Financial results

(Amounts in RO'000)

DIRECTORS' REPORT

Dear Shareholders,

The Directors are pleased to present the Annual Report on the business and operations of the Company, and the financial results for the year ended 31 December 2008.

Financial Results

Amts'000

	2008 RO'000	2007 RO'000	% increase (decrease) over 2007
Capacity charges	**7,321**	**7,143**	2%
Energy charges	**8,920**	**8,738**	2%
Operating revenue	**16,241**	**15,881**	2%
Gross profit	**4,705**	**4,700**	0%
Profit from operations	**4,374**	**4,379**	0%
Profit before tax	**2,321**	**2,165**	7%
Deferred taxation	**(278)**	**(260)**	(7%)
Net profit for the year	**2,043**	**1,905**	7%
Gross Profit ratio	**29%**	**30%**	(2%)
Net Profit ratio	**13%**	**12%**	5%
Basic earnings per share (Baizas)	**212**	**198**	7%

Financial and Operational Highlights

The Company achieved an excellent commercial availability of 99.94% for 2008. During the year, 1,136 GWh of electrical power was delivered to the Omani Grid, an increase of 4% from the 1,089 GWh delivered during 2007. The high plant availability was made possible by efficient plant operations.

These achievements were again realised with no Lost Time Accidents for the sixth successive year and reflect our continued focus on Health, Safety, Environment and Quality Management. We express our thanks to the dedicated operation and maintenance team for their outstanding efforts.

The net profit for the year shows a 7% increase over the previous year. The growth in net profit resulted from effective cost control measures that were also supported by reduced finance costs.

The earnings per share increased from Baizas 198 in 2007 to Baizas 212 in 2008.

Power Sector in Oman

AKPC's entire output generated is purchased by Oman Power and Water Procurement Company SAOC (OPWP) pursuant to the Power Purchase Agreement between OPWP and AKPC. With OPWP predicting an annual increase of 10% demand for power in Oman, AKPC is well positioned to benefit from this. The Company generated 8% of the total power produced in the region for 2008. The total power delivered to the North Oman grid by power plants increased from 12,475 GWh in 2007 to 14,020 GWh in 2008, an increase of 12% over 2007.

Important Contractual Agreements

- The Power Purchase Agreement (PPA) sets out the terms of the generation and supply of power exclusively to OPWP, a closed joint stock company owned by the Government of Oman. The Agreement covers the fifteen years period from 1 May 2002. Under the terms of PPA, the Company has the right and obligation to generate electricity.

- The Generation Licence is granted by the Authority for Electricity Regulation, a state regulatory body established under the Sector Law.

- The Natural Gas Sales Agreement (NGSA) with the Ministry of Oil and Gas (MOG) for the purchase of natural gas from MOG for the period of fifteen years at a pre-determined price of US$ 1.50 per MMBTU.

- The Operation & Maintenance Agreement (OMA) with Al Kamil Construction & Services LLC (AKCS), a company incorporated in the Sultanate of Oman, and a related party, for the operations and maintenance of the power plant. The Agreement is valid for a period of fifteen years from the commercial operation date. AKCS is responsible for the operations and maintenance of the Plant for a consideration of a fixed, as well as a variable, fee.

Presently, the Company does not anticipate any changes in the above-referred agreements that may have detrimental impact on the Company's operations due to their explicit change in law protection provisions.

Future outlook and expansion plans

OPWP has yet to respond to a technical feasibility study submitted by the company in 2007 in response to OPWP's request to evaluate the conversion of the Company's existing Open Cycle Gas Turbines (OCGT) to Combined Cycle Gas Turbine (CCGT), which would increase the power generating capacity of AKPC's plant and improve the efficiency of the combustion of the natural gas.

Donations and contributions to the local communities

The Company made the following donations and contributions during 2008:

	Amts in Rials Omani	
Donations:		
Al Noor Association for Blind	**2,000**	
British Scholarship for Oman	**830**	
Sultan Qaboos University Hospital-Children cancer ward	**500**	
The Women's Guild in Oman	**250**	
		3,580
Community support:		
Development of the public park at Al Kamil		**8,000**
Total		**11,580**

The Company also has a policy of community development in Al Kamil Al Wafi Wilayat, and takes its role as a responsible corporate citizen seriously. We seek to enhance the community at large, particularly through the encouragement of engineering students across the Sultanate to undertake vocational training at Al Kamil plant as part of their regular curricula.

Health education and assistance is another cornerstone of our social responsibility programme, achieving results through health awareness programmes and sponsored 'fun runs'.

Dividends

The following dividends were declared and disbursed during 2008

- In June, a final dividend of 12% for 2007
- In November, an interim dividend of 7% for 2008

The Directors have recommended that a final ordinary dividend of 8% be paid in June 2009.

Consistent with the Company's declared policy - and in accordance with Capital Market Authority regulations - the Directors expect to declare and pay an interim and final dividend each year. Our dividend policy of distributing available cash is conditional upon reserves being available after bank covenants are met and provision has been made for forecasted loan repayments and operating expenses.

Repayments under the Company's current loan facility are set to increase over the next few years. This will reduce the cash available for distributions. Accordingly, it is currently expected that the dividends paid during the next few years will be at a lower level than in recent years. The Board of Directors will continue to look for opportunities to improve upon this current outlook.

The following is a table of dividends declared by the Company in the last five years:

Year	Interim dividend %	Final Dividend %	Total Dividend %
2004	6%	6%	12%
2005	8%	10%	18%
2006	8%	12%	20%
2007	8%	12%	20%
2008	7%	8% (proposed)	15%

Other Matters

- There is a continuous process for indentifying, evaluating and managing the key risks faced by the company. The Internal Audit Plan is framed to appraise any identifiable high-risk areas. The report of the internal auditor is reviewed and necessary actions taken. During the year, the Company identified various risks and finalised mitigation plans.
- The auditors have given an unqualified audit report on the financial results of the Company for the year 2008.

Conclusion

We are highly impressed by the commitment of all personnel associated with the operation of Al Kamil power plant and the staff of the Company. It is only through the efforts of all our employees, as well as to those others such as our contractors and suppliers that we are able to achieve these excellent results.

Finally, we would like to take this opportunity to extend our sincere gratitude to His Majesty Sultan Qaboos bin Said, His Government and all concerned statutory bodies, including regulatory authorities, for their continued encouragement and their support of private sector investors.

On behalf of the Board of Directors,

Dr. Ranald G.L. Spiers
Chairman