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SOHAR POWER

ANNUAL REPORT 2015

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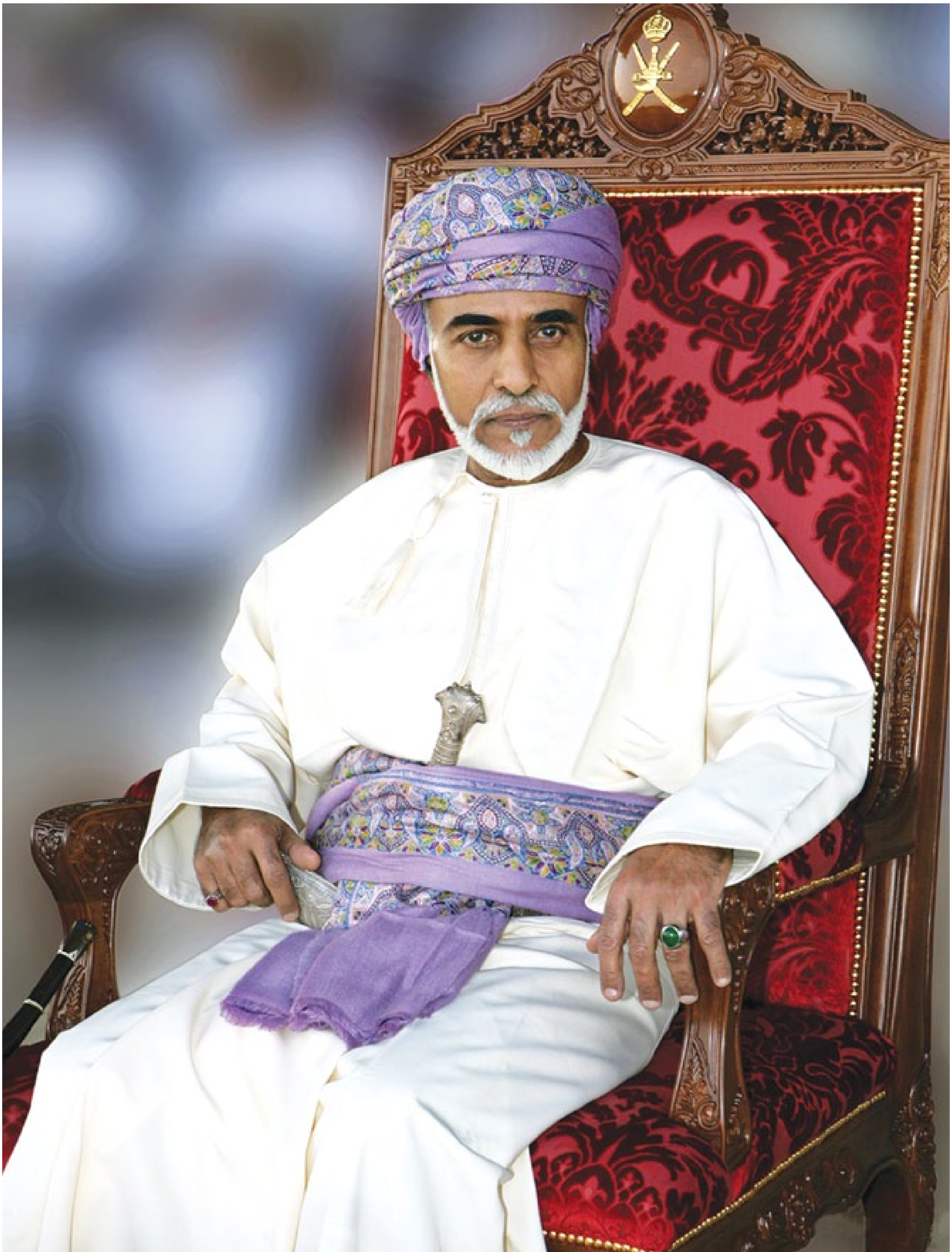

HIS MAJESTY SULTAN QABOOS BIN SAID

CONTENTS

BOARD OF DIRECTORS AND MANAGEMENT

Board Of Directors		Representing
Chairman	Mr. Saif Abdullah Al Harthy	Kahrabel FZE (ENGIE)
Vice Chairman	Ms. Anne-Stephanie Nguyen Qui	-
Director	Mr. Malcolm Wrigley*	-
Director	Mr. Sami Abdullah Khamis Al-Zadjali	Civil Service Employees' Pension Fund
Director	Mr. Jeronimo Roura	MENA Sohar 1 SPV Limited
Director	Mr. Ahmed Sultan Alyaqoubi	Ministry of Defence Pension Fund
Director	Mr. Navneet Kasbekar	-
Director	Mr. Tashfen Yasin	-
Director	Mr. T. N. Sundararaju	SOGEX Oman LLC
Director	Mr. Nizar Saleh Qallab	-
Director	Mr. Ian Lawrence	-
Director	Mr. Mohammed Al Riyami****	Qalhat LNG SAOC
Director	Mr. Rodak Iqbal**	

Key Executive Officers

Chief Executive Officer	Mr. Guillaume Baudet
Company Secretary	Mr. Zoher Karachiwala
Chief Technical Officer	Mr. Sreenath Hebbar
Chief Financial Officer	Mr. S. M. Tariq *** / Mr. Mirdas Al Rawahi**
Administration Manager	Mr. Jamal Al Bloushi

* Resigned subsequent to the year end.
** Appointed subsequent to the year end.
*** Retired during the year.
**** Mr. Khamis Al Hashmi was nominated by Qalhat LNG SAOC in place of Mr. Mohammed Al Riyami on 1 Jan 2016

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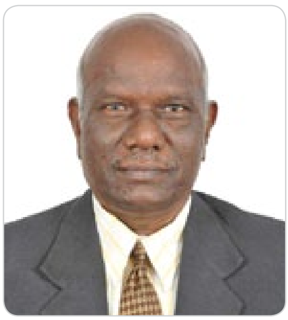

Mr. T. N. Sundararaju
Director
SOGEX Oman LLC

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Director

Mr. Ian Lawrence
Director

Mr. Mohammed Al Riyami
Director
Qalhat LNG SAOC

MANAGEMENT

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Chief Executive Officer

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Company Secretary

Mr. Sreenath Hebbar
Chief Technical Officer

Mr. Mirdas Al Rawahi
Cheif Financial Officer

Mr. Jamal Al Bloushi
Administration Manager

BOARD OF DIRECTORS' REPORT

Dear Shareholders,

On behalf of the Board of Directors of Sohar Power Company SAOG ("Sohar Power" or the "Company"), I am glad to present you with the eleventh Annual Report of the Company for the year ended 31 December 2015, corresponding to the ninth year of operations of the Company.

On 29 March 2015, Sohar Power Company shareholders held their Annual Ordinary General Meeting where they elected a new Board of Directors for a term of 3 years. The Board of Directors is very grateful to the previous Board of Directors for their involvement, commitment and contribution to the success of the Company.

Sohar Power was incorporated in 2004 after award of the Sohar IWPP project resulting from a competitive bidding process and started its operations in 2007. The Company owns and operates the 585MW electricity generation and 33MIGD seawater desalination plant in Sohar industrial estate. It is selling electricity and water to Oman Power and Water Procurement Company SAOC ("OPWP") only under a 15-year Power and Water Purchase Agreement ("PWPA"), in a regulated but not competitive environment. The Company is listed on the Muscat Securities Market since 2008.

The year 2015 was another year of excellent Health and Safety performance. There was no Loss Time Injury (LTI) in 2015, accumulating at the end of the year 1066 days without LTI since the last incident in January 2013. Health and Safety of our employees, contractors and visitors remains the utmost priority for the Company and its operator Sohar Operations & Maintenance Company LLC ("SOMC").

During the year Sohar Power was able, with the support of its operator, to overcome difficult situations which led to partial unavailability of the plant. Despite such events and the corresponding impacts on its revenues, the Company was able to meet its financial commitments and debt repayment obligations.

Operations

Although the plant delivered in 2015 an aggregate net power quantity of 3,346 GWh and a total volume of desalinated water of 48,094,005 m3, the operational performance of the plant has been affected by unexpected events detailed in the following paragraphs.

On 19 March 2015, the plant faced some operational and technical issues, resulting in the unavailability of one of the steam production units and a partial unavailability of the steam turbine. The damaged equipment was repaired and the unit put back in operation on 21 June 2015.

On 14 April 2015, a fire ignited at the plant, triggered by a weld failure causing an oil leak that caught fire. The operator's emergency response team rapidly extinguished the fire and thankfully, no injury was reported. Necessary repairs were carried out and the unit was back in service on 19 April 2015.

On 03 May 2015, the sea water pumping facility was flooded by an unexpected flow of sea water, caused by a pipe burst at a neighbouring company. The sea water pumps were rendered dysfunctional causing the full plant to shut down and thus disrupted the supply of potable water to the area. It took 3 days to mend the plant from this incident. It is regrettable that this unexpected incident outside the control of the Company caused inconvenience to the people living in the area supplied by the plant. As a consequence of the lack of alternate source of water supply in the North of the Sultanate, the authorities are fully dependent on Sohar Power for the production of water in this region.

Although Sohar Power management could conclude successful discussions with its insurers in relation to the property damage and business interruption caused by the event on 19 March 2015, the management is still in discussion with insurers of the neighbouring company to get compensated for the financial losses resulting from the flood event.

On 15 June 2015, one desalination unit had to be stopped to attend problems on a pump. Such problem would not have happened, had the company been allowed by the authorities to timely maintain its equipment scheduled during the previous winter period. The pump was repaired and the desalination unit was brought back in operations on 03 July 2015.

On 29 September 2015, a fault on OETC's 220 kV bus, caused the plant to trip and it took more than 2 days to recover the full capacity of the plant.

Other minor operational and technical issues have adversely impacted the reliability and availability of the plant during the year.

The Contractual Year number 9 started on 01 April 2015. However, the annual performance tests failed, due to the partial unavailability of the plant. This led to a partial de-rating of the plant capacity of -17% for power and -6% for water, from 01 April 2015. This lasted until 04 July 2015 when additional performance tests were carried out which successfully demonstrated the full guaranteed capacity of the plant.

In terms of maintenance, the Company has not been allowed by the authorities to undertake the required maintenance activities of some of its desalination units during last 2014-2015 winter period. The shortage of water production capacity and lack of storage capacity in the region supplied by Sohar Power are the underlying causes for repeated delays, postponement and denials of maintenance windows. This is expected to continue to be a problem until additional water production capacities are added to the network.

Despite above events, the plant achieved 96.1% reliability for power and 94.6% for water during the year. Availability of the power plant reached 84.1% and 88.1% for the water plant. Forced outages amounted to 3.9% and 5.4% for power and water respectively which were adversely impacted by above described events.

Maintenance activities were performed by SOMC and its contractors, in accordance with Original Equipment Manufacturers recommendations, while applying the best standards and practices of health & safety and maintenance of the industry.

The demand from the market for power and water remained high in 2015 and is reflected in the load factors of the Company , reaching 65.6% for power (68% in 2014) and 88.3% for water (89.3% in 2014), despite the load taken up by new power plants connected to the Main Interconnected System.

Financial Performance

Despite all the above events and their adverse impact on the financial performance of the Company, the Board of Directors is proud to announce that the Company has ended the year with a net profit of RO 3.756 million.

In comparison, the profit for the year 2014 amounted to RO 4.414 million. The decrease in net profit between 2014 and 2015 is explained by the loss of revenues and corresponding profit resulting from above described events and by the contractual yearly decrease in tariff.

The revenues for the year 2015 amount to RO 62.7 million as against RO 47.0 million for the year 2014, increased mainly by higher revenue to cover the increased gas price charged by the Ministry of Oil & Gas during the period, which is a pass-through income and, as such, is financially neutral to the company.

The direct costs have also increased over the period from RO 33.3 million in 2014 to RO 50.8 million in 2015, reflecting the increase in gas price.

Long term loans were repaid and swaps were settled on their due dates. The hedging deficit on Company's swap agreements, at the close of business at 31 December 2015 was RO 15.9 million, in comparison with valuations as of 31 December 2014 of RO 18.9 million. As per IAS 39, hedging deficit is calculated on each balance sheet date and it represents the notional loss, which the company may incur, if it opts to terminate the swap agreements on this date. However, under the terms of loan agreements the company is not permitted to terminate its swap agreements and, as such, the loss is notional.

The reduction in finance costs by RO 0.5 million in 2015 in comparison to 2014 is associated to debt repayments during the year and has contributed to lessen the impact of reduced revenues in 2015 on the net profit of the Company.

Consistent with its dividend distribution policy, whereby available cash is distributed after having met bank covenants and requirements of the Commercial Companies Law, Sohar Power distributed to its shareholders a final cash dividend of RO 2.08 million for the year 2014 corresponding to 9.4 Baisa per share or 9.4% of the share capital during the second quarter. Another distribution took place during the last quarter as interim dividend for the year 2015, amounting to RO 1.57 million corresponding to 7.1 Baisa per share or 7.1% of the share capital. The Directors of the Company have recommended the payment of a final cash dividend for the year 2015 amounting to RO 1.812 million corresponding to 8.2 Baisa per share or 8.2% of the share capital of the Company.

Under its Financing Agreements entered into with its lenders, Sohar Power is subject to a cash sweep mechanism starting from 30 September 2015 till full repayment of the outstanding debt. As per the mechanism all amounts standing to the credit of the Operating Revenues Account will be dedicated to the repayment of the debts and therefore unavailable for distribution to the shareholders. The Board of Directors and the management of Sohar Power have explored avenues to restructure the outstanding debt of the Company in order to deal with this cash sweep, while creating value for their shareholders.

However, none of the explored options was found to be beneficial to the Company or in the interest of the shareholders. Consequently, it was decided that the refinancing project will be put on hold until the financial market conditions become more favourable. In the meantime, the Company is not allowed to transfer any amount to the Distribution Account, thus hindering distributions to shareholders.

There are no legal proceedings against the company as of 31 December 2015.

Corporate Governance

In line with efforts deployed in previous years, the Company ensured that its organization, systems, policies and procedures follow the highest standards of governance in order to comply at any time with the Code of Corporate Governance promulgated by CMA.

Employment

Pursuing their continued efforts to develop and employ Omanis, the Company and its operator have improved the employment of Omanis in the project from 58% in 2014 to 68% at the end of 2015.

Mr. S.M. Tariq, Chief Financial Officer of Sohar Power, retired in July 2015 and was replaced by Mr. Mirdas Al Rawahi in January 2016.

Corporate Social Responsibility

As a corporate citizen, the Company extended further in 2015 its support to local community and municipality projects in North and South Batinah region, while focusing on education, health and safety and environment protection. Sohar Power was able to contribute to local projects intended for the local communities and the people of the Sultanate of Oman, through financial contributions to local initiatives amounting to RO 17.8k in 2015. The Ministry of Regional Municipalities and Water Resources recognized the efforts and contributions of the Company towards the municipalities of the North Batinah Governorate during an Award Ceremony held in January 2015.

Outlook for 2016

Looking ahead, it is expected that the company will operate reliably and deliver continuous supply of power and water to its customer, while undertaking periodic maintenance activities in a safe working environment for its employees, contractors and visitors.

However and, as reported earlier, the flow of dividends will dry up in 2016 until cash sweep is dealt with and the debt of the Company is restructured.

On behalf of the Board of Directors, I wish to thank our valued shareholders for their continued support, trust and confidence. I would also like to thank all the personnel associated with the operation and maintenance of the plant in Sohar and the staff of the Company for their loyalty, dedication and commitment.

I would also like to take this opportunity to express our gratitude to His Majesty Sultan Qaboos Bin Said and His Government for their continued support and encouragement to the private sector.

May Allah protect them for all of us.

Saif Abdullah Al Harthy

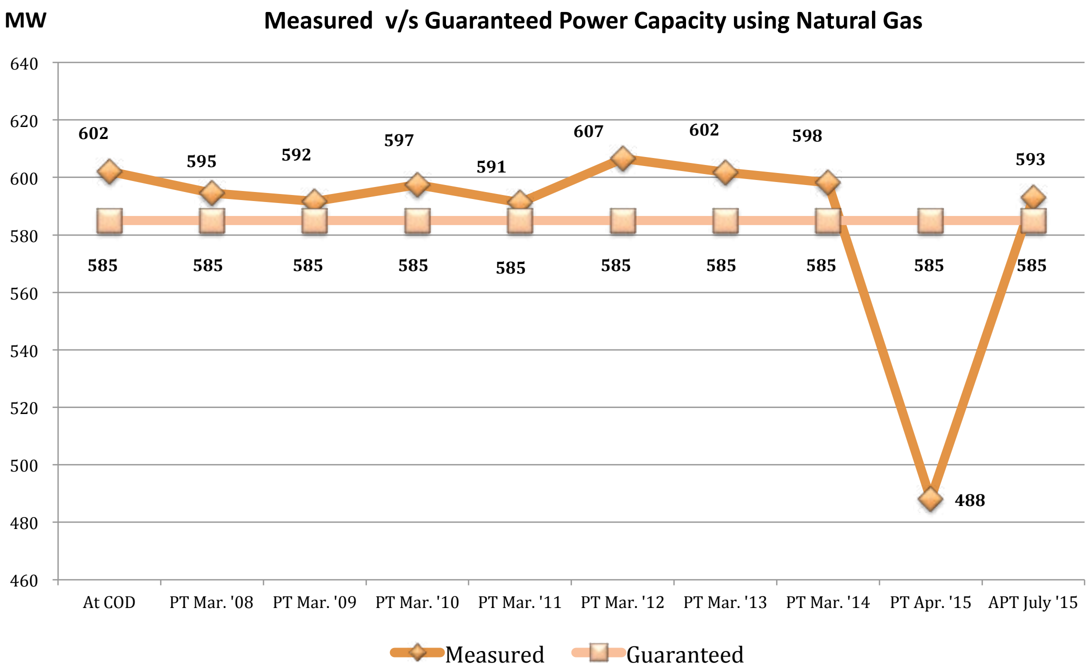
Chairman of the Board

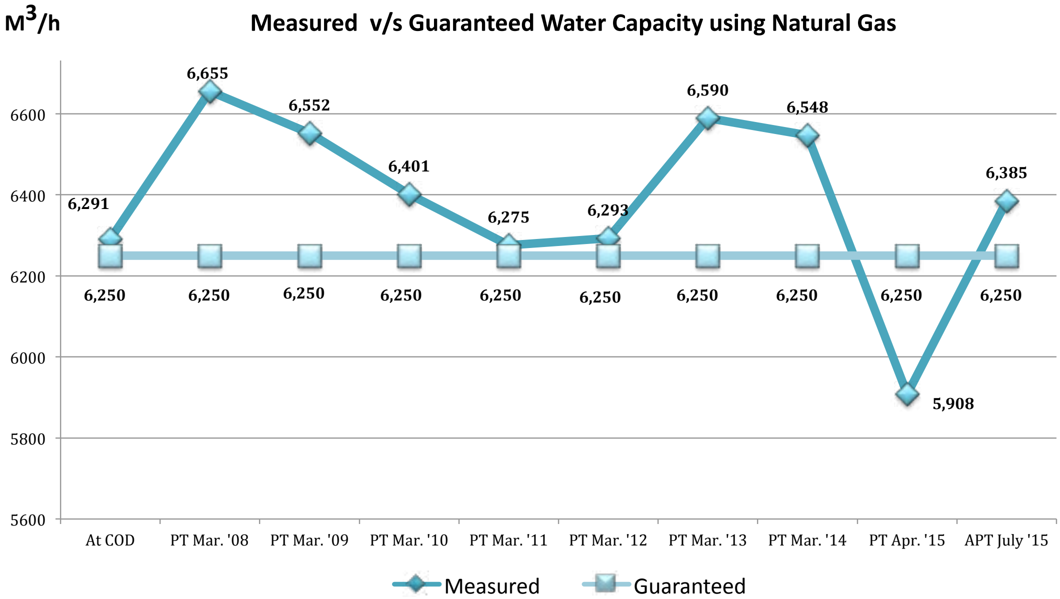
OPERATIONAL HIGHLIGHTS

Capacity

The capacity of a plant is defined as the total electrical power (in MW) and water (in m^3/day), which can be delivered by the plant under specific environmental conditions (Reference Site Conditions). The contractual capacity of Sohar plant is 585 MW and 6,250 m^3/hr, constant over the 15 years period of the PWPA.

Results of the Performance Test conducted at the end of Contract Year (CY) 8 to establish capacities for CY 9 was lesser than the guaranteed, as shown in the following graphs. This was caused by the partial unavailability of the plant caused by the incident dated 19 March 2015. After undertaking required repair activities, an Additional Performance Test was performed in July 2015, which demonstrated capacities above guaranteed numbers.





Availability

Availability is the amount of time the plant is technically capable of generating power and water as per specifications. Under the PWPA, Sohar plant shall be available for 100% of time in summer period; and 85% of the time for power and 87% of the time for water in the winter period. Forced Outages of 1.5% and 2% for power plant and the water plant respectively have been assumed in the Company budget.

The total power made available during 2015 was 4,288.5 GWh which works to an availability of 84.1%. The total water made available during 2015 was 47,992,623 m^3 which works to an availability of 88.1%.

Reliability

The reliability of the plant is the ability of the plant to deliver the declared availability, as per PWPA. Any failure to deliver the declared capacity will be treated as forced outage. The objective of Sohar Power is to minimize these forced outages, in order to maximize its revenues. During 2015 the plant showed reliability of 96.1% for power and 94.6% for water.

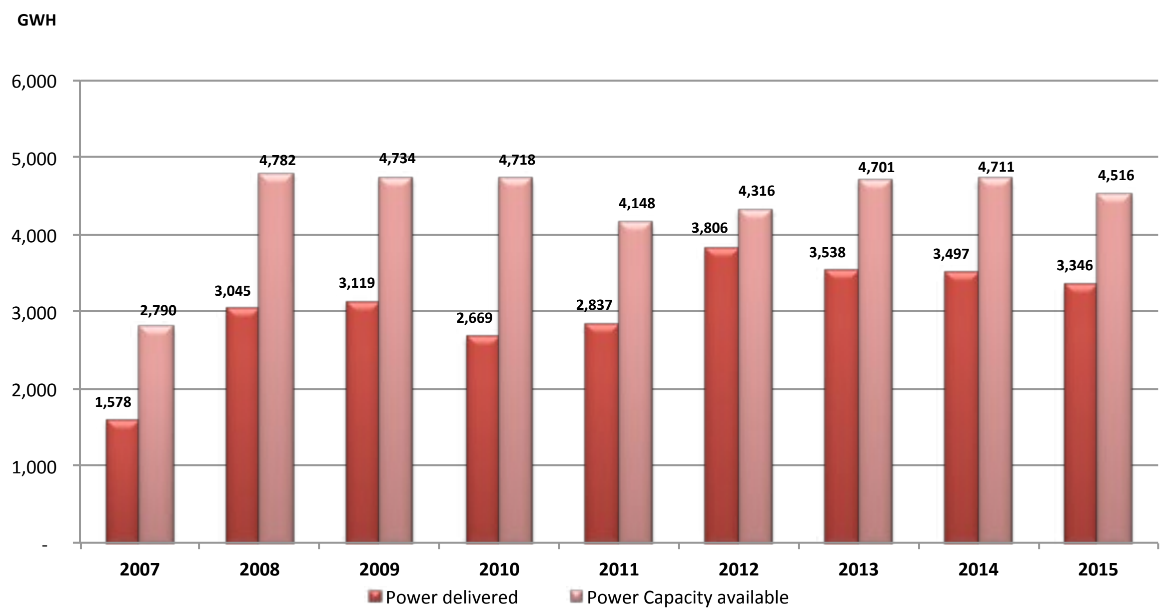
Plant Efficiency (Heat Rate)

The efficiency of the power plant is measured in terms of the amount of heat required to produce one unit of power. The Contracted Heat Rate of the plant is 8,997 MJ/MWh for natural gas.

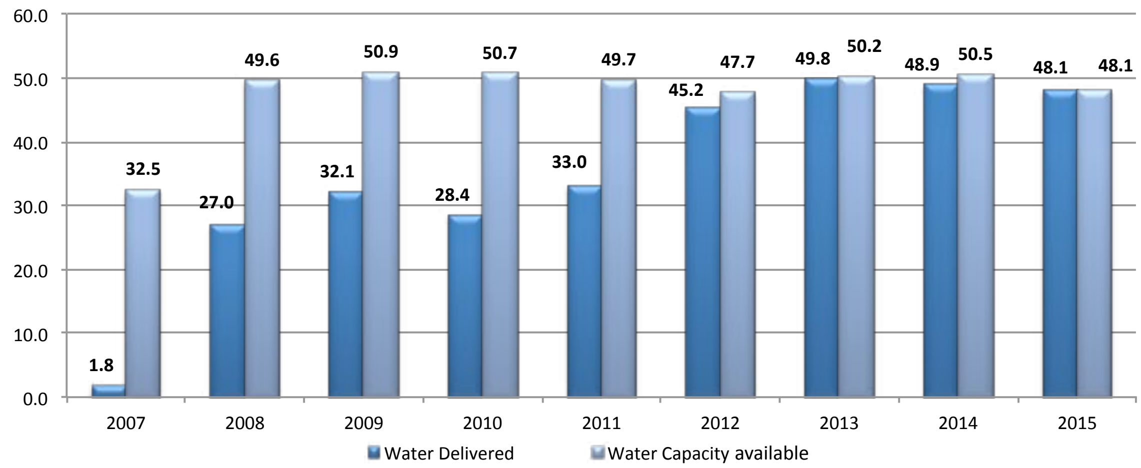
Utilization; Energy and Water Delivered

During the year 2015 the energy delivered was 3,345.7 GWh with a utilization factor of the power plant of 78%. The total water delivered by the water plant was 48,094,005 m^3 with a utilization factor of almost 100%.

Evolution of statistics for power and water capacity made available by Sohar Power and amount delivered to the grid, since Commercial Operation Date of the Plant is depicted in the following charts.



Mn m³



Maintenance

Annual maintenance of all equipment was undertaken during the year.

Based on their fleet experience across the world, the Original Equipment Manufacturers ("OEM") of major equipment notify their users on various improvements or issues to be addressed in order to improve efficiency, safety or mitigate risks identified in their equipment. SPC along with its Operator is working on a few such recommendations.

SPC and its Operator have diligently studied and rectified during the year various causes for fuel inefficiency, which led to unnecessary drain on profitability. This is an ongoing exercise and due attention is being given to this aspect.

Other productivity and efficiency improvements to existing equipment, systems and processes have been implemented during the year and some others are being analyzed, jointly with SOMC.

Force Majeure

1. Over the years, due to extraneous factors affecting its performance, SPC has raised Force Majeure claims on OPWP. The following have been agreed between OPWP and SPC to constitute Force Majeure events:

Sl.No.	Event	Year	Period	Affected facility	Equivalent hours
1	Cyclone Gonu	2007	June 6, 16:00 – June 7, 20:00	Entire Plant	28
2	Red Tide	2009	a) Jan 3, 19:00 – Jan 5, 10:00 b) Jan 9, 00:00 – Jan 12, 19:00	Desalination Facility	99
3	Red Tide	2009	a) Apr 11, 06:30 – Apr 16, 06:30	Desalination Facility	107

2. During the year Force Majeure claims have been raised by SPC to OPWP, on account of:

   i) Flood event (03 to 06 May and 19 May 2015)

   ii) OETC 220Kv Bus fault (29 September to 01 October 2015)

   Both claims are being reviewed by OPWP.

The Sohar Power and Desalination Plant utilizes Gas Turbine technology for power generation and Multi-Stage Flash Desalination technology for Seawater Desalination. Natural gas is the primary fuel.

Maximizing Efficiency

The essence of a combined cycle unit like Sohar Power plant is an attempt to extract the maximum possible output from a scarce resource, natural gas.

The technology consists of utilizing the high grade heat from the exhaust of the Gas Turbine to generate high pressure steam, which in turn powers the steam turbine. Through that heat recovery, approximately 50% additional power can be generated from the steam turbine without using any additional fuel.

The Heat Recovery Steam Generators (HRSG) generate steam at two pressure levels and are equipped with supplementary firing burners. Supplementary firing in the HRSG utilizes the excess oxygen available in the gas turbine exhaust, thereby adding heat capacity. Reduction of excess oxygen in the exhaust from the HRSG has the effect of improving the efficiency of the HRSG unit.

In addition to increase in efficiency of the HRSG unit, additional heating added by supplementary firing enables the HRSG to generate high pressure/high temperature steam and low pressure steam. Generation of steam at two pressure levels at Sohar Power plant helps reduce the temperature of the exhaust from the HRSG thereby further enhancing the efficiency of the unit:

- The high pressure steam allows the steam turbine to operate at high efficiency levels; and
- The low pressure steam is utilized for the generation of distillate water from seawater.

The Sohar Power plant is therefore a Cogeneration – Combined Cycle plant.

The low pressure steam generated by the HRSG, utilizing the exhaust gases of the Gas Turbines acts as the motive force for the generation of water. Further, the steam turbine is an extraction condensing type unit, meaning that residual steam is extracted from the steam turbine to be used in the desalination units, which further enhances the efficiency of the system multi-fold. Condensing this extracted steam (and the steam generated in the low pressure section of the HRSG) in the MSF Units utilizes heat to the fullest extent to evaporate seawater in the MSF Units.

This is a combination of efficiency and environmental friendliness that reinforces one another.

Low Emissions

The gas turbines are equipped with low NOx combustors to ensure that Omani and international environmental norms are strictly adhered to.

During the process of distillate production, potable water production and steam production in the HRSG, chemicals are utilized for various purposes. Some of these chemicals are also drained out periodically. Such effluents are all collected and treated so that all discharges from the plant are harmless to the environment.

Potable Water

The potable water supplied by Sohar Power strictly meets the Omani Water Standards specified in the PWPA.

CORPORATE & SOCIAL RESPONSIBILITY

Acting as a corporate and responsible citizen, Sohar Power Company engaged in 2015 resources and actions in favour of local communities, beyond its power generation and water desalination responsibilities.

The projects carried out in 2015 primarily focused on education, health & safety and protection of the environment, in line with the objectives set by the Company and its shareholders.

The Company celebrated the completion of the project "Let's Read, Let's Succeed", rolled out from February 2015 and concluded in December 2015. Sohar Power Company partnered with the Directorate General of Education in North Batinah to launch this program aiming at improving levels of understanding and speaking of the English language at school. The program was supervised and implemented by the English Language Unit and aims to developing students' skills in reading, writing and oral expression. 80 schools across North Batinah Governorate and more than 15,000 students in Cycle 1 & 2 benefited from the program. Capitalising on the success of this program, the Ministry of Education has decided to deploy the same in other Governorates. The equipment and materials funded by Sohar Power will be dedicated to train new batches of students.

Still in the field of education, Sohar Power again joined hands with Directorate General of Education in North Batinah Governorate and supplied Smart Interactive whiteboard with projectors that were distributed to schools in the Governorate. 12 interactive whiteboards were distributed among all the 6 Wilayats of the North Batinah Governorate on the basis of 2 schools per Wilayat (1 boys school and 1 girls school). These boards are very useful tutorial tools whereby multiple teaching methods can be achieved, with great benefits for the students and teachers, enriching the educational processes and allowing students to learn different applications. 500 students in each school benefit from each of these Smart Interactive Boards.

The Company also supported Oman Association for the Disabled (OAD), a voluntary charitable organization that provides services to handicapped in Al Dahira and Batinah governorates. Donations to OAD are through companies, associations and philanthropists. 8 electric beds with mattresses and 9 Leisure & Sports wheelchairs were supplied and distributed to beneficiaries through the Association.

Supporting the protection of the environment, the Company organized in collaboration with its O&M contractor STOMO a beach cleaning campaign in Sohar. Volunteers from the Municipality, students from local schools, employees of STOMO and Sohar Power participated to this event. This activity was a success in terms of mobilization and attendance, and contributed to develop awareness for protection of the environment and the sea coast of Sohar in particular.

The Ministry of Regional Municipalities and Water Resources recognized the efforts and contributions of the Company towards the municipalities of the North Batinah Governorate during an Award Ceremony held in January 2015.

During the year, the Company became a corporate member in Environment Society of Oman. ESO is involved in promoting conservation of the environment and awareness campaigns in all sectors of the society.

Sohar Power also supported other cultural activities, sports, schools, non-profit making organizations and a few fund raising events.

DESCRIPTION OF THE PROJECT

History of the Project

The Project was awarded to the promoters, comprising GDF SUEZ, National Trading Company, SOGEX Oman, Ministry of Defense Pension Fund, W.J. Towell & Co and The Zubair Corporation, by the Government following a competitive bidding process. The promoters formed Sohar Power Company SAOC for the purposes of entering into the project agreements and undertaking the Project.

Sohar Power has been established under a Build-Own-Operate scheme. The BOO concept enables the Company to operate as a going concern beyond the project horizon of 15 years by either extending the PWPA (if agreed to by OPWP) or selling into a liberalized electricity market which may exist at that time. The anticipated useful life of the Plant is 30 years.

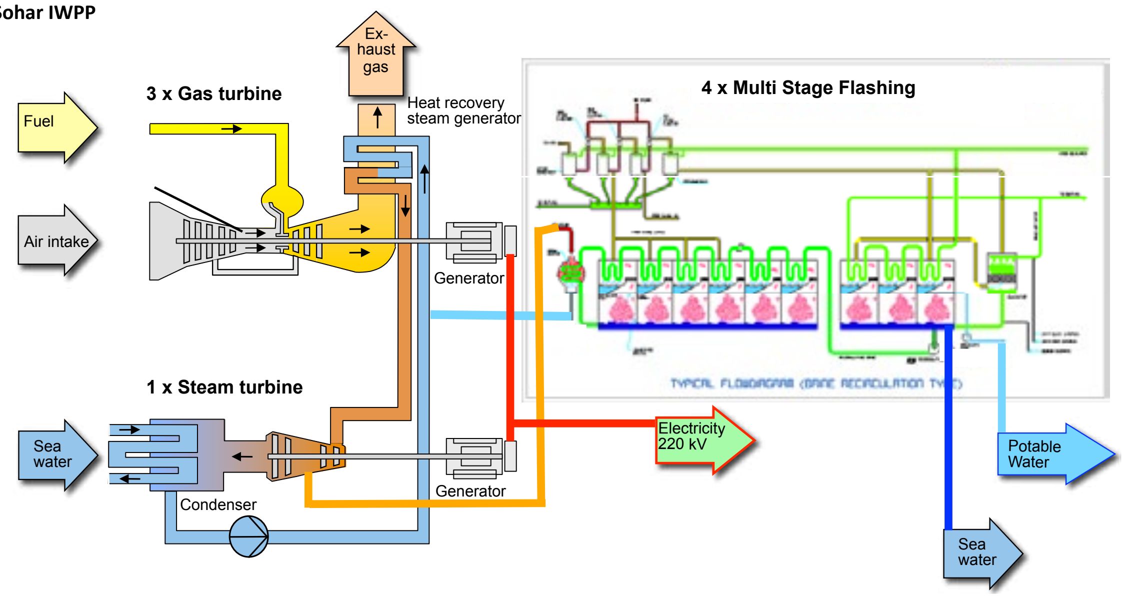
The 585 MW combined cycle gas fired power plant and 150,000 m^3/d desalination plant is located in the Sohar Industrial Port area in the North Al Batinah Governorate of the Sultanate of Oman. The site is strategically located near the main gas transmission system and electricity grid network.

The power section of the plant uses three Siemens SGT5-2000E gas turbines (formerly known as V94.2) driving three electrical generators, each fitted with Heat Recovery Steam Generators ("HRSG"), which utilize the exhaust heat of the gas turbines. The steam and this exhaust gas are supplied to one condensing steam turbine to complete the combined cycle. The steam turbine manufacturer is Alstom, one of the world leading suppliers of steam turbine technology. The balance of the steam produced from the HRSGs is supplied to the desalination plant. The HRSGs are dual pressure natural circulation with a horizontal gas flow. The manufacturer of HRSGs is Doosan Heavy Industries ("DHI").

Four conventional Multi Stage Flash ("MSF") desalination units are installed in the Plant. Each unit is designed to generate a net output of 37,500 m^3/d at design conditions. The manufacturer is DHI, which is one of the most experienced suppliers of MSF type desalination units. Each unit has 17 heat recovery stages and 3 heat rejection stages.

The seawater intake and outfall are part of the Sohar Industrial Port area common facilities and are owned by the Government of Oman and operated by Majis Industrial Supply Co. ("MISC"). The potable water is exported through a connection at the site boundary to OPWP potable water network. The process is outlined in the following sketch:

Sohar IWPP



The land for the power plant is owned by the Government which (through the Ministry of Transport and Communication) has entered into an Usufruct Agreement with Sohar Industrial Port Company SAOC ("SIPC"). SIPC entered into a Sub-Usufruct agreement with Sohar Power to grant the Company usufruct rights for 15 years on the land (renewable). Additionally, Ministry of Transport and Communication committed towards Sohar Power to extend the lease up to 30 years under a Sub-Usufruct Direct Agreement.

Natural Gas is supplied by the Ministry of Oil and Gas to a pressure reduction station supplying the consumer of the Sohar Industrial Port area. The power output of the gas turbine generator feeds the auxiliary of the plant and is exported to the grid through a 220 kV substation owned by OETC.

Contractual arrangements

Off-taker

The entire output from the Plant's installed Capacity is contracted for through a single long term PWPA with the Oman Power and Water Procurement Company SAOC ("OPWP") until 31 March 2022. Beyond this date, Sohar Power will either extend its PWPA with OPWP or sell its output in a liberalized market in a pool or to eligible customers, depending on the evolution of the market regulation set by the regulatory authority.

Fuel Supply

The natural gas is supplied by Ministry of Oil & Gas ("MOG") for 15 years (commences and ends with the PWPA). In accordance with the Natural Gas Sales Agreement ("NGSA"), natural gas will be supplied up to the gas delivery point of the plant. In case of non-availability of gas conforming to specifications, Sohar Power shall run the plant on fuel oil for up to a continuous period of 3 days as per the provisions of the PWPA and the NGSA. Sohar Power would be reimbursed all the additional costs of running the plant on fuel oil by MOG and any capacity shortfall, which arises there from.

Sea Water

The raw seawater is made available by the Government for 15 years (commences and ends with the PWPA). In accordance with the Sea Water Extraction Agreement ("SWEA"), MISC shall operate, maintain, and avail Seawater Intake/Outfall facility and provide chlorinated seawater to the Company. In return, Sohar Power is making monthly payments to MISC.

Electrical connection

The power produced is supplied to the OETC owned Grid at the connection point in the 220 kV sub-station under an Electrical Connection Agreement ("ECA"). The ECA was executed in June 2011 and is valid for the term of the PWPA. Charges payable to OETC under the ECA are passed through under the PWPA to OPWP, keeping the Company neutral.

Water supply connection

As per PWPA the potable water is supplied under a Water Connection Agreement ("WCA") valid for 15 years (commences and ends with the PWPA) to the storage facility and its downstream transmission network owned by PAEW.

During the commissioning of the water plant, OPWP and MISC approached Sohar Power to provide distillate water (the output of the evaporators prior to potabilization) in order to meet the industrial requirements of the Sohar industrial complex. A long term agreement has been entered into with OPWP in July 2009. The long term supply was studied and found to be of no risk to the originally designed process, while providing additional revenues to the original PWPA revenues.

EPC Contractor

The Company entered into an EPC Contract with Sohar Global Contracting and Construction Company LLC ("SGCCC"), with Doosan Heavy Industries as subcontractor. The construction was completed in 2007, and outstanding issues were settled in March 2008 through a Settlement Agreement. The period of warranty under the EPC contract expired on 28th May 2008, and the few items outstanding under a renewed warranty period were settled in 2009.

Operation and Maintenance

The operation and maintenance services are provided by Sohar Operations & Maintenance Company LLC ("SOMC"), a part of Suez Tractebel Operation and Maintenance Oman LLC ("STOMO"), an experienced power plant operator in the region. The contract broadly covers the following scope:

- Day-to-day operation of the plant, procurement of spare parts and maintenance services necessary to perform scheduled maintenance;
- Training of human resources, including in order to meet Omanization requirements;
- Health and security policies and procedures;
- Maintain and generate invoices based on fuel demand model and settlement system;
- Performance testing, periodic reporting;
- Management of inventory and wastes.

The Operation and Maintenance Agreement is expiring at the same time as the PWPA. The performance and payment obligations of SOMC under the O&M Agreement are guaranteed by several corporate indemnities from each of ENGIE and Suhail Bahwan Holding Group.

Revenue Details

Operating Revenues comprise Capacity Charge and Energy Charge and Water Output Charge. Revenues are indexed to the OMR-USD exchange rate, US Purchasing Power and Omani Consumer Price indices.

Capacity Charges

Capacity Charges are payable for each hour during which the plant is available for generation and is paid by OPWP. The Capacity Charge is the total of:

- Investment charge: covers capital and all related costs of the Project like tax payments, debt service and return on capital,
- Fixed operation and maintenance charge: covers fixed operation and maintenance and all related costs of the plant and
- New Industry charge: covers period licensing costs under the Sector Law, and charges due to OETC under the ECA.

Force Majeure events

If Sohar Power is prevented or hindered in performing of its obligations for reasons outside of its control, it will constitute a Force Majeure event.

In accordance with the PWPA, declaration of Force Majeure results in extension of the Term by an amount of time equal to the period of the Force Majeure. Revenues during the Force Majeure is delayed and paid during the Term extension.

Energy and Water Output Charges

The energy and water output charge is the short term marginal cost of power and water delivered and is paid by OPWP. It is the total of:

- Variable operating costs;
- Start-up Costs: payable to Sohar Power for the costs of the starts.

Fuel Costs

Fuel Charge is based on the theoretical natural gas consumption to produce the electrical energy and water output delivered, which will be calculated on the basis of the contractual heat rate with the help of a fuel demand model.

PROFILE OF THE MAJOR SHAREHOLDERS

Kahrabel FZE (ENGIE, ex GDF SUEZ)

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

International Power Ltd. is owned indirectly by ENGIE group, one of the world's leading energy companies and a global benchmark in the fields of power, gas, and energy services. The group is active throughout the entire energy value chain, in electricity and natural gas, upstream to downstream. It employs close to 153,000 people worldwide and achieved revenues of €74.7 billion in 2014. ENGIE is listed on the Brussels, Luxembourg and Paris stock exchanges and is represented in the main international indices: CAC 40, BEL 20, DJ Euro Stoxx 50, Euronext 100, FTSE Eurotop 100, MSCI Europe, and Euronext Vigeo (World 120, Eurozone 120, Europe 120 and France 120).

MENA Sohar 1 SPV Limited

Mena Sohar 1 SPV Limited is a wholly owned subsidiary of MENA Infrastructure. Founded in 2007 and owned by HSBC, Fajr Capital and Waha Capital, MENA Infrastructure currently manages a US$300 million infrastructure fund from its headquarters in the Dubai International Financial Centre.

MENA Infrastructure has established an important position in private equity infrastructure investment, and has one of the most experienced specialist infrastructure investment teams operating across the region. The team is supported by a network of sponsors, investors, intermediaries and strategic partners that command significant influence in the region's business communities. With these resources and networks at its disposal, the firm offers a unique combination of unrivalled origination capability with proven investment and execution expertise. MENA Infrastructure has executed some of the region's landmark transactions and holds a collection of well-regarded awards which bear testament to its superior performance. Further information can be found at www.menainfrastructure.com

Ministry of Defence Pension Fund ("MODPF")

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

SOGEX Oman LLC

SOGEX INTERNATIONAL started in Oman in 1971 as a small company and contributed remarkably in the development of the Sultanate of Oman to meet the challenge of rapid growth.
SOGEX grown into multinational group of companies within a short time and serve national governments interests throughout the region with locations in Middle East, Africa, Europe and in United States.
On November 15, 1984 Bahwan Group of Companies, Oman, acquired the whole of SOGEX in Oman and renamed as SOGEX Oman Co. LLC. Consequently, all legal relations with SOGEX International were discontinued.
SOGEX Oman as a subsidiary company of Suhail Bahwan Group has been continuing its operations in Oman and abroad by participating in supply, construction and O&M services of remarkable number of large IWPP/IWP/IPP projects covering different fields on turnkey basis such as EPC (Engineering, Procurement, Construction) for Power & Desalination Plants, Electrical Transmission Lines and associated Sub-stations of Voltage level up to and including 132 kV.

SOGEX Oman undertakes the following activities:

- Management, Commissioning, Operation & Maintenance of:
- Power Generation Plants: Combined Cycle Power Plants of large capacities.
- Water generation plants: Sea Water Desalination Plants, Multi Stage Flash (MSF) and Reverse Osmosis (RO) of large capacities.
- Water Treatment & Sewage Treatment Plants
- Engineering and Consultation related to Power & Water plants

Sogex Oman also explores opportunities and invests in Power & Water sectors.

Currently it is operating in Oman, Algeria and India.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Industry structure and development

The Sector Law for the electricity sector has been promulgated in 2004 and an independent regulatory agency, the Authority for Electricity Regulation (AER) was implemented. It regulates the development of the electricity sector under a well-defined framework that encourages private participation in the sector on long-term basis.

The Sohar IWPP project was awarded to the consortium formed by the founders of Sohar Power upon completion of a competitive bidding process, resulting in awarding the project to the lowest bid.

The plant is located in Sohar Industrial Port area and approximately 80 employees are involved in the operations and maintenance activities on site. Sohar Power offices and employees are located in Muscat.

Opportunities and threats

The Company was formed specifically to build, own and operate the plant located at Sohar and its Generation License, issued by AER does not allow it to undertake new ventures.

Sohar Power benefits from a guaranteed long term payment stream and a very low risk profile.

Under a long term Power and Water Purchase Agreement (PWPA) with guaranteed off-take with Government, the Company is protected from the risk of demand, commodity prices and market fluctuations.

Payments under the PWPA are based on available capacity (capacity charge), as well as a variable payment stream based on the actual electricity generated (energy charge). Payments are assured, as they are receivable from OPWP and guaranteed through the Government Guarantee.

The fuel supply risk is mitigated by a long term gas supply contract with the Sultanate's Ministry of Oil and Gas (MOG) that matches the term of the PWPA.

The technology risk is very low given the proven technology and demonstrated operating history, as is the Operations and Maintenance ("O&M") risk given Sohar Power contractor (SOMC) experience and track record in operation of IWPPs. Through the O&M Agreement, Sohar Power is not supporting any risk in regular operating and maintenance costs.

The debt financing for Sohar Power follows a typical non-recourse project financing structure.

Authorities are heavily dependent on Sohar Power for the supply of water in the North of the Sultanate. This exposes the plant to reliability and availability risks in case the contractual commitments for periodic maintenance cannot be fulfilled, as experienced in 2015.

Financial Highlights

The Company's performance during the Current and past four years is given as follows:

All figures in RO million		2015	2014	2013	2012	2011
NP (Net Profit) for the year	1	**3.756**	4.414	5.137	2.9410	2.519
Revenue	2	**62.657**	47.033	47.539	46.622	42.054
Total Assets	3	**160.431**	164.384	171.823	182.790	187.423
Capital (Original-Paid up)	4	**-**	-	-	27.800	27.800
Capital (Reduced-Paid up)	5	**22.101**	22.101	22.101	-	-
Debt (Long Term)	6	**112.387**	120.340	127.973	135.363	142.552
Debt & Capital	7	**134.488**	142.441	150.074	163.163	170.352
Ordinary Shares (in millions)	8	**221.01**	221.01	221.01	27.8	27.8
Net assets (before hedging deficit)	9	**27.188**	27.078	26.995	32.546	29.606

		2015	2014	2013	2012	2011
NP (Net Profit) Margin	1÷2	**6.00%**	9.39%	10.80%	6.30%	6.00%
ROTA (Return on Total Assets)	1÷3	**2.34%**	2.69%	2.99%	1.61%	1.34%
ROC (Return on Capital)	1÷4/5	**17.00%**	19.98%	23.24%	10.56%	9.05%
Capital ratio (over Debt + Capital)	5÷7	**16.43%**	15.52%	14.72%	17.06%	16.34%
Ordinary Dividend (interim-current year)		**7.1%**	8.6%	10%	-	8.0%
Ordinary dividend (Final-previous year)		**9.4%**	11.0%	-	12.57%	-
BEPS (Basic Earnings per share) Ratio	1÷8	**0.017**	0.020	0.022	0.106	0.091
Net Assets per share	9÷8	**0.123**	0.123	0.122	1.171	1.065

Analysis of Results

Sohar Power registered a net profit of RO 3.756 million for the year 2015. The same was RO 4.414 million in 2014. The negative variance of RO 0.658 million between the profits of 2015 and 2014 is the net effect of the following elements:

- Power & Water capacity charges were reduced in 2015 as compared to previous year due to reduced tariff (as per PWPA).
- Higher forced outages during the year mainly due to Heat Recovery Steam Generator (HRSG) contamination issue and plant flooding caused by the neighboring refinery. The adverse impact of the forced outages is RO 1.456 million.
- The above losses were partially mitigated by insurance compensation amounting to RO 0.780 million against settlement agreement, reached in favor of the Company with the insurers for the HRSG contamination issue. Moreover, revenue against processed water in 2015 is higher by RO 0.189 million as compared to 2014.
- The financial debt (loans and swaps) was repaid and settled as per the agreements and accordingly, lower net financial interest was incurred in the current year, impacting net profit of 2015 favourably by RO 0.470 million.

Analysis of Balance Sheet

- Property, Plant & Equipment (PP&E) was depreciated consistently using the straight line method of depreciation. During 2015, Company invested in a spare Brine Recirculation Pump (RO 0.260 million) amongst other improvements to the plant to allow our operator to rotate equipment and perform required maintenance activities. In line with previous years, the Company continued capitalizing the cost of decommissioning its PP&E, to be incurred in 2037 at the end of the useful life of the plant.
- Trade debtors correspond to two months of invoices at the end of current year and one month at the end of previous year (as per PWPA). Other receivables include an amount due from the insurers in relation to the settlement agreement reached for HRSG contamination claim.
- Cash in hand and at Banks at the end of 2015 were slightly lower than the same at the end of previous year, on account of lower revenue during current year.
- The Hedging Deficit booked in equity on account of variation in Fair values of five IRSs - interest rate swaps, which does not affect the profitability of the Company, was RO 12.904 million; the same was RO 15.416 million in 2014.

- Hedging Deficit is calculated on each Balance Sheet date as per IAS 39 and represents the loss, which Company would have incurred, if it had opted to terminate its IRS agreements on this date. However, under the terms of its Financing Agreements, Sohar Power is not permitted to terminate its swap agreements and the above deficit is therefore merely notional.
- The Company repaid installments of its long term loans and settled its Swaps in accordance with the agreed loan repayment schedule and swap agreements.

Dividend distribution

RO 2.077 million [9.4% of Share Capital] were distributed in April 2015, as final cash dividend for the year 2014.

Further, RO 1.569 million, [7.1% of Share Capital] was also distributed in November 2015 as Interim Cash Dividend for the year 2015.

Outlook for 2016

In view of nature of the Company and its business model and, following the operational and technical incidents faced in 2015, the Board of Directors and the Management of the Company remain confident for achieving 2016 health and safety, operational and financial objectives. Sohar Power will continue to serve reliably the Sultanate of Oman in a context of increasing demand for both power and water. However and, as commented in the Board of Directors' report, the distributions to shareholders will be affected by the cash sweep mechanism, effective since 30 September 2015, as per its financing agreements.

Internal control system and their adequacy

The Company believes in strong internal control systems as a mean to contribute efficiently to high standards of governance, operation & management of the Company.

Sohar Power has implemented since 2009 an Internal Control framework, which entails critical review of all business processes of the Company. For these, appropriate risks are identified; control activities and segregation of duties are implemented.

In addition to the internal review process, the main Shareholders of the Company and the Audit Committee periodically oversee and review that the Company continues to improve its internal control environment and maintain highly efficient internal controls and business processes.

It is also the responsibility of the Internal Auditor to review the level of compliance of the company with applicable laws and CMA regulations.

Transfers to Investors Trust Fund

On behalf of the Company, Muscat Clearing & Depository Company SAOC (MCDC) transferred an amount of RO 5,190 being the unclaimed amount for the final dividend for 2014 to Investors' Trust Fund Account (ITFA) in 2015.

CORPORATE GOVERNANCE REPORT

KPMG
4th Floor, HSBC Bank Building
MBD
P.O. Box 641
P.C. 112
Sultanate of Oman

Tel 968 24709181
Fax 968 24700839

Report to the Shareholders of Sohar Power Company SAOG ("the Company") of Factual Findings in connection with the Corporate Governance Report of the Company and application of the Corporate Governance practices in accordance with Capital Market Authority Code of Corporate Governance

We have performed the procedures prescribed in the Capital Market Authority ("CMA") Circular No. 16/2003 dated 29 December 2003 ("the Procedures") with respect to the Corporate Governance Report of the Company ("the Report") and its application of the Corporate Governance practices in accordance with the CMA Code of Corporate Governance ("the Code") issued under Circular No. 11/2002 dated 3 June 2002 and the CMA Rules and Guidelines on disclosure, issued under CMA Administrative Decision 5/2007, dated 27 June 2007, and the Executive Regulation of the Capital Market Law issued under the Decision No. 1/2009 dated 18 March 2009. The Report is set out on pages 32 to 44.

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

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

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

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

KPMG

23 February 2016

Ahmed Tufail

C.R. No. 1/30936/6

CORPORATE GOVERNANCE REPORT

In the Sultanate of Oman, Capital Market Authority ("CMA") implemented the Code of Governance by issuing "Code of Corporate Governance" for "Muscat Securities Market listed Companies" vide its Circular No. 11/2002 on June 3, 2002.

In July 2015 a new Code of Corporate Governance for Public Listed companies was issued which will be applicable from 1st July 2016.

Sohar Power believes that Code of Governance is an effective tool to improve operational and financial performance of listed companies. Code of Governance ensures accountability, which leads to transparency and ensuring impartial treatment to all investors. This ultimately increases the confidence of shareholders and prospective investors in the results.

We confirm that we are complying with the Code and that we are aiming at the highest standards of governance and at enhancing our image as a good corporate citizen.

In compliance with the Article 26 of the above Code, Sohar Power is including this separate chapter on Corporate Governance in its annual financial statements for the year ended December 31, 2015.

Board of Directors

During the year 2013 the CMA, vide its circular no.(K/9/2013) dated 20th November 2013, postponed mandatory application of Independent Director and Related Parties as enforced in their circular No. (K/14/2012) dated 24th October 2012. On 22 July 2015, the CMA issued the new Code of Corporate Governance for Public Listed Companies which will be applicable from 1 July 2016, except for the guidelines with respect to the definition of the Independent Director, which will not apply till the end of term of the current Board. Till such time new corporate governance rules are enforced, the Company has decided to continue to classify directors as per the existing Corporate Governance Rules.

a. Composition of the Board of Directors, category of Directors, attendance record and number of Board of Directors meetings held during the year are given as follows:

Name of Directors	Category of Directors	Board Meeting held and attended during 2015					2015	
		23/02	20/04	15/07	19/10	Total	OGM	AGM
Mr. Saif Abdullah Al Harthy (Chairman)	Non-Executive & Independent Nominee	✓	✓	✓	✓	4	✓	✓
Ms. Anne Stephanie Nguyen Qui (Vice Chairman)	Non-Executive & Independent	-	✓	✓	✓	3	-	-
Mr. Murtadha Ahmed Sultan *	Non-Executive & Independent Nominee	✓	-	-	-	1	-	✓
Mr. Malcolm Wrigley	Non-Executive & Independent	✓	✓	-	✓	3	-	-
Mr. Sami Abdullah Khamis Al Zadjali	Non-Executive & Independent Nominee	✓	✓	✓	-	3	-	✓
Mr. Jeronimo Roura	Non-Executive & Independent Nominee	✓	✓	✓	-	3	-	-
Mr. Ahmed Sultan Alyaqoubi	Non-Executive & Independent Nominee	✓	✓	✓	✓	4	✓	-
Mr. Navneet Kasbekar	Non-Executive & Independent	✓	✓	✓	✓	4	-	✓
Mr. Tashfen Yasin	Non-Executive & Independent	✓	✓	✓	✓	4	✓	✓
Mr. T.N. Sunderaraju	Non-Executive & Independent Nominee	✓	✓	✓	✓	4	-	✓

Name of Directors	Category of Directors	Board Meeting held and attended during 2015					2015	
		23/02	20/04	15/07	19/10	Total	OGM	AGM
Mr. Mohammed Al Riyami	Non-Executive & Independent Nominee	-	✓	✓	✓	3	✓	-
Mr. Nizar Qallab	Non-Executive & Independent	✓	✓	✓	✓	4	-	-
Mr. Ian Lawrence	Non-Executive & Independent	-	-	✓	✓	2	-	-
Mr. Przemyslaw Lupa *	Non-Executive & Independent	✓	-	-	-	1	-	-

* Did not stand for election during the year

b. The Directors of the Company also met after the AGM on 29th March 2015, to elect Chairman, Vice Chairman, Company Secretary and members of the Audit Committee.

c. Directors of Sohar Power Company holding directorship and chairmanship in other SAOG companies in Oman at 31 December 2015:

Name of Directors	Position held	Name of the Company
None	None	None

The profile of directors and management team is included as an annexure to the Corporate Governance Report.

Audit Committee

a. Brief description of terms of reference.

Detailed duties and responsibilities of the Audit Committee are described in the Audit Committee Charter approved by the Board of Directors, setting the scope and detailed delegation of authority.

The primary function of the Audit Committee is to assist the Board of Directors in fulfilling its oversight responsibilities by reviewing:

- the financial reports and other financial information provided by the Company to any governmental body or the public;
- the Company's systems of internal controls regarding finance, accounting, legal compliance and ethics that management and the Board have established; and
- the Company's auditing, accounting and financial reporting processes generally.

Consistent with this function, the Audit Committee encourages continuous improvement of, and fosters adherence to, the Company's policies, procedures and practices at all levels.

The Audit Committee's primary duties and responsibilities are to:

- Serve as an independent and objective party to monitor the Company's financial reporting process and internal control system;
- Review and appraise the audit efforts of the Company's statutory and internal auditors;
- Provide an open avenue of communication among the statutory and internal auditors, financial and senior management and the Board of Directors.

The Audit Committee has the authority to consider meeting with internal and external auditors without management's presence. Each year, the Audit Committee considers the performance of the external auditors prior to a resolution on their reappointment and remuneration at the AGM.

b. Composition of Audit Committee and attendance record of Committee Members.

Name of Committee Members	Position	Meetings held and attended during 2015				
		19/02	19/04	15/07	19/10	Total
Mr. Navneet Kasbekar	Chairman	✓	✓	✓	✓	4
Mr. Malcolm Wrigley	Member	-	✓	-	✓	2
Mr. Nizar Qallab	Member	✓	✓	✓	✓	4
Mr. Przemyslaw Lupa *	Member	✓	-	-	-	1

* Resigned during the year

c. Sitting fee

A sitting fee of RO 200 per meeting is paid to the attendee member.

Process of Nomination of Directors

The election of the Board is governed by the Company's Articles of Association (Articles 19 to 22). The Board of Directors was elected on 29 March 2015 for the term of three years and the election process was done in accordance with the amended Articles of Association of the Company. Further, as required by CMA circulars, the Company obtained the nomination forms from all directors and the forms were verified to its compliance and authenticity by the Company's Secretary and its legal counsel, before being sent to the Capital Market Authority.

Remuneration

a. Directors Remuneration and Attendance Fee.

As per Articles of Association, the Company was entitled to pay directors' remuneration equivalent to 10% of calculated net profit. However, due to administrative decision 11/2005 issued by CMA, the Directors' remuneration including sitting fees are restricted to 5% of the Net Profit after statutory reserve and provision of 5% dividend and is also subject to limits prescribed.

The total remuneration to the Directors was as follows:

	RO'000
Total sitting fee and remuneration	118
Directors' Sitting fee	(19)
Directors' remuneration	**99**

The sitting fees paid to Directors for meetings of the Board attended during the year are given below. The Company does not pay sitting fees for participation in Board sub-committees meetings, except for the Audit Committee meetings. The Directors' remuneration is paid pro-rata each Directors' participation in the Board meetings. Attendance at Board meetings and Audit Committee meetings by video- or teleconference is deemed to be attendance in person; attendance by proxy is not considered for remuneration purposes.

#	Name of Director	Total no. of meetings (Board + Audit committee)	Total Sitting fees paid in RO	Total Remuneration in RO
1	Mr. Saif Abdullah Al Harthy (Chairman)	4	1,600	9,240
2	Ms. Anne Stephanie Nguyen Qui (Vice Chairman)	3	1,200	6,930
3	Mr. Murtadha Ahmed Sultan *	1	400	2,310
4	Mr. Malcolm Wrigley	3+2	1,600	6,930
5	Mr. Sami Abdullah Khamis Al Zadjali	3	1,200	6,930
6	Mr. Jeronimo Roura	3	1,200	6,930
7	Mr. Ahmed Sultan Alyaqoubi	4	1,600	9,240
8	Mr. Navneet Kasbekar	4+4	2,400	9,240
9	Mr. Tashfen Yasin	4	1,600	9,240
10	Mr. T.N. Sunderaraju	4	1,600	9,240
11	Mr. Mohammed Al Riyami	3	1,200	6,930
12	Mr. Nizar Qallab	4+4	2,400	9,240
13	Mr. Ian Lawrence	2	800	4,620
14	Mr. Przemek Lupa **	1+1	600	2,310
		TOTAL	**19,400**	**99,330**

* Did not stand for election during the year

** Resigned / Replaced during the year

The Company will continue to pay sitting fee per Director per Board meeting amounting to RO 400 and per Audit Committee member per meeting of the Audit Committee amounting to RO 200, in the year 2016, up to a maximum of RO 10,000 to any individual Director.

b. Top Five Officers

The aggregate remuneration charged by Power Management Company under the management agreement for the top five officers of the Company was RO 157,186.

Activities during the year

The Audit Committee performed its duties as described in the Audit Committee Charter approved by the Board of directors and in line with the approved working plan.

In 2015, it reviewed on behalf of the Board the effectiveness of internal control, met the internal auditor of the company, reviewed internal audit reports and the recommendations, met external auditors, and reviewed the audit findings and the management letter.

The Board of Directors also reviewed the operational reports generated by the Management, which presents the performance of the Company and compares actuals with approved budget.

The Audit Committee and the Board of Directors are pleased to inform the shareholders that, in their opinion, an adequate and effective internal control system is in place.

Non-Compliance Penalties

No penalties or strictures were imposed on the Company by Muscat Securities Market ("MSM") or the Capital Market Authority or any other statutory authority on any matter related to Capital Market during the last three years.

Means of Communication with the Shareholder and Investors

Annual accounts and quarterly accounts are published on official website of MSM as per the guidelines by the market regulators. Notice to the annual general meetings is sent by post to the registered shareholders.

The Chairman gives press releases in case of important news and development that arises. Such press releases are posted to the web site of MSM in accordance with the guidelines issued by the market regulators. Disclosures to investors and company events are disclosed on the website regularly. Information on the project, Company's management and financial information is also available. The website is www.soharpower.com.

The Company is available to meet its shareholders and their analysts on as and when need basis.

Market Price Data

High/Low during each month in the last financial year and performance in comparison to broad based index of MSM (service sector).

Month	Low Price (RO)	High Price (RO)	Average Price (RO)	MSM Index (Service Sector)
Jan	0.375	0.376	0.380	3,542.370
Feb	0.370	0.370	0.370	3,566.370
Mar	0.378	0.378	0.378	3,425.860
Apr	0.372	0.374	0.373	3,439.780
May	0.352	0.355	0.354	3,467.600
Jun	0.378	0.379	0.379	3,468.000
Jul	0.396	0.396	0.396	3,525.420
Aug	0.352	0.353	0.353	3,259.790
Sep	0.339	0.340	0.340	3,225.490
Oct	0.358	0.360	0.359	3,277.940
Nov	0.365	0.365	0.365	3,130.560
Dec	0.352	0.352	0.352	3,055.620

Distribution of Shareholding

The Shareholder pattern as on 31 December 2015:

Category of shareholders	Number of Shareholders	Total Shares	Share capital %
Major Shareholders	6	190,673,720	86.27
Shareholders less than 5% more than 1%	1	2,888,300	1.31
Shareholders below 1%	8,565	27,447,980	12.42
TOTAL	**8,572**	**221,010,000**	**100.00**

Professional Profile Of The Statutory Auditors

The shareholders of the Company appointed KPMG as the Company's auditors for the year 2015. KPMG is a leading Audit, Tax and Advisory firm in Oman and is a part of KPMG Lower Gulf that was established in 1974. KPMG in Oman employs more than 180 people, amongst whom are 4 Partners, 7 Directors and 21 Managers, including Omani nationals. KPMG is a global network of professional firms providing Audit, Tax and Advisory services. KPMG operates in over 150 countries and has around 174,000 people working in member firms around the world. The independent member firms of the KPMG network are affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

KPMG in Oman is accredited by the Capital Market Authority (CMA) to audit joint stock companies (SAOGs). During the year 2015, KPMG billed an amount of RO 17,000 towards professional services rendered to the Company.

Acknowledgement By The Board Of Directors

The Board of Directors confirms the following:

- Its responsibility for the preparation of the financial statements in accordance with the applicable standards and rules.
- Review of the efficiency and adequacy of internal control systems of Sohar Power and that it complies with internal rules and regulations.
- That there is no material matters that affect the continuation of the Company and its ability to continue its operations during the next financial year.

BRIEF PROFILES OF CURRENT DIRECTORS

Name	:	**Saif Abdullah AL HARTHY – Chairman**
Year of Joining	:	2011
Education	:	Masters in Chemical Engineering, University of Nottingham, UK.
Experience	:	Mr. Al Harthy started his carrier as a field Engineer in Petroleum Development Oman (PDO), where he was involved in the design and upgrade of the major gas exporting facilities in central Oman. He later worked as a senior Business Planner for the PDO gas directorate before joining Qalhat LNG in 2006 as a Technical Coordinator. Mr. Al Harthy is currently working for Oman LNG as Chief Corporate Services & Investment Officer.

Name	:	**Anne Stephanie NGUYEN QUI (Vice Chairman)**
Year of Joining	:	2014
Education	:	Master Degree in Business & Tax Law.
Experience	:	Anne Stephanie Nguyen Qui started her career in the GDF SUEZ Group in 1998 and has held a variety of HR positions since then. This includes Industrial Relations Manager in France, HR Director positions in Belgium for Latin America and India and in London for UK-Europe region. She is Head of Human Resources and Administration for GDF Suez Energy South Asia, Middle-East and Africa since April 2014.

Name	:	**Malcolm WRIGLEY**
Year of Joining	:	2012
Education	:	Honor's Degree in Electrical Power Engineering.
Experience	:	Mr. Wrigley is since October 2010 the Chief Executive Officer of Al Ezzel Power Company and Al Dur Power & Water Company in Bahrain. He has some 20 years' experience in the international IPP business working in IPP Project Companies variously as CEO, General Manager, Chairman, Finance Director and Commercial Manager as well as headquarter roles in Asset Management and Business Development.

Name	:	**Sami Abdullah Khamis AL-ZADJALI**
Year of Joining	:	2012
Education	:	Bachelor Degree in Accounting / Diploma in Information and Systems Management / Diploma in Social Insurance.
Experience	:	Mr. Zadjali is working with Civil Services Employee Pension Fund for the last 17 years. He is presently Contribution Manager and a member of GCC committee for pension issues.

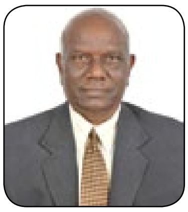
Name	:	**Jeronimo ROURA**
Year of Joining	:	2013
Education	:	MBA from IESE Business School, and a Bachelor in Business Administration from ESADE Business School.
Experience	:	Jeronimo Roura joined MENA Infrastructure in June 2010 as Investment Director, was promoted to Managing Director in January 2013, and became CEO of MENA Infrastructure on 1 August 2014. Mr. Roura has over 18 years of experience in infrastructure acquisitions and financing. Mr. Roura joined MENA Infrastructure from the GMR Group, where Mr. Roura was Head of Structured Finance for the international businesses, having previously worked for Abertis, the Spanish toll road operator as Head of Structured Finance, and previously for Citigroup in London as Vice President in the Infrastructure Team of the investment bank, and as Associate in the Structured Corporate Finance group with a focus on project finance. Mr. Roura has led a number of brownfield and greenfield transactions and financings in the infrastructure space, including roads, airports, and power generation, and has substantial experience in structuring, due diligence, financing and valuation.

Name	:	**Ahmed Sultan ALYAQOUBI**
Year of Joining	:	2013
Education	:	Bachelor Degree in Commerce and Economics from Sultan Qaboos University.
Experience	:	Mr. Alyaqoubi is working with Ministry of Defence Pension Fund. He is real estate, finance and investment industry veteran with more than 16 years› experience in various asset classes. He is currently the head of the real estate portfolio and he developed from concept stage several iconic developments in Oman.

Name	:	**Navneet KASBEKAR**
Year of Joining	:	2014
Education	:	Graduate in Commerce: Bombay University, Member of Institute of Chartered Accountants of India.
Experience	:	Totally 40 years of work experience in finance and managing businesses in India and the Sultanate of Oman. Of which over 34 years of experience in Oman and is currently Chief Executive Officer of Al Suwadi Power Company SAOG, having worked earlier for 15 years with Al Kamil Power Company SAOG, initially as Finance Director and later as Chief Executive Officer. He started his career as practicing chartered accountant and thereafter took up assignment as finance manager. He has over 25 years varied experience in successfully heading printing, hospitality and real estate businesses.

Name	:	**Tashfen YASIN**
Year of Joining	:	2014
Education	:	Chartered Accountant and Bachelors of Commerce.
Experience	:	Tashfen Yasin joined MENA Infrastructure as Financial Controller and was promoted to Associate Director, Finance in February 2015. Mr. Yasin joined MENA Infrastructure from PricewaterhouseCoopers in Dubai and Karachi, where he worked for 9 years. Mr. Yasin has significant experience in finance, investor reporting, assurance and accounting for private equities, banks and financial services companies in the Middle East and Pakistan. Mr. Yasin is also responsible for valuation, portfolio management, financial analysis and due diligence of investments at MENA Infrastructure.

Name	:	**T. N. Sundararaju**
Year of Joining	:	2014
Education	:	Bachelor Degree in Engineering.
Experience	:	Mr. Sundararju has more than 42 years extensive experience in large Power and Desalination plants in India, Middle East and Africa. At present he is working in Algeria as Chief Executive Officer in Sogex-Oman Co. LLC, O&M Operations. He has substantially handled O&M projects in Sogex Oman Co. LLC at Ghubrah, Manah and Fujairah from Construction to Commissioning and Commercial Operations. He has also worked as Vice President in ENRON International Company. Prior to that he has worked as O&M Manager for all Power &Desalination Plants in Libya.



Name : **Nizar Saleh QALLAB**

Year of Joining : 2014

Education : MA in international Trade & Investment Policy from The George Washington University and B.Sc. In Business Management from King's College.

Experience : Nizar Qallab is an infrastructure investment professional with over 14 years of experience. Mr. Qallab joined MENA Infrastructure from Exotix Partners, a frontier and emerging market investment firm where Mr. Qallab helped raise the MENA region's first subordinated debt infrastructure fund. Prior to Exotix, Mr. Qallab headed infrastructure at JD Capital, one of the most active and successful infrastructure investors in the MENA region. In this position, Mr. Qallab was responsible for the divestment of a USD300m infrastructure portfolio which generated above industry average returns. Mr. Qallab has also worked on several greenfield transactions.

Name : **Mohammed AL RIYAMI**

Year of Joining : 2015

Education : MBA from University of Hull, BEng (Hons) in Engineering System from University of Portsmouth and Post Graduate Diploma in Data Communication, Brunel, University of West London.

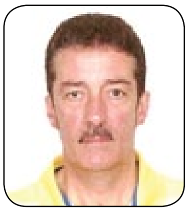
Experience : Mr. Al Riyami has more than 20 years' experience locally and abroad covering Marketing, Business Development, Supply Chain and Investments in the Energy Industry. He has worked in key positions for Shell, Gas Exporting Countries Forum and Oman LNG. He is also a Member of the Energy Institute, UK.

Name : **Ian LAWRENCE**

Year of Joining : 2015

Education : HND

Experience : Ian Lawrence has more than 40 years of heavy industry experience in many varying roles including Engineering, Maintenance, Operations and Management. Specific power generation experience covers a period of 30 years with ESKOM (South Africa), Botswana Power Corporation (Botswana), AES (UK, Brazil and Qatar), Mitsubishi Heavy Industries (UK), EON (UK) and more recently International Power and ENGIE, all covering nuclear, coal, CCGT and oil fired technologies. Earlier experience includes paper, cement and steel and coal industries.



BRIEF PROFILE OF MANAGEMENT TEAM

Management is provided under a management agreement entered with Power Management Company LLC ("PMC") in 2009. PMC provides day to day management of Sohar Power and gives all supports by providing manpower and other infrastructure. For this PMC is paid an annual fee and its expenses. It provides the following staff to Sohar Power:

Particulars	Omani	Non-Omani	Total
Managers	2	3	5
Other staff	9	6	15

The management team has been empowered by the Board of Directors and jointly operates within well-defined authorization limits.

Brief profile of the current managerial team is as follows:

Name : **Guillaume BAUDET**

Year of Joining : 2013

Education : Master's Degree in Accounting and Finance, ISC Paris Business School; Management Program CEDEP/INSEAD, France and University Degree in Business and Administration, Université de Toulon

Experience : 19 years of experience in the fields of Finance and General Management. Mr. Baudet joined GDF SUEZ (now ENGIE) Energy International in 2007 as Head of Business Control for the MENA region, before becoming CFO of Hidd Power Company in Bahrain in 2011 and, ultimately CEO of Sohar Power Company SAOG.

Name : **Zoher KARACHIWALA**

Year of Joining : Since inception of the Company in 2004

Education : Chartered Accountant

Experience : Currently Company Secretary of the Company and CEO of United Power Company SAOG, Mr. Karachiwala was a Chief Financial Officer until June 2009. He also acts as Company Secretary for some of the GDF Suez (now ENGIE) group of companies in Oman. He has 39 years of experience in field of Statutory Audit & Accounting and Finance. He was KPMG Audit Partner in Pakistan before joining United Power Company in 1995. Acted as Honorary Chairman of Audit Committee and the Board of Directors for a public company in Oman.

Name	:	**Sreenath HEBBAR**
Year of Joining	:	2009
Education	:	Bachelor of Engineering (Mechanical), VJTI, Mumbai University
Experience 	:	30 years of work experience, primarily in Business Development of Engineer Procure Construct (EPC) Contracts in Gas Turbine based Cogeneration & Combined Cycle Power Plants. In his current position as Chief Technical Officer, and Safety Officer, he is responsible for monitoring Contractors' compliance to safety norms, technical liaison with the client, statutory authorities, and contractors and provides technical support to the CEO. He has been a member of the Grid Code Review Panel of Oman.

Name	:	**Mirdas AL RAWAHI**
Year of Joining	:	2016
Education	:	Bachelor of Commerce and Economics from Sultan Qaboos University and has cleared CPA exams from the American Institute of Certified Public Accountants
Experience 	:	Mr. Mirdas Al Rawahi has 11 years of experience in Finance and accounts. Prior to joining Sohar Power Company, he was the Financial Controller for Takamul Investment Company SAOC. He has also worked in Ernst & Young Muscat office in the fields of External and Internal Audit.

Name	:	**Jamal AL BLOUSHI**
Year of Joining	:	Since inception of the Company in 2004
Education	:	Diploma in Computer Science. Certified Manager from the Institute of Certified Professional Managers, James Madison University, USA.
Experience 	:	21 years' experience in administration activity including managing spare parts logistics, liaisons with government organizations, licenses, translation function and supervising local insurance programs and assisting CEO for statutory meetings.

FINANCIAL STATEMENTS

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Sultanate of Oman

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SOHAR POWER COMPANY SAOG

Report on the financial statements

We have audited the financial statements of Sohar Power Company SAOG ("the Company"), set out on pages 47 to 75, which comprise the statement of financial position as at 31 December 2015, and the statements of profit or loss and other comprehensive income, cash flows and changes in equity for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditors' responsibility

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

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

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

Opinion

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

Emphasis of matter

Without qualifying our report, we draw your attention to note 4 to the financial statements which sets out the basis on which the Management has determined the method of recognizing income over the period of the Power and Water Purchase Agreement (PWPA).

Report on other legal and regulatory requirements

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

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

Other matter

The financial statements as at and for the year ended 31 December 2014, were audited by another auditor whose report dated 23 February 2015, expressed an unqualified opinion.

KPMG
Ahmed Tufail

23 February 2016

STATEMENT OF FINANCIAL POSITION

As at 31 December

	Note	2015 RO'000	2014 RO'000	2015 USD'000	2014 USD'000
ASSETS					
Non-current assets					
Property, plant and equipment	5	**143,886**	150,363	**373,730**	390,553
Current assets					
Inventories		**749**	611	**1,945**	1,587
Trade and other receivables	6	**6,614**	3,694	**17,180**	9,593
Cash and cash equivalent	7	**9,182**	9,716	**23,849**	25,237
Total current assets		**16,545**	14,021	**42,974**	36,417
Total assets		**160,431**	164,384	**416,704**	426,970
EQUITY AND LIABILITIES					
Equity					
Share capital	8	**22,101**	22,101	**57,405**	57,405
Legal reserve	9	**3,254**	2,878	**8,453**	7,477
Retained earnings		**1,833**	2,099	**4,761**	5,450
Shareholder's funds		**27,188**	27,078	**70,619**	70,332
Hedging deficit - net of tax	11	**(12,904)**	(15,416)	**(33,513)**	(40,042)
Total equity		**14,284**	11,662	**37,106**	30,290
Liabilities					
Non-current liabilities					
Hedging deficit	11	**14,664**	17,518	**38,085**	45,503
Term loan	12	**103,770**	112,070	**269,531**	291,090
Provision for decommissioning costs	13	**1,312**	1,235	**3,409**	3,208
Deferred tax liability	14	**8,591**	7,763	**22,318**	20,166
Total non-current liabilities		**128,337**	138,586	**333,343**	359,967
Current liabilities					
Term loan	12	**8,617**	8,270	**22,383**	21,480
Trade and other payables	15	**8,538**	5,303	**22,175**	13,771
Due to related parties	16	**655**	563	**1,697**	1,462
Total current liabilities		**17,810**	14,136	**46,255**	36,713
Total liabilities		**146,147**	152,722	**379,598**	396,680
Total equity and liabilities		**160,431**	164,384	**416,704**	426,970
Net assets per share	21	**0.123**	0.123	**0.320**	0.318

The attached notes form an integral part of the financial statements.

STATEMENT OF PROFIT AND LOSS

for the year ended 31 December

	Note	**2015 RO'000**	2014 RO'000	**2015 USD'000**	2014 USD'000
Income					
Revenue		**62,657**	47,033	**162,746**	122,164
Direct costs	17	**(50,822)**	(33,334)	**(132,004)**	(86,581)
Gross profit		**11,835**	13,699	**30,742**	35,583
Other income	18	**788**	52	**2,048**	136
Administrative and general expenses	19	**(807)**	(851)	**(2,097)**	(2,211)
Result from operations		**11,816**	12,900	**30,693**	33,508
Finance costs	20	**(7,574)**	(8,045)	**(19,673)**	(20,896)
Income before taxation		**4,242**	4,855	**11,020**	12,612
Taxation	14	**(486)**	(441)	**(1,263)**	(1,146)
Income for the year		**3,756**	4,414	**9,757**	11,466
Basic earnings per share	22	**0.017**	0.020	**0.044**	0.052

The attached notes form an integral part of the financial statements.

STATEMENT OF OTHER COMPREHENSIVE INCOME

for the year ended 31 December

	Note	**2015**	2014	**2015**	2014
		RO'000	RO'000	**USD'000**	USD'000
Income for the year		**3,756**	4,414	**9,757**	11,466
Other comprehensive income					
Potentially re-classifiable to the income statement:					
Fair value gain on interest rate swap		**2,854**	136	**7,418**	352
Related taxation	14	**(342)**	(16)	**(889)**	(42)
Other comprehensive income for the year		**2,512**	120	**6,529**	310
Total comprehensive income for the year		**6,268**	4,534	**16,286**	11,776

The attached notes form an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December

	Share capital RO'000	Legal reserve RO'000	Retained earnings RO'000	Total Shareholders' funds RO'000	Hedging deficit RO'000	Total equity RO'000	Total equity USD'000
At 1 January 2014	22,101	2,437	2,457	26,995	(15,536)	11,459	29,763
Total comprehensive income for the year:							
Income for the year	-	-	4,414	4,414	-	4,414	11,466
Other comprehensive income for the year	-	-	-	-	120	120	310
	-	-	4,414	4,414	120	4,534	11,776
Final dividend for the year 2013	-	-	(2,431)	(2,431)	-	(2,431)	(6,314)
Interim dividend for the year 2014	-	-	(1,900)	(1,900)	-	(1,900)	(4,935)
Transfer to legal reserve	-	441	(441)	-	-	-	-
At 31 December 2014	22,101	2,878	2,099	27,078	(15,416)	11,662	30,290
At 31 December 2014	**22,101**	**2,878**	**2,099**	**27,078**	**(15,416)**	**11,662**	**30,290**
Total comprehensive income for the year:							
Income for the year	**-**	**-**	**3,756**	**3,756**	**-**	**3,756**	**9,757**
Other comprehensive income for the year	**-**	**-**	**-**	**-**	**2,512**	**2,512**	**6,529**
	-	**-**	**3,756**	**3,756**	**2,512**	**6,268**	**16,286**
Final dividend for the year 2014	**-**	**-**	**(2,077)**	**(2,077)**	**-**	**(2,077)**	**(5,394)**
Interim dividend for the year 2015	**-**	**-**	**(1,569)**	**(1,569)**	**-**	**(1,569)**	**(4,076)**
Transfer to legal reserve	**-**	**376**	**(376)**	**-**	**-**	**-**	**-**
At 31 December 2015	**22,101**	**3,254**	**1,833**	**27,188**	**(12,904)**	**14,284**	**37,106**

The attached notes form an integral part of the financial statements.

STATEMENT OF CASH FLOWS

for the year ended 31 December

	2015 RO'000	2014 RO'000	**2015 USD'000**	2014 USD'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash receipts from customers	**59,737**	47,460	**155,161**	123,274
Cash paid to suppliers and employees	**(40,708)**	(27,712)	**(105,736)**	(71,979)
Cash generated from operations	**19,029**	19,748	**49,425**	51,295
Interest paid	**(7,384)**	(7,737)	**(19,180)**	(20,096)
Net cash generated from operating activities	**11,645**	12,011	**30,245**	31,199
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to property, plant and equipment	**(260)**	(249)	**(677)**	(648)
Net cash used in investing activities	**(260)**	(249)	**(677)**	(648)
CASH FLOWS FROM FINANCING ACTIVITIES				
Payment of dividends	**(3,646)**	(4,331)	**(9,470)**	(11,249)
Repayment of long-term loans	**(8,273)**	(7,975)	**(21,486)**	(20,714)
Net cash used in financing activities	**(11,919)**	(12,306)	**(30,956)**	(31,963)
Net changes in cash and cash equivalents during the year	**(534)**	(544)	**(1,388)**	(1,412)
Cash and cash equivalents at the beginning of the year	**9,716**	10,260	**25,237**	26,649
Cash and cash equivalents at the end of the year	**9,182**	9,716	**23,849**	25,237

The attached notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2015

1 Legal status and principle activities

Sohar Power Company SAOG ('the Company') was registered as a closed joint stock company in the Sultanate of Oman on 17 July 2004. The Company was incorporated on 22 June 2004. The Company has been established to build and operate a 585 MW electricity generating station and 33 Million Imperial Gallon per Day of water desalination plant at Sohar. The commercial operation date ("COD") has been determined to be 28 May 2007.

The Shareholders in their Extraordinary General Meeting held on 23 March 2008 resolved to convert the Company from a closed joint stock Company into a public joint stock Company.

2 Significant agreements:

The Company has entered into the following significant agreements:

i Power and Water Purchase Agreement ("PWPA") with the Government of Sultanate of Oman (the "Government") granting the Company the right to generate electricity and produce water at Sohar and; (i) to make available to the Government the Guaranteed Contracted Power Capacity and the Guaranteed Contracted Water Capacity (ii) to sell to the Government the Electrical Energy and Potable Water associated with the Guaranteed Contracted Power Capacity and the Guaranteed Contracted Water Capacity. The Company has entered into a long-term power and water supply agreement with the Ministry of Housing, Electricity and Water ("MHEW") of the Government for a period of fifteen years commencing from the scheduled Commercial Operation Date ("COD") of 28 May 2007. On 1 May 2005 the PWPA was novated to Oman Power and Water Procurement Co SAOC ("OPWP"), a closed joint stock company owned by the Government of Oman. All the financial commitments of OPWP are guaranteed by the Government of Oman (also refer note 4).

ii Natural Gas Sales Agreement with the Ministry of Oil and Gas ("MOG") for the purchase of natural gas from MOG. The Natural Gas Sale Agreement is co-terminus with PWPA.

iii Sub-usufruct agreement with Sohar Industrial Port Company SAOC for grant of Usufruct rights over the project site for 15 years, with the option possibility of extension of 15 years.

iv Seawater Extraction Agreement with the Ministry of National Economy of the Government of Oman, to provide seawater inlet and reject facilities for the plant. The Seawater Extraction Agreement is co-terminus with PWPA.

v Operation and Maintenance Agreement ("O & M" Agreement) with Sohar Operation and Maintenance Company LLC, a related party, for operations and maintenance of the plant for a period of 15 years from the commercial operations date or the date of termination of PWPA, whichever is earlier.

vi Financing Agreements with lenders for long-term loan facilities (note 12).

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2015

3 Basis of preparation and adoption of new and amended IFRS

3.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board (IASB), interpretations issued by the International Financial Reporting Interpretation Committee (IFRIC), the disclosure requirements of the Commercial Companies Law of the Sultanate of Oman, 1974 (as amended) and the relevant disclosure requirements for licensed companies issued by the Capital Market Authority.

The financial statements are presented in Omani Rials and United States Dollars (rounded off to the nearest thousand) on a historical cost basis except for certain financial assets and financial liabilities which are carried at their fair values

3.2 New and amended IFRS adopted by the Company

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2015 and earlier application is permitted; however, the Company has not early applied the following new or amended standards in preparing these financial statements.

New or amended standards	Summary of the requirements	Possible impact on financial statements
IFRS 9 Financial Instruments	IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.	The Company is assessing the potential impact on its the application of IFRS 9
IFRS 15 Revenue from Contracts with Customers	IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.	The Company is assessing the potential impact on its financial statements resulting from the application of IFRS 15.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2015

3 Basis of preparation and adoption of new and amended IFRS (continued)

3.2 New and amended IFRS adopted by the Company (continued)

Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41)	These amendments require a bearer plant, defined as a living plant, to be accounted for as property, plant and equipment and included in the scope of IAS 16 Property, Plant and Equipment, instead of IAS 41 Agriculture. The amendments are effective for annual reporting periods beginning on or after 1 January 2016, with early adoption permitted.	None. The Company does not have any bearer plants.

The following new or amended standards are not expected to have a significant impact on the Company's financial statements.

- IFRS 14 Regulatory Deferral Accounts.
- Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11).
- Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 & IAS 38).
- Equity Method in Separate Financial Statements (Amendments to IAS 27).
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28).
- Annual Improvements to IFRSs 2012–2014 Cycle – various standards.
- Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28).
- Disclosure Initiative (Amendments to IAS 1).

3.3 Significant Estimates and Judgements

In preparing the financial statements, the Management is required to make estimates and assumptions which affect reported income and expenses, assets, liabilities and related disclosures. The use of available information and application of judgements based on historical experience and other factors are inherent in the formation of estimates. Actual results in future could differ from such estimates.

The estimates and assumptions considered by the Management to have a significant risk of material adjustment in subsequent years primarily comprise:

- Estimation of future taxable income against which available carry forward losses will be utilized for set off;
- Estimation of useful lives of the assets which 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;

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2015

3 Basis of preparation and adoption of new and amended IFRS (continued)

3.3 Significant Estimates and Judgements (continued)

- Decommissioning costs which are based on the Management's technical assessment of the probable future costs to be incurred in respect of the decommissioning of the plant facilities;
- Estimation is involved in the determination of the fair value of the interest rate swaps and accordingly the amount of hedging deficit at the end of the reporting period; and
- Allowance for credit losses which is based on the Management's estimates of recoverability of the amounts based on historical experiences.

4 Significant accounting policies

Power and Water Purchase Agreement

The Power Capacity Investment charge rate and Water Capacity Investment charge rate in PWPA has been structured in such a way that the investment tariff rates are reducing at a constant rate each year over the term of agreement.

In 2005, IFRIC 4 ("Determining whether an arrangement contains a lease") was issued and it became effective from 1 January 2006. The Company at that time considered the applicability of IFRIC 4, which provides guidance for determining whether an arrangement is, or contains, a lease that should be accounted for in accordance with IAS 17. If such an assessment results in an operating lease; then lease income from such an operating lease would be recognized in income on a straight line basis over the lease term, unless another systematic basis is more representative of the time pattern of the user's benefit.

The Management has reviewed the applicability of IFRIC 4 and concluded that the PWPA conveys a right of use of the Company's plant consistent with an operating lease arrangement.

The Management believes that the gradually decreasing lease payments reflect the fair value of the consideration for the Company's availability with respect to Electrical Energy generating capacity and Water Output desalination capacity in the respective years and represents a more systematic basis of benefit derived, evidenced by:

- The off taker's acceptance of the decreasing tariff, recognizing that the expense incurred by the Company to make available capacity to generate the energy and the desalinated water also follows a decreasing pattern. This pattern is driven by the importance of the debt service costs;
- The PWPA explicitly mentioning that the (frontloaded) lease payments compensate for the Company's debt service costs that are significantly higher in the earlier years and lower in the later years; and
- The absence of any explicit claw-back provisions for the off taker with respect to the initially higher amounts of Investment Charge paid, in case of a breach of contract by the Company.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2015

4 Significant accounting policies (continued)

The following accounting policies have been consistently applied in dealing with items considered material to the Company's financial statements:

a) Accounting convention

These financial statements have been prepared under the historical cost convention as modified by the measurement at fair value of certain financial instruments.

b) Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Following initial recognition at cost, expenditure incurred to replace a component of an item of property, plant and equipment which increases the future economic benefits embodied in the item of property, plant and equipment is capitalised. All other expenditures are recognised in the statement of comprehensive income as an expense as incurred.

Items of property, plant and equipment are derecognized upon disposal or when no future economic benefit is expected to arise from the continued use of the asset. Any gain or loss arising on de-recognition of the asset is included in the statement of comprehensive income in the year the item is derecognized.

Depreciation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of items of property, plant and equipment. The estimated useful economic lives are as follows:

	Years
Buildings	30
Plant and machinery	30
Technical parts	30
Other assets	4
Decommissioning assets	30

Capital work in progress

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

c) Inventories

Inventories comprise of fuel oil and are stated at lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The cost of inventories is based on first-in-first-out basis and includes expenditure incurred in acquiring the inventories and includes an appropriate share of fixed and variable overheads.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2015

4 Significant accounting policies (continued)

d) Accounts and other receivables

Accounts and other receivables originated by the Company are measured at cost. An allowance for credit losses of accounts and other receivables is established when there is objective evidence that the Company will not be able to collect the amounts due. When an account or other receivable is uncollectible, it is written off against the allowance account for credit losses. The carrying value of accounts and other receivables approximate their fair values due to the short-term nature of those receivables.

e) Cash and cash equivalents

For the purpose of statement of cash flows, cash and cash equivalents consist of bank balances and cash and short term deposits with maturity of three months or less from the date of placement.

f) Impairment

Financial assets

At the end of each reporting period, the Management assesses if there is any objective evidence indicating impairment of financial assets carried at cost or non collectability of receivables. An impairment loss, if any,arrived at as a difference between the carrying amount and the recoverable amount, is recognised in the statement of comprehensive income. The recoverable amount represents the present value of expected future cash flows discounted at the original effective interest rate. Cash flows relating to short term receivables are not discounted.

Non-financial assets

At the end of each reporting period, the Management assesses if there is any indication of impairment of non financial assets. If an indication exists, the Management estimates the recoverable amount of the asset and recognizes an impairment loss in the statement of comprehensive income. The Management also assesses if there is any indication that an impairment loss recognized in prior years no longer exists or has reduced. The resultant impairment loss or reversals are recognised immediately in the statement of comprehensive income.

g) Dividends

Dividends are recognized as a liability in the period in which they are declared.

The Board of Directors recommends to the shareholders the dividend to be paid out of Company's profits. The Directors take into account appropriate parameters including the requirements of the Commercial Companies Law, 1974 (as amended), while recommending dividend.

h) Employees' end of service benefits

Payment is made to Omani Government's Social Security Scheme under Royal Decree number 72 / 91 (as amended) for Omani employees. Provision is made for amounts payable under the Sultanate of Oman's labour law under Royal Decree number 35 / 2003 applicable to non-Omani employees' accumulated periods of service at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2015

4 Significant accounting policies (continued)

i) Provisions

A provision is recognized in the 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 an outflow of economic benefits will be required to settle the obligation.

Provision for decommissioning costs

A provision for future decommissioning costs is recognised, when there is a present obligation as a result of activities undertaken, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of provision can be measured reliably. The estimated future obligations include the costs of removing the facilities and restoring the affected areas.

The provision for future decommissioning cost is the best estimate of the present value of the expenditure required to settle the decommissioning obligation at the reporting date based on the current requirements as per the sub-usufruct agreement. Future decommissioning cost is reviewed annually and any changes in the estimate are reflected in the present value of the decommissioning provision at each reporting date.

The initial estimate of the decommissioning provision is capitalized into the cost of the asset and depreciated on the same basis as the related asset. Changes in the estimate of the provision for decommissioning is treated in the same manner, except that the unwinding of the discount is recognised as a finance cost rather than being capitalised into the cost of the related asset.

j) Accounts and other payables

Liabilities are recognised for amounts to be paid for goods and services received, whether or not billed to the Company.

k) Revenue

Revenue comprises tariffs for power capacity, electrical energy, water capacity and water output charges. Tariffs are calculated in accordance with the Power and Water Purchase Agreement (PWPA). The operating revenue is recognized by the Company on an accrual basis of accounting. No revenue is recognized if there are significant uncertainties regarding recovery of the consideration due and associated costs.

l) Operating lease payments

The operating lease payments are charged to the statement of comprehensive income on a straight line basis, unless another systematic basis is representative of the time pattern of the benefit.

m) Borrowing costs

Borrowing costs comprise interest payable on borrowings. Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets (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.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2015

4 Significant accounting policies (continued)

n) Borrowing costs (continued)

Foreign currency transactions

Transactions denominated in foreign currencies are translated to Rial Omani at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are translated to Rial Omani at the foreign exchange rates ruling at that date. Foreign exchange differences arising on translation are recognised in the statement of comprehensive income.

Taxation

Taxation for the year comprises current and deferred tax.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the end of the reporting period.

Deferred tax is calculated using the liability method, providing for 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 realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the end of the reporting period.

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

Current and deferred tax are recognised as an expense or income in the statement of comprehensive income, except when they relate to items that are recognised in statement of other comprehensive income, in which case the tax is also recognised in the statement of other comprehensive income.

o) Deferred financing costs

The cost of obtaining long-term financing is deferred and amortized over the term of the long-term loan using the effective interest rate method. Deferred financing costs less accumulated amortization are offset against the drawn amount of long-term loans. The amortization of deferred financing costs is capitalized as part of the cost of the plant during construction. Subsequent to plant completion, the element of amortization of deferred financing costs is charged to the statement of comprehensive income.

p) Financial liabilities

All financial liabilities are initially measured at fair value and are subsequently measured at amortised cost.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2015

4 Significant accounting policies (continued)

q) Derivative financial instruments

The Company holds derivative financial instruments to hedge its interest rate risk exposures. Derivatives are initially recognised at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period on a recurring basis. The resulting gain or loss is recognised in the statement of comprehensive income immediately, unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the statement of comprehensive income depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset; a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realized or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Hedge accounting

The Company designates the hedging instrument as cash flow hedges. At the inception of the hedge relationship, the Company documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Company documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the statement of other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the statement of comprehensive income.

Amounts previously recognised in and accumulated in statement of other comprehensive income are reclassified to statement of comprehensive income in the periods when the hedged item is recognised in the statement of comprehensive income.

Hedge accounting is discontinued when the Company revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting.

The Company follows the Commercial Companies Law 1974 (as amended), and other latest relevant directives issued by CMA, in regard to determination of the amount to be paid as Directors' remuneration. Directors' remuneration is charged to the statement of comprehensive income in the year to which they relate.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2015

5 Property, plant and equipment

a) The movement schedule of property, plant and equipment for year 31 December 2015 and 31 December 2014 are set out on pages 74 and 75 respectively.

b) Land on which the power station, building and auxiliaries are constructed has been sub-leased from Sohar Industrial Port Company SAOC for a period of 15 years from the Commercial Operation Date. The sub-lease is further extendable for another 15 years (refer note 23). Lease rent is paid at the rate of approximately USD 160,000 per annum.

c) Property, plant and equipment is mortgaged against long-term loan facilities availed by the Company (note 12).

6 Trade and other receivables

	2015 RO'000	2014 RO'000	**2015 USD'000**	2014 USD'000
Trade receivables	**6,890**	4,900	**17,898**	12,727
Less: allowance for credit losses	**(1,392)**	(1,392)	**(3,616)**	(3,616)
	5,498	3,508	**14,282**	9,111
Advances and prepayments	**168**	186	**436**	482
Other receivables	**948**	-	**2,462**	-
	6,614	3,694	**17,180**	9,593

Trade receivable is from a single domestic customer (31 December 2014 – single domestic customer).

7 Cash and cash equivalent

Bank balances and cash	**9,182**	9,716	**23,849**	25,237

8 Share capital

At the end of the year, the Company's authorised and issued / paid up share capital is as follows:

Authorized share capital of shares of RO 0.100	**60,000**	60,000	**156,000**	156,000
Issued and fully paid up share capital of shares of RO 0.100	**22,101**	22,101	**57,405**	57,405

At the end of the year, shareholders who own 10% or more of the Company's share capital and the number of shares they hold are as follows:

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2015

8 Share capital (continued)

	2015		2014	
	No of shares held	**%**	No of shares held	%
Kahrabel FZE	**77,353,500**	**35**	77,353,500	35
MENA Sohar 1SPV LTD	**44,202,000**	**20**	44,202,000	20
Civil Service Employees Pension Fund	**33,151,500**	**15**	24,297,174	11

9 Legal reserve

In accordance with Article 106 of the Commercial Companies Law of the Sultanate of Oman, 1974 (as amended), 10% of the Company's net profit for the year has been transferred to a non-distributable legal reserve until the amount of the legal reserve becomes equal to one-third of the Company's issued share capital.

10 Dividend

a) At the Annual Ordinary General Meeting held on 29 March 2015, the Shareholders approved to distribute RO 2.077 million (9.4% of existing capital) as Final Dividend for 2014, which were distributed to shareholders in April 2015.

b) At the OGM held on 11 November 2015, the Shareholders authorized the Board of Directors to distribute interim cash dividends. Accordingly, an interim cash dividend of RO 1.569 million (7.1% of existing capital) for the period 1 January 2015 to 30 September 2015 was declared and paid after approval of the audited financial statements for the period ended 30 September 2015.

c) Subsequent to the end of the year, the Board of Directors have proposed a final cash dividend of 8.2% (8.2 Baiza per share) for the year 2015, which is subject to shareholders' approval in the forthcoming Annual General Meeting.

11 Hedging deficit

Interest rate swap

The long-term loan facilities of the Company bear interest at US LIBOR plus applicable margins (refer note 12). In accordance with the term loan agreement, the Company has fixed the rate of interest through Interest Rate Swap Agreements ("IRS") to hedge the risk of variation in US LIBOR for 95% of its loan facility till 31 March 2022. The corresponding maximum hedged notional amount of the swaps at 31 December 2015 is approximately RO 108 million (USD 282 million) [31 December 2014: RO 116 million (USD 302 million)] bearing fixed interest rates of 7.89%, 4.50%, 5.70%, 4.36% and 4.36% per annum (31 December 2014: 7.89%, 4.50%, 5.70%, 4.36% and 4.36% per annum) excluding applicable margin.

At 31 December 2015, the USD LIBOR was 0.5331% per annum, (31 December 2014 - 0.33% per annum) whereas the Company has fixed interest on its borrowing as described above.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2015

11 Hedging deficit (continued)

	2015 RO'000	2014 RO'000	2015 USD'000	2014 USD'000
Interests rate swaps:				
HSBC bank plc	**(2,922)**	(3,949)	**(7,588)**	(10,258)
Standard chartered bank	**(1,919)**	(2,555)	**(4,983)**	(6,636)
HSBC bank plc	**(1,473)**	(1,634)	**(3,824)**	(4,243)
Standard chartered bank	**(4,240)**	(4,695)	**(11,014)**	(12,196)
Credit agricole corporate & investment bank	**(4,110)**	(4,685)	**(10,676)**	(12,170)
Hedging instrument at the end of the year	**(14,664)**	(17,518)	**(38,085)**	(45,503)
Deferred tax (note 14)	**1,760**	2,102	**4,572**	5,461
Hedging reserve at the end of the year (net of tax)	**(12,904)**	(15,416)	**(33,513)**	(40,042)
Less: Hedging reserve at the beginning of the year	**(15,416)**	(15,536)	**(40,042)**	(40,352)
Effective portion of change in the fair value of cash flow hedge for the year	**2,512**	120	**6,529**	310

In case, the Company terminates the IRS at 31 December 2015, it may incur losses to the extent of approximately RO 15.92 million (USD 41.36 million) [31 December 2014: RO 18.95 million (USD 49.21 million)]. However, under the term of Loan Agreements, the Company is not permitted to terminate the interest rate swap agreements.

In accordance with 'IAS 39 Financial Instruments: Recognition and Measurement', the hedge is tested quarterly for its effectiveness on the basis of clean fair values from the swap banks, and consequently effective and ineffective portions if any are recognized in equity and statement of comprehensive income respectively.

12 Non-current portion of long term loans

	2015 RO'000	2014 RO'000	2015 USD'000	2014 USD'000
Base facility	**95,686**	102,624	**248,537**	266,557
Repayment facility	**18,404**	19,739	**47,803**	51,269
Less: current portion of loans	**(8,617)**	(8,270)	**(22,383)**	(21,480)
	105,473	114,093	**273,957**	296,346
Less: deferred financing cost	**(1,703)**	(2,023)	**(4,426)**	(5,256)
	103,770	112,070	**269,531**	291,090

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2015

12 Non-current portion of long term loans (continued)

The following further notes apply:

a) Syndicated facilities

The Company has syndicated long-term loan facilities ("syndicated facilities") in the aggregate maximum amount of apparently USD 455 million. HSBC Bank PLC is the facility agent ("Facility Agent") for administration and monitoring of the overall loan facilities. HSBC Bank USA – National Association and Bank Muscat has respectively been appointed as the offshore security trustee and on-shore security agent for the secured finance parties.

b) Base facility

The Company has obtained the term loan under base facility in an aggregate amount of USD 382.50 million. The aggregate amount of base facility is repayable in 34 (thirty four) semi annual installments, of which twenty eight installments are ranging between USD 6.5 million and USD 13.2 million. The last six, post concession, installments shall be of USD 20.35 million each. Repayments under revised Base facility commenced from 30 September 2007

c) Repayment facility

The Company has obtained the term loan under repayment facility in an aggregate amount of USD 72 million. The aggregate amount of repayment facility is repayable in 34 (thirty four) semi annual installments, of which twenty eight installments are ranging between USD 1.2 million and USD 2.5 million. The last six, post concession, installments shall be of USD 3.91 million each. Repayments under repayment facility commenced from 30 September 2008.

d) Interest

The facilities bear interest at USD LIBOR rates plus applicable margins. The margins vary depending upon outstanding facilities.

e) Commitment and other fees

Under the terms of the loan facilities, the Company is required to pay Commitment Fees, Performance Bond Fee, Front End Fee for the facilities, Agency Fee and all Bank Fees.

f) Security

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

g) Covenants

The facilities agreements contain certain covenants pertaining to, amongst other things, project finance ratios, entering into material new agreements, negative pledge, change of business, loan and guarantee, etc.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2015

12 Non-current portion of long term loans (continued)

h) Cash Sweep

The facilities agreement contain cash sweep prepayments which starts from the 17th repayment date i.e. 30 September 2015 and each repayment date thereafter till the loan is fully repaid. The cash sweep prepayment amount equals to 100% of all amounts standing to the credit of the operating revenues account in the bank but limited to some conditions. As a consequence, no further amount will be available for distribution to shareholders from 30 September 2015 till the full repayment of the loan except the amount already transferred to the distribution account in the bank before 30 September 2015.

13 Provision for decommissioning costs

The provision for decommissioning costs represents the present value of Management's best estimate of the future sacrifice of the economic benefits that will be required to remove the facilities and restore the affected area at the Company's sites. The movement in provision for decommissioning costs is a follows:

	2015 RO'000	2014 RO'000	**2015 USD'000**	2014 USD'000
At the beginning of the year	**1,235**	1,162	**3,208**	3,018
Unwinding of discount on decommissioning cost (note 20)	**77**	73	**201**	190
At the end of the year	**1,312**	1,235	**3,409**	3,208

14 Taxation

	2015 RO'000	2014 RO'000	**2015 USD'000**	2014 USD'000
Statement of comprehensive income				
Deferred tax charge (net)				
- Current year	**486**	441	**1,263**	1,146
Statement of other comprehensive income				
Taxation relating to interest rate swap	**342**	16	**889**	42

The following further notes apply:

	2015 RO'000	2014 RO'000	**2015 USD'000**	2014 USD'000
Statement of financial position				
Deferred tax liability	**8,591**	7,763	**22,318**	20,166

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2015

14 Taxation (continued)

a) The Company is subject to income tax in accordance with the income tax law of the Sultanate of Oman at the tax rate of 12% on taxable profits in excess of RO 30,000.

b) The Company's taxation assessments for the years 2009 to 2014 have not been finalized by the Secretariat General for Taxation. The Management believes that any additional tax assessed for the un-assessed tax years would not be material to the Company's financial position at the end of the year.

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

	At 31 December 2014	**Recognized in the statement of comprehensive income**	**Recognized in the statement of other comprehensive income**	**At 31 December 2015**
	RO'000	**RO'000**	**RO'000**	**RO'000**
Provisions	223	**9**	**-**	**232**
Tax losses	1,191	**(332)**	**-**	**859**
Fair value of hedging Instrument	2,102	**-**	**(342)**	**1,760**
Depreciation	(11,279)	**(163)**	**-**	**(11,442)**
	(7,763)	**(486)**	**(342)**	**(8,591)**
	USD'000	**USD'000**	**USD'000**	**USD'000**
Provisions	577	**24**	**-**	**601**
Tax losses	3,094	**(865)**	**-**	**2,229**
Fair value of hedging Instrument	5,461	**-**	**(889)**	**4,572**
Depreciation	(29,298)	**(422)**	**-**	**(29,720)**
	(20,166)	**(1,263)**	**(889)**	**(22,318)**

15 Trade and other payables

	2015 RO'000	2014 RO'000	**2015 USD'000**	2014 USD'000
Trade payables	**3,152**	1,583	**8,187**	4,112
Accruals and other payables	**5,386**	3,720	**13,988**	9,659
	8,538	5,303	**22,175**	13,771

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2015

16 Related party transactions

The Company has entered into transactions with entities and shareholders who have significant influence over the Company. The Company also entered into transactions with entities related to these significant shareholders or directors ("other related parties"). These transactions are entered into on terms and conditions approved by the Management and subsequently approved by the shareholders in AGM.

a) The following is a summary of significant transactions with related parties during the year:

	2015 RO'000	2014 RO'000	**2015 USD'000**	2014 USD'000
Services provided by Sohar Operations and Maintenance Co. LLC (SOMC)	**6,306**	6,575	**16,380**	17,079
Services provided by Power Management Co. LLC				
- Management fee	**154**	154	**400**	400
- Other administrative expenses	**309**	281	**803**	729
Services provided by Suez –Tractebel S.A.	**32**	45	**84**	116
Services provided by Laborelec Middle East	**5**	-	**13**	-
Key management remuneration	**157**	156	**408**	405
Directors' remuneration (note 19)	**99**	131	**258**	342
Directors' meeting attendance fees (note 19)	**19**	19	**50**	49
Electrabel S.A. – guarantee fee	**63**	63	**163**	164
MENA Sohar 1SPV LTD – LC fee	**34**	38	**88**	100
SOGEX Oman LLC – LC fee	**9**	9	**23**	23
MOD Pension Fund – LC fee	**9**	9	**23**	23

b) The following are the details of amounts due to a related party:

Due to related parties	**655**	563	**1,697**	1,462

c) Amounts due to related parties are interest free and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2015

17 Direct costs

	2015 RO'000	2014 RO'000	**2015 USD'000**	2014 USD'000
Fuel Gas	**36,429**	18,504	**94,622**	48,062
Depreciation (note 5)	**6,735**	6,729	**17,495**	17,478
Operation and maintenance costs	**6,306**	6,417	**16,380**	16,668
Seawater extraction	**653**	755	**1,697**	1,961
Other operating expenses	**699**	929	**1,810**	2,412
	50,822	33,334	**132,004**	86,581

18 Other income

Insurance claim	**774**	-	**2,012**	-
Others	**14**	52	**36**	136
	788	52	**2,048**	136

19 Administration and general expenses

Management fee	**154**	154	**400**	400
Directors' meeting attendance fees and remuneration (note 16)	**118**	150	**308**	391
Legal and professional fees	**81**	75	**210**	194
Staff costs	**21**	20	**54**	53
Depreciation (note 5)	**2**	1	**5**	3
Other administrative expenses	**431**	451	**1,120**	1,170
	807	851	**2,097**	2,211

20 Finance costs

Interest on net settlement of swaps	**5,367**	5,860	**13,940**	15,220
Interest on base facility	**1,328**	1,332	**3,450**	3,459
Interest on repayment facility	**256**	256	**664**	665
Amortization of deferred financing costs	**320**	342	**830**	888
Other financial charges	**226**	182	**588**	474
Unwinding of discount on decommissioning cost (note 13)	**77**	73	**201**	190
	7,574	8,045	**19,673**	20,896

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2015

21 Net assets per share

At the Extraordinary General Meeting ("EGM") of the shareholders' of the company, held on 30 March 2014, shareholders of the Company approved the share split by reducing the nominal value of share from RO 1.000 to RO 0.100. Muscat security market, in accordance with above decision, amended company's 'shareholders' register' on 2 April 2014. Accordingly, the numbers of issued share of the Company with effect from the date of amendment of shareholders' register, increased from 22,101,000 to 221,010,000 shares. However, change in number of shares had no impact on issued and paid up share capital of the Company.

Net assets per share are calculated by dividing the shareholders' funds by the number of shares at the end of the year.

	2015 RO'000	2014 RO'000	**2015 USD'000**	2014 USD'000
Shareholders' funds (in '000)	**27,188**	27,078	**70,619**	70,332
Number of issued & paid-up shares at the end of the year (in '000)	**221,010**	221,010	**221,010**	221,010
Net assets per share	**0.123**	0.123	**0.320**	0.318

22 Basic earing per share

Basic earnings per share are calculated by dividing the profit for the year by the weighted average number of shares issued during the year.

Profit for the year (in '000)	**3,756**	4,414	**9,757**	11,466
Weighted average number of shares at end of the year (in '000)	**221,010**	221,010	**221,010**	221,010
Basic earnings per share (RO/USD)	**0.017**	0.020	**0.044**	0.052

At the Extraordinary General Meeting held on 30 March 2014, the shareholders resolved to approve to split the par value of the Company's shares from RO 1 to 100 baizas, which was effected in April 2014.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2015

23 Lease commitments

Land on which the Sohar Power and Water Plant is constructed, has been leased from Sohar Industrial Port Company SAOC for a 15 year period [note 5 b)]. At the end of the year, future minimum lease commitments under non-cancellable operating leases are as follows:

Within 1 year	**63**	60	**162**	155
Between 2 and 5 years	**250**	239	**649**	620
After 5 years	**78**	131	**203**	343
	391	430	**1,014**	1,118

24 Financial risk and capital management

The Company's activities expose it to various financial risks, primarily being, market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk. The Company's risk management is carried out internally in accordance with the policies approved by the Board of Directors. Risk management policies and systems are reviewed regularly to ensure that they reflect any changes in market conditions and the Company's activities.

a) Market risk

Foreign currency risk

The Company is exposed to currency risk on borrowings that are denominated in a currency other than the functional currency of Company. The currency in which these transactions are denominated is USD. In respect of Company's transactions denominated in USD, the Management believes the Company is not exposed to the currency risk as the RO is effectively pegged to the USD. At the end of the year, the Company had bank balances denominated in USD amounting to RO 0.2 million (31 December 2014 – RO 0.3 million).

Interest rate risk

The Company's interest rate risk arises from long-term loans availed by the Company. 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 changing interest rates on the fair value of issued fixed rate debt and 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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2015

b) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables. At the end of the year, the entire accounts receivable was from a government owned company (OPWP). The Management considers the credit risk associated with the receivables to be very low because the receivables are from the Government. Furthermore, the cash is placed in reputable banks, which minimize the credit risk.

Age analysis of current trade and other receivables is as follows:

	31 December 2015		31 December 2014	
RO'000		**Allowance for impairment**		Allowance for impairment
Not past dues	**5,498**	**-**	3,508	-
More than one year	**1,392**	**1,392**	1,392	1,392
	6,890	**1,392**	4,900	1,392
USD '000				
Not past dues	14,282	-	9,111	-
More than one year	3,616	3,616	3,616	3,616
	17,898	**3,616**	**12,727**	**3,616**

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2015

24 Financial risk and capital management (continued)

c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company maintains sufficient bank balances and cash to meet the Company's obligations as they fall due for payment.

The table below analyses the expected contractual maturities of the financial liabilities at the end of the year.

31 December 2015	**Carrying value**	**Contractual cash flow**	**6 months or less**	**6 to12 months**	**1 to 2 years**	**2 to 5 years**	**More than 5 years**
	RO'000	**RO'000**	**RO'000**	**RO'000**	**RO'000**	**RO'000**	**RO'000**
Non-derivative financial liabilities (A)							
Secured bank loans	**112,387**	**114,090**	**3,512**	**5,106**	**9,007**	**27,800**	**68,665**
Accounts and related party payable	**7,932**	**7,932**	**7,932**	**-**	**-**	**-**	**-**
Derivative financial liabilities (B)							
Interest rate swaps used for hedging	**15,925**	**14,906**	**1,249**	**2,180**	**3,845**	**6,151**	**1,481**
Total (A + B)	**136,244**	**136,928**	**12,693**	**7,286**	**12,852**	**33,951**	**70,146**
	USD'000	**USD'000**	**USD'000**	**USD'000**	**USD'000**	**USD'000**	**USD'000**
Non-derivative financial liabilities (A)							
Secured bank loans	**291,914**	**296,340**	**9,121**	**13,262**	**23,396**	**72,209**	**178,352**
Accounts and related party payable	**20,593**	**20,593**	**20,593**	**-**	**-**	**-**	**-**
Derivative financial liabilities (B)							
Interest rate swaps used for hedging	**41,364**	**38,718**	**3,243**	**5,663**	**9,986**	**15,976**	**3,850**
Total (A + B)	**353,871**	**355,651**	**32,957**	**18,925**	**33,382**	**88,185**	**182,202**
31 December 2014							
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Non-derivative financial liabilities (A)							
Secured bank loans	120,340	122,363	3,319	4,951	8,616	27,959	77,518
Accounts and related party payable	4,439	4,439	4,439	-	-	-	-
Derivative financial liabilities (B)							
Interest rate swaps used for hedging	18,945	21,412	2,822	2,422	4,691	8,520	2,957
Total (A + B)	143,724	148,214	10,580	7,373	13,307	36,479	80,475

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2015

24 Financial risk and capital management (continued)

c) Liquidity risk (continued)

	Carrying value USD'000	Contractual cash flow USD'000	6 months or less USD'000	6 to12 months USD'000	1 to 2 years USD'000	2 to 5 years USD'000	More than 5 years USD'000
Non-derivative financial liabilities (A)							
Secured bank loans	312,570	317,826	8,620	12,860	22,380	72,620	201,346
Accounts and related party payable	11,527	11,527	11,527	-	-	-	-
Derivative financial liabilities (B)							
Interest rate swaps used for hedging	49,209	55,621	7,331	6,292	12,185	22,131	7,682
Total (A + B)	373,306	384,974	27,478	19,152	34,565	94,751	209,028

d) Capital management

The Company's objectives when managing capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- To provide an adequate return to shareholders and sustain future development of the business.

The Company has complied with externally imposed capital requirements as stipulated in the Commercial Companies Law, 1974 (as amended) and by the Capital Market Authority.

e) Capital commitments

As of 31 December 2015, there are no capital commitments.

25 Fair value measurement

The Management believes that the fair values of financial assets and liabilities are not significantly different from their carrying amounts at the end of the year. The fair value hierarchy has the following levels:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The fair value of derivative financial liabilities (interest rate swaps) with a carrying value of RO 14.7 million (USD 38.1 million) [31 December 2014: RO 17.5 million (USD 45.5 million)] is calculated as the present value of the estimated future cash flows based on observable yield curves. Accordingly, they have been fair valued under Level 2 hierarchy. There were no transfers between the Level 1 and Level 2 hierarchies in the current year.

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for the year ended 31 December 2015

5 PROPERTY, PLANT AND EQUIPMENT (continued)

31 December 2015	Buildings	Plant and machinery	Technical parts	Other assets	Decom-missioning assets	Capital work in progress	Total	Total
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	USD'000
Cost								
1 January 2015	7,009	189,031	4,888	22	777	302	202,029	524,749
Additions during the year	18	203	13	2	-	24	260	677
At 31 December 2015	7,027	189,234	4,901	24	777	326	202,289	525,426
Depreciation								
At 1 January 2015	1,824	48,447	1,180	19	196	-	51,666	134,196
Charge for the year	235	6,306	168	2	26	-	6,737	17,500
At 31 December 2015	2,059	54,753	1,348	21	222	-	58,403	151,696
Net book value								
At 31 December 2015	4,968	134,481	3,553	3	555	326	143,886	373,730
At 31 December 2014	5,185	140,584	3,708	3	581	302	150,363	390,553

Capital work in progress represents plant and machinery and technical parts which have only been partly assembled

5 PROPERTY, PLANT AND EQUIPMENT (continued)

31 December 2014	Buildings	Plant and machinery	Technical parts	Other assets	Decommis-sioning assets	Capital work in progress	Total	Total
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	USD'000
Cost								
At 31 December 2013	7,009	189,031	4,888	21	777	54	201,780	524,101
Additions during the year	-	-	-	1	-	248	249	648
At 31 December 2014	7,009	189,031	4,888	22	777	302	202,029	524,749
Depreciation								
At 31 December 2013	1,588	42,144	1,014	18	172	-	44,936	116,715
Charge for the year	236	6,303	166	1	24	-	6,730	17,481
At 31 December 2014	1,824	48,447	1,180	19	196	-	51,666	134,196
Net book value								
At 31 December 2014	**5,185**	**140,584**	**3,708**	**3**	**581**	**302**	**150,363**	**390,553**
At 31 December 2013	**5,421**	**146,887**	**3,874**	**3**	**605**	**54**	**156,844**	**407,386**