Notes to the financial statements for the year ended 31 December 2008

1. General

Al Kamil Power Company SAOG (the "Company") was registered and incorporated on 15 July 2000, as a closed joint stock company in the Sultanate of Oman. The Company was set up to build and operate a 285 MW electricity generating station at Al Kamil in the Sharqiya Region. The Company was converted to a general joint stock company on 22 September 2004.

2. Significant agreements

The Company has entered into the following significant agreements:

(i) Power Purchase Agreement ("PPA") with the Ministry of Housing, Electricity and Water ("MHEW"), Sultanate of Oman, granting the Company a long-term power supply agreement for a period of fifteen years commencing from the scheduled commercial operation date (COD). Under the terms of PPA, the Company has the right and obligation to generate electricity. The Company was granted a Generation Licence by the Authority for Electricity Regulation ("AER"), a state regulatory body established under the Sector Law.

On 1 May 2005, the PPA was novated to Oman Power and Water Procurement Co. SAOC (OPWP), a closed joint stock company owned by the Government of Oman ("Government"). All the financial commitments of OPWP are guaranteed by the Government of Oman. Provisions for novation and Government Guarantee were embodied in the PPA. The provisions for novation were enacted pursuant to the promulgation of the Sector Law in August 2004.

(ii) Natural Gas Sales Agreement ("NGSA") with the Ministry of Oil and Gas ("MOG") for the purchase of natural gas from MOG for the period of fifteen years at a pre-determined price.

(iii) Usufruct agreement with the Government for grant of Usufruct rights over the project site for 25 years.

(iv) Operation & Maintenance Agreement ("OAMA") with Al Kamil Construction & Services LLC ("AKCS"), a company incorporated in the Sultanate of Oman, and a related party, for operations and maintenance of the power plant. The OAMA is valid for a period of 15 years from the scheduled commercial operations date or the termination date of PPA, whichever is earlier.

(v) Generation Licence granted by the Authority for Electricity Regulation, a governmental regulatory body established under the Sector Law.

(vi) Agreement with Société Générale and Bank Muscat SAOG for long-term loan facilities.

(vii) Agreement with National Bank of Oman for Stand-by Letter of Credit to fund the debt service reserve requirements of the long-term loan facilities.

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

For the year ended 31 December 2008, the Company has adopted all of the new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for periods beginning on 1 January 2008.

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

At the date of authorisation of these financial statements, the following standards and interpretations were in issue but not yet effective:

	Effective for annual period beginning or after
IFRIC 13 : Customer Loyalty Programmes	1 July 2008
IFRIC 16 : Hedges of a Net Investment in a Foreign Operation	1 October 2008
IFRIC 15 : Agreements for the Construction of Real Estate	1 January 2009
IFRS 1 : (Revised) First-time adoption of International Financial Reporting Standards	1 January 2009
IFRS 2 : (Revised) Share-based Payment	1 January 2009
IFRS 8 : Operating Segments	1 January 2009
IAS 1 : (Revised) Presentation of Financial Statements	1 January 2009
IAS 16 : (Revised) Property, Plant and Equipment	1 January 2009
IAS 19 : (Revised) Employee Benefits	1 January 2009
IAS 20 : (Revised) Government Grants and Disclosure of Government Assistance	1 January 2009
IAS 23 : (Revised) Borrowing Costs	1 January 2009
IAS 29 : (Revised) Financial Reporting in Hyperinflationary Economies	1 January 2009
IAS 32 : (Revised) Financial Instruments : Presentation	1 January 2009
IAS 36 : (Revised) Impairment of Assets	1 January 2009
IAS 38 : (Revised) Intangible Assets	1 January 2009
IAS 40 : (Revised) Investment Property	1 January 2009
IAS 41 : (Revised) Agriculture	1 January 2009
IFRS 3 : (Revised) Business Combinations	1 July 2009
IFRS 5 : (Revised) Non-Current Assets held for Sale and Discontinued Operations	1 July 2009
IFRS 7 : Reclassification of Financial Assets	1 July 2009
IFRS 17 : Distribution of Non-cash Assets to Owners	1 July 2009
IAS 27 : (Revised) Consolidated and Separate Financial Statements	1 July 2009
IAS 28 : (Revised) Investment in Associates	1 July 2009
IAS 31 : (Revised) Interests in Joint Ventures	1 July 2009
IAS 39 : (Revised) Financial Instruments: Recognition and Measurement	1 July 2009

The directors anticipate that the adoption of the above standards and interpretations in future periods will have no material impact on the financial statements of the Company.

4. Summary of significant accounting policies

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as promulgated by the International Accounting Standards Board, and comply with the disclosure requirements set out in the Rules for Disclosure and Proformas issued by the Capital Market Authority and the requirements of the Commercial Companies Law of 1974, as amended.

Basis of preparation

These financial statements are prepared on the historical cost basis except for derivative financial instruments, which are stated at fair value. The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

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

Intangible assets

The Company considers an intangible asset as an identifiable non-monetary asset without physical substance. The three critical attributes of an intangible asset are:
(a) identifiability;
(b) control (power to obtain benefits from the asset); and
(c) future economic benefits (such as revenues or reduced future costs).

An intangible asset is identifiable when it:

(a) is separable (capable of being separated and sold, transferred, licensed, rented, or exchanged, either individually or as part of a package) or
(b) arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

Amortisation is the systematic allocation of the depreciable amount of an intangible asset over its useful life. Carrying amount is the amount at which an asset is recognised in the balance sheet after deducting any accumulated amortisation and accumulated impairment losses thereon.

4. Summary of significant accounting policies (continued)

Property, plant and equipment

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

Subsequent expenditure

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul expenditure is capitalised. Other subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of property, plant and equipment. All other expenditure is recognised in the income statement as an expense as incurred.

Depreciation

Depreciation is charged on a straight-line basis over the estimated useful lives of items of property, plant and equipment and major components that are accounted for separately as follows:

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

Depreciation is charged from the month of addition to property, plant and equipment while no depreciation is charged in the month of sale. Depreciation method, useful lives as well as residual values are re-assessed annually.

Impairment

The carrying amounts of the Company's assets, other than inventories and deferred tax assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. Recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. An impairment loss is recognised in the income statement whenever the carrying amount of an asset exceeds its recoverable amount.

In assessing value in use, the estimated cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

4. Summary of significant accounting policies (continued)

Impairment (continued)

An impairment loss in respect of a receivable is reversed if the subsequent increase in the recoverable amount can be related objectively to an event occurring after the impairment loss was recognised. In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the assets' carrying amount does not exceed the carrying amount that would have been determined net of depreciation or amortisation, if no impairment loss had been recognised.

Borrowing costs

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

Inventories

Fuel and maintenance spares inventory is stated at the lower of cost and net realisable value. Cost is determined on the weighted average principle and includes all costs incurred in acquiring the inventories and bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Receivables

Receivables are stated at their amortised cost less provision for impairment losses, if any.

Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances and bank deposits with a maturity of less than three months from the date of placement. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalent for the purposes of cash flows statement.

4. Summary of significant accounting policies (continued)

Interest bearing borrowings

Interest bearing borrowings are recognised initially at cost, less attributable costs such as loan arrangement fee and interest during the construction period. Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of borrowings on an effective interest rate basis.

Payables and accruals

Other payables and accruals are stated at their amortised cost.

Provisions

A provision is recognised in the balance sheet 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. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Foreign currencies

Transactions in foreign currencies are translated to Rials Omani at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Rials Omani at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities denominated in foreign currencies that are stated at historical cost, are translated to Rials Omani at the foreign exchange rate ruling at the date of the transaction. All foreign exchange differences are recognised in the income statement.

Derivative financial instruments and hedging

The Company uses derivative financial instruments to hedge its exposure to certain portion of its interest rate risks arising from financing activities. In accordance with its treasury policy, the Company does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are recognised initially at cost. Subsequent to initial recognition, derivative financial instruments are stated at their fair value. Recognition of any resultant gain or loss depends on the nature of the item being hedged.

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised liability, the effective part of any gain or loss on the derivative financial instrument is recognised directly in equity. The ineffective part of any gain or loss is recognised in the income statement immediately.

4. Summary of significant accounting policies (continued)

Revenue

Operating revenue comprises tariffs for fixed capacity and energy charges. Tariffs are calculated in accordance with the Power Purchase Agreement (PPA). The revenue is recognised on the basis of operating lease. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due and associated costs.

Interest income is recognised in the income statement using effective interest rate method.

Operating lease payments

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

Employee benefits

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

Retirement benefits for Omani employees are contributed in accordance with the terms of the Social Securities Law of 1991.

Income tax

Income tax on the results for the year comprises deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Deferred tax is provided using the balance sheet liability method on all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is calculated on the basis of the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

5. Critical accounting judgments and key sources of estimation uncertainty

The presentation of financial statements, in conformity with IFRSs, requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenditures. The estimates and associated assumptions are based on historical experiences and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from those estimates.

The estimates and underlying assumptions are reviewed on an on going basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

(i) Depreciation

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

(ii) Decommissioning costs

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

6. Intangible assets

Pursuant to the Natural Gas Sales Agreement (NGSA) with the Ministry of Oil and Gas (MOG), the Company, effective November 2007, transferred "Natural Gas Reception System" comprising multiple streams with redundancy, each providing pressure reduction and control filtering, condensate extraction, heating, metering and on-line gas calorific value analysis, to MOG. Although the ownership of this asset was transferred to MOG, the Company retains the beneficial economic use of the asset until the expiry of the NGSA, i.e., 30 April 2017.

In terms of the Company's stated policy on intangible assets and amortisation, the book value of the Natural Gas Reception System of RO 620,000 (US$ 1.612 million) has been classified as intangible asset which will be amortised until the expiry of NGSA. Accordingly, the annual amortisation charge will be RO 65,244 (US$ 169,000). At 31 December 2008, amortisation totalling RO 76,000 (US$ 198,000) has been charged.

7. Property, plant and equipment

	Plant and machinery RO'000	Building and civil works RO'000	Other assets RO'000	Total RO'000	Total US $'000
Cost					
At 1 January 2007	47,516	915	359	48,790	126,854
Acquisitions	524	1	3	528	1,373
Transfer	(723)	-	-	(723)	(1,880)
1 January 2008	47,317	916	362	48,595	126,347
Acquisitions	443	2	3	448	1,167
Disposals	-	-	(5)	(5)	(13)
Transfer / adjustment	3,030	-	(15)	3,015	7,840
31 December 2008	**50,790**	**918**	**345**	**52,053**	**135,341**
Depreciation					
At 1 January 2007	6,308	72	326	6,706	17,436
Charge for the year	1,803	23	19	1,845	4,797
Transfer	(104)	-	-	(104)	(270)
At 1 January 2008	8,007	95	345	8,447	21,963
Charge for the year	1,772	23	10	1,805	4,696
Disposals	-	-	(4)	(4)	(11)
Transfer / adjustment	-	-	(15)	(15)	(39)
31 December 2008	**9,779**	**118**	**336**	**10,233**	**26,609**
Carrying amount					
At 31 December 2008	**41,011**	**800**	**9**	**41,820**	**108,732**
At 31 December 2007	39,310	821	17	40,148	104,384

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

8. Inventories

	2008 RO'000	**2008 US $'000**	2007 RO'000	2007 US $'000
Liquid fuel	**895**	**2,327**	883	2,296
Maintenance spares	**212**	**552**	3,247	8,442
	1,107	**2,879**	4,130	10,738

In accordance with the terms of the various project agreements, the Company is required to maintain a base stock of liquid fuel. Such liquid fuel stock is to be held to cover the contingency of interruption in the supply of gas fuel. The requirement is to hold minimum of five days' consumption in order to operate the turbines at full capacity.

During the year the Company reorganised the maintenance spares between consumable maintenance spares and those maintenance spares that are amenable to refurbishment. The latter class of maintenance spares amounting to RO 3.030 million (US$ 7.878 million) were classified as plant and machinery and are accordingly disclosed in Note 7 as transfer / adjustment.

9. Tariff receivables

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

10. Other receivables and prepayments

	2008 RO'000	**2008 US $'000**	2007 RO'000	2007 US $'000
Advances	**648**	**1,685**	446	1,161
Long term advance	**(459)**	**(1,193)**	(42)	(110)
	189	**492**	404	1,051
Prepayments	**152**	**395**	119	309
Other receivables	**-**	**-**	4	10
	341	**887**	527	1,370

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

11. Cash and cash equivalents

	2008 RO'000	**2008 US $'000**	2007 RO'000	2007 US $'000
Current accounts	**17**	**44**	6	16
Deposit accounts	**1,292**	**3,358**	2,022	5,257
	1,309	**3,402**	2,028	5,273

During the year 2008 the deposit accounts earned interest at rates ranging between 1.0% and 4.2% per annum, (2007: 1.0% and 5.5% per annum).

12. Share capital

	2008 RO'000	**2008 US $'000**	2007 RO'000	2007 US $'000
Authorised share capital of 25,000,000 (2007: 25,000,000) shares of RO 1 each	**25,000**	**65,000**	25,000	65,000
Issued and fully paid-up share capital of 9,625,000 (2007: 9,625,000) shares of RO 1 each	**9,625**	**25,025**	9,625	25,025

The Company's shareholders at 31 December comprised of the following:

	2008		2007	
	Number of shares	**%**	Number of shares	%
National Power Al Kamil Investments Ltd.	**4,691,593**	**48.74**	4,691,593	48.74
Al Kamil Investments Ltd.	**1,564,063**	**16.25**	1,564,063	16.25
National Power Oman Investments Ltd.	**594**	**0.01**	594	0.01
Others	**3,368,750**	**35.00**	3,368,750	35.00
	9,625,000	**100.00**	9,625,000	100.00

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

13. Legal reserve

The Commercial Companies Law of 1974 requires that 10% of a company's net profit be transferred to a non-distributable legal reserve until the amount of legal reserve becomes equal to one-third of the Company's share capital. This reserve is not available for distribution.

14. Hedging deficit

The term loan facilities of the Company bear interest at US LIBOR plus applicable margins. In accordance with the Term Loan Agreement, the Company is obliged to fix the rate of interest through Interest Rate Swap Agreements ("IRS") for a minimum of 75% of its loan facility. In 2002, IRS amounting to approximately 75% of the loan was hedged at a fixed interest rate of 6.29% per annum, excluding margin. During 2005, further 11% of the loan was hedged at a fixed interest rate of 4.1325% per annum, excluding margin.

As at 31 December 2008, based on the interest rate differential over the life of the IRS, an indicative deficit was assessed at approximately RO 3.219 million (US$ 8.369 million) [2007 – RO 1.734 million (US $ 4.509 million)] by the counter parties to the IRS. In order to comply with International Accounting Standard 39 "Financial Instruments: Recognition and Measurement" fair value of the hedge instruments' indicative losses in the amount of approximately RO 3.219 million (US$ 8.369 million) [2007 – RO 1.734 million (US $ 4.509 million)] has been recorded within the equity of the Company under "Hedging Deficit" and a similar amount is recorded under long term liabilities.

15. Deferred taxation

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

At 31 December 2008, the Company's deferred tax liability amount to approximately RO 1.707 million (US$ 4.439 million) [2007 – RO 1.429 million (US $ 3.716 million)]arising on temporary timing differences. The movement in deferred tax liability during the year is as follows:

	2008 RO'000	**2008 US $'000**	2007 RO'000	2007 US $'000
1 January	**1,429**	**3,716**	1,169	3,040
Deferred tax charge for the year	**278**	**723**	260	676
31 December	**1,707**	**4,439**	1,429	3,716

15. Deferred taxation (continued)

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

	2008 RO'000	**2008 US $'000**	2007 RO'000	2007 US $'000
Accelerated depreciation	**3,530**	**9,179**	2,925	7,605
Tax loss	**(1,823)**	**(4,740)**	(1,496)	(3,889)
	1,707	**4,439**	1,429	3,716

The assessments for the years 2003-2007 have not been finalised with the Department of Taxation Affairs, Ministry of Finance. No provision for current year tax has been made as the Company has a taxable loss for the year.

The current deferred tax liability is based on the assumption that the tax losses incurred during tax-exempt period would be available for carry forward indefinitely in post tax-exempt period. The Department of Taxation Affairs could disagree with the Company on the availability of tax losses incurred during the tax exemption period, against future taxable profits. Should this be the case, the Company would need to recognise an additional deferred tax liability of RO 1.351 million (US$ 3.51 million) [2007 – RO 1 million (US $ 2.6 million)] as of 31 December 2008.

16. Long-term loans

	2008 RO'000	**2008 US $'000**	2007 RO'000	2007 US $'000
Secured Loan	**26,606**	**69,176**	28,756	74,766
Unsecured Loan	**2,243**	**5,832**	2,468	6,417
	28,849	**75,008**	31,224	81,183
Current maturities of long-term loans	**(2,549)**	**(6,627)**	(2,375)	(6,175)
Unamortised transaction costs	**(524)**	**(1,362)**	(640)	(1,665)
Net long term loans	**25,776**	**67,019**	28,209	73,343

16. Long-term loans (continued)

The amount of loans outstanding as at December 2008 is analysed as follows:

	Total	Payable within one year	Payable between 1 and 2 years	Payable Between 2 and 5 years	Payable after 5 years
RO'000					
Secured loan	**26,606**	**2,324**	**2,498**	**9,280**	**12,504**
Unsecured loan	**2,243**	**225**	**225**	**675**	**1,118**
	28,849	**2,549**	**2,723**	**9,955**	**13,622**
US$'000					
Secured loan	**69,176**	**6,042**	**6,494**	**24,127**	**32,513**
Unsecured loan	**5,832**	**585**	**585**	**1,755**	**2,907**
	75,008	**6,627**	**7,079**	**25,882**	**35,420**

Secured Loan

The Company has syndicated long-term loan facility from financial institutions in the aggregate amount of approximately RO 36 million (US$ 94 million). Société Générale and Bank Muscat SAOG are the arrangers of the facilities and have respectively been appointed as the offshore and on-shore security agents for the secured finance parties and as the security trustees. Société Générale is also the Facility and Security Agent for administration and monitoring of the overall loan facilities. The loan agreement contains certain restrictive covenants, which include, amongst others, restrictions over debt service and debt equity ratios, certain restrictions on the transfer of shares, payment of dividends, disposal of property, plant and equipment and incurrence of additional debt.

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

Period	Margin Percentage
2005 to 2010	0.70%
2010 to 2015	0.90%
2016 to 2017	1.20%

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

16. Long-term loans (continued)

Unsecured Loan

Unsecured loan facility of RO 2.243 million (US$ 5.832 million) [2007 – RO 2.468 million (US $ 6.417 million)] from Bank Muscat SAOG was rescheduled in 2007 with the following revised terms:

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

During the year, the Company incurred the following finance costs:

	2008 RO'000	**2008 US $'000**	2007 RO'000	2007 US $'000
Secured loan	**1,777**	**4,620**	1,997	5,192
Unsecured loan	**168**	**437**	164	426
Amortisation of transaction costs	**116**	**301**	124	322
Others	**32**	**83**	32	83
	2,093	**5,441**	2,317	6,023

17. Trade and other payables

Trade payables	**914**	**2,376**	995	2,587
Interest payable	**269**	**699**	317	824
Payable to fixed asset creditors	**71**	**185**	60	156
Accruals and other payables	**162**	**420**	206	535
	1,416	**3,680**	1,578	4,102

18. Due to related parties

Al Kamil Construction & Services LLC	**288**	**750**	282	733
National Power International Limited	**-**	**-**	(2)	(5)
	288	**750**	280	728

19. Operating revenue

	2008 RO'000	**2008 US $'000**	2007 RO'000	2007 US $'000
Capacity charges	**7,321**	**19,035**	7,143	18,572
Energy charges	**8,920**	**23,192**	8,738	22,719
	16,241	**42,227**	15,881	41,291

20. Operating costs

Fuel cost	**7,916**	**20,582**	7,752	20,155
Operation and maintenance charges	**1,760**	**4,577**	1,592	4,139
Depreciation	**1,795**	**4,669**	1,826	4,748
Amortisation of Intangible Assets	**65**	**169**	11	29
	11,536	**29,997**	11,181	29,071

21. Administrative and general expenses

	2008 RO'000	**2008 US $'000**	2007 RO'000	2007 US $'000
Employee costs	**164**	**428**	137	356
Depreciation	**10**	**27**	19	49
Legal and professional fees	**53**	**138**	64	166
Travelling	**11**	**29**	11	29
Social development costs	**12**	**31**	17	44
Utilities charges	**13**	**31**	11	29
Rent, rates and taxes	**11**	**29**	8	21
Directors / shareholders' meeting expenses	**18**	**47**	16	42
Share registration fees	**10**	**26**	10	26
Miscellaneous expenses	**29**	**75**	28	73
	331	**861**	321	835

21. Administrative and general expenses (continued)

Employee related expenses comprise the following:

	2008 RO'000	**2008 US $'000**	2007 RO'000	2007 US $'000
Wages and salaries	**148**	**385**	124	322
Other benefits	**3**	**9**	2	5
Contribution to defined retirement plan	**1**	**3**	1	3
Increase in liability for employee benefits	**12**	**31**	10	26
	164	**428**	137	356

The number of employees as at 31 December 2008 was 5 (2007: 4).

22. Other income

	2008 RO'000	**2008 US$ '000**	2007 RO'000	2007 US$ '000
Interest and other income	**39**	**101**	103	268
Profit on sale of fixed assets	**1**	**2**	-	-
	40	**103**	103	268

23. Related party transactions

The Company has a related party relationship with entities over which certain shareholders and Directors are able to exercise significant influence. The Company also has a related party relationship with its Directors. In the ordinary course of business, such related parties provide goods and render services to the Company. The Company has entered into an Operation and Maintenance Agreement with Al Kamil Construction & Services LLC, a related party, for operations and maintenance of the plant for a period of 15 years from the scheduled commercial operations date or the termination date of PPA, whichever is earlier [Note 2(iv)].

23. Related party transactions (continued)

Prices and terms for these transactions, which are entered into in the normal course of business, are on terms and conditions, which the Directors consider, are comparable with those that could be obtained from unrelated third parties. The volume of related party transactions during the year ended 31 December 2008 was as follows:

	2008 RO'000	**2008 US $'000**	2007 RO'000	2007 US $'000
Operating costs				
Fee charged by AKCS under the Operations and maintenance agreement	**2,162**	**5,622**	1,952	5,075
Costs incurred by AKCS on behalf of the Company	**7**	**19**	3	9
	2,169	**5,641**	1,955	5,084
Administrative and general expenses				
Directors' meeting fee	**5**	**12**	6	16

	2008 RO'000	**2008 US $'000**	2007 RO'000	2007 US $'000
Compensation of key management personnel				
Short term benefits	**138**	**359**	106	276
Post employment benefits	**46**	**119**	41	106
	184	**478**	147	382

24. Basic and diluted earnings per share

Basic and diluted earnings per share is calculated as follows:

	2008	**2008**	2007	2007
Net profit for the period RO/US$ ('000)	**2,043**	**5,308**	1,905	4,954
Number of shares outstanding at 31 December ('000)	**9,625**	**9,625**	9,625	9,625
Basic and diluted earnings per share RO/US$	**0.212**	**0.55**	0.198	0.51

25. Net assets per share

Net assets per share is calculated by dividing the shareholders' fund at the year end by the number of shares outstanding as follows:

	2008	**2008**	2007	2007
Shareholders' fund RO / US$ ('000)	**14,850**	**38,606**	14,636	38,054
Number of shares outstanding as at 31 December ('000)	**9,625**	**9,625**	9,625	9,625
Net assets per share (RO / US $)	**1.543**	**4.01**	1.521	3.95

26. Dividends paid

Following dividends were declared and paid during the year

- A final dividend of 12% (i.e. RO 0.120 per share) for the year 2007 was paid to the shareholders of the Company who were on the shareholders' list registered with Muscat Depository & Securities Registration Co. SAOC as at 30 June 2008.
- An interim dividend of 7% (i.e. RO 0.070 per share) for the year 2008 was paid to the shareholders of the Company who were on the shareholders' list registered with Muscat Depository & Securities Registration Co. SAOC as at 15 November 2008.

27. Commitments

	2008 RO'000	**2008 US $'000**	2007 RO'000	2007 US $'000
Letter of credit	**1,520**	**3,953**	1,610	4,185
Capital commitment	**25**	**65**	6	17

Operating lease commitments

Land, on which the power station, buildings and ancillaries are constructed, has been leased from the Government for a 25 year period. At 31 December 2008, future minimum lease commitments under non-cancellable operating leases were as follows:

	2008 RO'000	**2008 US $'000**	2007 RO'000	2007 US $'000
Within one year	**7**	**18**	7	18
Between two and five years	**4**	**10**	4	10
After five years	**12**	**31**	13	33
	23	**59**	24	61

28. Financial risk management

The Company has exposure to the following risks from its use of financial instruments:

(i) Credit risk
(ii) Liquidity risk
(iii) Market risk

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the receivables from a customer. The Company does not require collateral in respect of financial assets. The Company seeks to control credit risk by monitoring credit exposure. At 31 December 2008 the entire trade receivables was from a Government owned company, Oman Power and Water Procurement Co SAOC ("OPWP"). The maximum exposure to credit risk as of the end of the year was RO 1.006 million (2007: RO 1.023 million). OPWP has a credit rating of A2 given by Moody's (Internet webset). The Company has maintained all cash deposits with banks having credit rating by Moody's of A1 and above.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. As of 31 December 2008, the Company was not materially exposed to any liquidity risk.

The following are the contractual maturities of financial liabilities:

	Carrying amount RO'000	**6 months or less RO'000**	**6-12 months RO'000**	**1 -2 years RO'000**	**More than 2 years RO'000**
2008					
Trade and other payables	1,416	1,360	56	-	-
Due to related parties:	288	288	-	-	-
Loans	28,849	1,221	1,328	2,723	23,577
	30,553	2,869	1,384	2,723	23,577
2007					
Trade and other payables	1,578	1,523	55	-	-
Due to related parties:	280	280	-	-	-
Loans	31,224	1,110	1,265	2,549	26,300
	33,082	2,913	1,320	2,549	26,300

28. Financial risk management (continued)

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. As of 31 December 2008, the Company's market risk due to foreign exchange rates is analysed as under:

Financial assets / liabilities:

	2008			2007		
	Carrying amount in balance sheet RO'000	**Amount denominated in RO RO'000**	**Amount denominated in non RO RO'000**	Carrying amount in balance sheet RO'000	Amount denominated in RO RO'000	Amount denominated in non RO RO'000
Long term advance	**459**	**459**	**-**	42	42	-
Tariff and other receivables	**1,347**	**1,347**	**-**	1,550	1,550	-
Cash and cash equivalents	**1,309**	**1,083**	**226**	2,028	1,486	542
Long term loans	**(28,325)**	**(1,719)**	**(26,606)**	(30,584)	(2,468)	(28,116)
Due to related parties	**(288)**	**(288)**	**-**	(280)	(280)	-
Trade and other Payables	**(1,416)**	**(1,331)**	**(85)**	(1,578)	(1,522)	(56)
	(26,914)	**(449)**	**(26,465)**	(28,822)	(1,192)	(27,630)

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

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

Impact on balance sheet: increase / (decrease).

	2008 RO'000	2007 RO'000
In case of increase of 100 basis points in interest rates	**845**	931
In case of decrease of 100 basis points in interest rate	**(845)**	(931)

28. Financial risk management (continued)

Fair value of financial instruments

The Management believe that the fair values of all financial assets and liabilities of the Company are not different from their carrying amounts at 31 December 2008.

	2008		2007	
	Fair value RO'000	**Carrying amount RO'000**	Fair value RO'000	Carrying amount RO'000
Cash and cash equivalents	**1,309**	**1,309**	2,028	2,028
Tariff and other receivables	**1,347**	**1,347**	1,550	1,550
	2,656	**2,656**	3,578	3,578
Amount due to related parties	**288**	**288**	280	280
Trade and other payables	**1,416**	**1,416**	1,578	1,578
	1,704	**1,704**	1,858	1,858

29. Capital management

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

Management is confident of improving the current level of profitability by enhancing top line growth and prudent cost management. The Company is not subject to externally imposed capital requirements.

30. Approval of financial statements

These financial statements were approved by the Board of Directors and authorized for issue on 4 February 2009.

31. Comparative amounts

Certain amounts for the prior year have been reclassified to conform to current year presentation.