u>	<u>3,038</u>	<u>1,930</u>	<u>5,018</u>

20 Taxation

(a) Income tax

(i) 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.

(ii) 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 31 March 2013.

(iii) At 31 March 2013 the company has unused tax losses of RO 3.529 million (2012 – RO 8.5 million). No provision for current year tax has been made as the company has set-off taxable income for the year against previous years' brought forward tax losses.

(b) Deferred tax

(i) Deferred income tax is calculated on all temporary differences under the liability method using a principal tax rate of 12% (2012 - 12%).

(ii) At 31 March 2013, the company's deferred tax liability amounts to approximately RO 2.984 million (US\$ 7.758 million) [2012 - RO 2.746 million (US\$ 7.140 million)] arising on temporary timing differences. The movement in deferred tax liability during the year is as follows:

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE 3 MONTH ENDED 31 MARCH 2013**

20 Taxation (continued)

(c) Deferred tax (continued)

Statement of financial position:

	Q1-2013	Q1-2013	Q1-2012	Q1-2012
	RO'000	US \$'000	RO'000	US \$'000
Deferred tax liability	<u>2,984</u>	<u>7,758</u>	<u>2,746</u>	<u>7,140</u>

(iii) The net deferred tax liability in the statement of financial position and the net deferred tax charge in the statement of comprehensive income and statement of other comprehensive are attributable to the following items:

	Q1-2013				
	At 31 December 2012 RO'000	(Credited)/ charged to statement of comprehensive income RO'000	Recognised in the statement of other comprehensive income RO'000	At Q1-2013 RO'000	At Q1-2013 US\$'000
Tax effect of:					
Accelerated tax depreciation	3,622	(34)	-	3,588	9,329
Accumulated tax losses	(554)	109	-	(445)	(1,157)
Fair value of hedging instruments	<u>(159)</u>	<u>-</u>	<u>-</u>	<u>(159)</u>	<u>(413)</u>
	<u>2,909</u>	<u>75</u>	<u>-</u>	<u>2,984</u>	<u>7,758</u>
	Q1-2012				
	At 31 December 2011 RO'000	(Credited)/ Charged to statement of comprehensive income RO'000	Recognised in the statement of other comprehensive income RO'000	At Q1-2012 RO'000	At Q1-2012 US\$'000
Tax effect of:					
Accelerated tax depreciation	3,791	(46)	-	3,745	9,737
Accumulated tax losses	(1,116)	117	-	(999)	(2,597)
	<u>2,675</u>	<u>71</u>	<u>-</u>	<u>2,746</u>	<u>7,140</u>

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 31 March 2013 [2012 - RO 1.351 million (US\$ 3.51 million)].

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE 3 MONTH ENDED 31 MARCH 2013**

21 Long-term loans

	Q1-2013	Q1-2013	Q1-2012	Q1-2012
	RO'000	US \$'000	RO'000	US \$'000
Secured loan	15,682	40,774	19,002	49,406
Unsecured loan	<u>1,118</u>	<u>2,906</u>	<u>1,343</u>	<u>3,491</u>
	16,800	43,680	20,345	53,897
Less: unamortised deferred finance costs	<u>(146)</u>	<u>(380)</u>	<u>(216)</u>	<u>(562)</u>
	16,654	43,300	20,129	53,335
Current maturities of long-term loans	<u>(3,403)</u>	<u>(8,847)</u>	<u>(4,229)</u>	<u>(10,994)</u>
	<u>13,251</u>	<u>34,453</u>	<u>15,900</u>	<u>41,341</u>

The amount of loans outstanding is analysed as follows:

Q1-2013		Payable	Payable	Payable	Payable
	Total	within one	between 1 and	between 2	after
		year	2 years	and 5 years	5 years
RO'000					
Secured loan	15,682	3,178	3,130	9,374	
Unsecured loan	<u>1,118</u>	<u>225</u>	<u>225</u>	<u>668</u>	-
	<u>16,800</u>	<u>3,403</u>	<u>3,355</u>	<u>10,042</u>	<u>-</u>
US\$'000					
Secured loan	40,774	8,262	8,138	24,374	
Unsecured loan	<u>2,906</u>	<u>585</u>	<u>585</u>	<u>1,736</u>	-
	<u>43,680</u>	<u>8,847</u>	<u>8,723</u>	<u>26,110</u>	<u>-</u>
Q1- 2012		Payable	Payable	Payable	Payable
	Total	within one	between 1 and	between 2	after 5 years
		year	2 years	and 5 years	
RO'000					
Secured loan	19,002	3,320	3,178	10,560	1,944
Unsecured loan	<u>1,343</u>	<u>225</u>	<u>225</u>	<u>893</u>	-
	<u>20,345</u>	<u>3,545</u>	<u>3,403</u>	<u>11,453</u>	<u>1,944</u>
US\$'000					
Secured loan	49,406	8,632	8,263	27,457	5,054
Unsecured loan	<u>3,491</u>	<u>585</u>	<u>585</u>	<u>2,321</u>	-
	<u>52,897</u>	<u>9,217</u>	<u>8,848</u>	<u>29,778</u>	<u>5,054</u>

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, and 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:

<u>Period</u>	<u>Margin percentage</u>
2005 to 2011	0.70%
2011 to 2014	0.90%
2014 to 2017	1.20%

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FOR THE 3 MONTH ENDED 31 MARCH 2013**

21 Long-term loans (continued)

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. There has been an increase of 119 Basis Points (on a weighted average basis) for the period 1 November 2012 to 1 May 2013, over the interest rate that arising from the market disruption clause of the loan agreement.

Unsecured Loan

Unsecured loan facility of RO 1.118 million (US\$ 2.906 million) [March 2012 - RO 1.343 million (US\$ 3.491 million)] from Bank Muscat SAOG was rescheduled in 2007 with the following revised terms:

- The loan repayment period extended to 1 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.

22 Provision for decommissioning costs

The provision for decommissioning costs represents the present value of the management's best estimate of the future sacrifice of economic benefits that will be required to remove the facilities and restore the affected area at the leased site on which the company's plant is constructed.

23 Trade and other payables

	Q1-2013 RO'000	Q1-2013 US \$'000	Q1-2012 RO'000	Q1-2012 US \$'000
Trade payables	1,392	3,619	1,251	3,253
Interest payable	434	1,128	577	1,500
Payable to creditors for property, plant and equipment	108	281	110	286
Accruals and other payables	98	255	32	83
Dividend Payable	<u>866</u>	<u>2,252</u>	<u>582</u>	<u>1,513</u>
	<u>2,898</u>	<u>7,535</u>	<u>2,552</u>	<u>6,635</u>

24 Due to related parties

	Q1-2013 RO'000	Q1-2013 US \$'000	Q1-2012 RO'000	Q1-2012 US \$'000
Al Kamil Construction & Services LLC	447	1,163	384	998
	<u>447</u>	<u>1,163</u>	<u>384</u>	<u>998</u>

25 Net assets per share

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

	Q1-2013 RO'000	Q1-2013 US \$'000	Q1-2012 RO'000	Q1-2012 US \$'000
Shareholders' funds RO / US\$ ('000)	<u>20,058</u>	<u>52,145</u>	<u>18,584</u>	<u>48,315</u>
Weighted average number of shares outstanding as at 31 March ('000)	<u>9,625</u>	<u>9,625</u>	<u>9,625</u>	<u>9,625</u>
Net assets per share (RO / US \$)	<u>2.084</u>	<u>5.42</u>	<u>1.931</u>	<u>5.02</u>

**NOTES TO THE FINANCIAL STATEMENTS
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26 Earnings per share - basic and diluted

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

	Q1-2013 RO'000	Q1-2013 US \$'000	Q1-2012 RO'000	Q1-2012 US \$'000
Profit for the year RO / US\$ ('000)	<u>554</u>	<u>1,438</u>	<u>521</u>	<u>1,355</u>
Weighted average number of shares ('000)	<u>9,625</u>	<u>9,625</u>	<u>9,625</u>	<u>9,625</u>
Earnings per share - RO/US\$	<u>0.057</u>	<u>0.150</u>	<u>0.054</u>	<u>0.140</u>

27 Related parties

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.

(a) The volume of related party transactions during the year was as follows:

	Q1-2013 RO'000	Q1-2013 US \$'000	Q1-2012 RO'000	Q1-2012 US \$'000
Operating costs				
Fee charged by AKCS under the operations and maintenance agreement	612	1,592	582	1,513
Amount spent (subsequently reimbursed) by AKCS on behalf of the company	26	68	-	-
Expenses charged by Suez Tractebel SA Dubai Branch	<u>20</u>	<u>52</u>	<u>5</u>	<u>14</u>
Administrative and general expenses				
Directors' meeting fee	<u>1</u>	<u>3</u>	<u>3</u>	<u>8</u>

(b) The details of amounts due to related parties are given in note 24.

28 Key management compensation

	Q1-2013 RO'000	Q1-2013 US \$'000	Q1-2012 RO'000	Q1-2012 US \$'000
Compensation of key management personnel				
Short term benefits	56	145	38	99
Post employment benefits	<u>3</u>	<u>8</u>	<u>2</u>	<u>5</u>
	<u>59</u>	<u>153</u>	<u>40</u>	<u>104</u>

29 Segment information

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

**NOTES TO THE FINANCIAL STATEMENTS
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30 Dividends - paid and proposed

At the Annual general meeting of the Company held on 18th March 2013 a cash dividend of 9% amounting RO 0.866 million(RO 0.090 per share) (US\$ 2.251 million) was declared to be paid to the share holders of the Company who are on the shareholders list registered with Muscat Clearing and Depository and Co. SAOG as at 29th July 2013(Previous year a cash dividend of 6% amounting to RO 0.578 million(RO 0.060 per share) (US \$ 1.502 million) was declared during AGM.

31 Commitments

	Q1-2013	Q1-2013	Q1-2012	Q1-2012
	RO'000	US \$'000	RO'000	US \$'000
Letter of credit	<u>1,647</u>	<u>4,282</u>	<u>2,311</u>	<u>6,009</u>
Capital commitment	<u>12</u>	<u>31</u>	—	—

Operating lease commitments

At 31 March, future minimum lease commitments under non-cancellable operating leases were as follows:

	Q1-2013	Q1-2013	Q1-2012	Q1-2012
	RO'000	US \$'000	RO'000	US \$'000
Within one year	<u>5</u>	<u>13</u>	<u>5</u>	<u>13</u>
Between two and five years	<u>4</u>	<u>10</u>	<u>4</u>	<u>10</u>
After five years	<u>8</u>	<u>21</u>	<u>9</u>	<u>23</u>
	<u>17</u>	<u>44</u>	<u>18</u>	<u>46</u>

32 Comparative information

Certain corresponding figures for the previous year have been reclassified in order to confirm to the presentation for the current year, such reclassification did not affect the previously reported profit or shareholders equity.

33 Approval of financial statements

These financial statements were approved by the Board of Directors and authorised for issue on 22 April 2013.