AL KAMIL POWER COMPANY SAOG

Notes to the financial statements for the 9 months ended 30 September 2010 (continued)

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.

Power Purchase Amendment Agreement to supply additional power generating capacity of 14 MW for the Summer Period for the three years 2010-2012 was signed with OPWP.

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

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

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

Significant agreements (continued)

AL KAMIL POWER COMPANY SAOG

Notes to the financial statements
for the 9 months ended 30 September 2010 (continued)

(viii) Electricity Connection Agreement (ECA) with Oman Electricity Transmission Company SAOC (OETC) for establishing a framework between OETC and the Company to provide connection of the power station to the transmission system and enforcement of the Grid Code between OETC and the Company.

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

For the 9 months ended 30 September 2010, 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 2009.

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.

3.1 Standards affecting presentation and disclosure

The following new and revised Standards have been adopted in the current period in these financial statements. Details of other Standards and Interpretations adopted but that have had no effect on the financial statements are set out in section 3.2.

• IAS 1 (as revised in 2007) *Presentation of Financial Statements*	IAS 1 (2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.
• *Improving disclosures about Financial Instruments (Amendments to IFRS 7 Financial Instruments: Disclosures)*	The amendments to IFRS 7 expand the disclosures required in respect of fair value measurements and liquidity risk.

3.2 Standards and Interpretations adopted with no effect on the financial statements

The following new and revised Standards and Interpretations have also been adopted in these financial statements. Their adoption has not had any significant impact on the amounts reported in these financial statements but may affect the accounting for future transactions or arrangements.

• *Improving disclosures about Financial Instruments (Amendments to IFRS 7 Financial Instruments: Disclosures)*	The amendments to IFRS 7 expand the disclosures required in respect of fair value measurements and liquidity risk.
• IFRS 8 *Operating Segments*	IFRS 8 is a disclosure Standard that requires re-designation of the Company's reportable segments based on the segments used by the Chief Operating Decision Maker to allocate resources and assess performance. There was no material impact of this Standard on the previous disclosures and reported results or the financial position of the Company since the business segments reported earlier as per the requirements of IAS 14 *Segment Reporting* are also used by the Chief Executive Officer to allocate resources to the segments and to assess its performance.

Significant agreements (continued)

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

3.2 Standards and Interpretations adopted with no effect on the financial statements

• IFRS for Small and Medium-sized Entities (SMEs)	This Standard is available immediately but the adoption has to be decided by the jurisdiction of implementation.
• Amendments to IFRS 2 *Share-based Payment - Vesting Conditions and Cancellations*	The amendments clarify the definition of vesting conditions for the purposes of IFRS 2, introduce the concept of 'non-vesting' conditions, and clarify the accounting treatment for cancellations.
• IAS 23 (as revised in 2007) *Borrowing Costs*	The principal change to the Standard was to eliminate the option to expense all borrowing costs when incurred. This change has had no impact on these financial statements because it has always been the Company's accounting policy to capitalise borrowing costs incurred on qualifying assets.
• Amendments to IAS 32 *Financial Instruments: Presentation* and IAS 1 *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation*	The revisions to IAS 32 amend the criteria for debt/equity classification by permitting certain puttable financial instruments and instruments (or components of instruments) that impose on an entity an obligation to deliver to another party a pro-rata share of the net assets of the entity only on liquidation, to be classified as equity, subject to specified criteria being met.
• IFRIC 13 *Customer Loyalty Programmes*	The Interpretation provides guidance on how entities should account for customer loyalty programmes by allocating revenue on sale to possible future award attached to the sale.
• IFRIC 15 *Agreements for the Construction of Real Estate*	The Interpretation addresses how entities should determine whether an agreement for the construction of real estate is within the scope of IAS 11 *Construction Contracts* or IAS 18 *Revenue* and when revenue from the construction of real estate should be recognised.
• IFRIC 16 *Hedges of a Net Investment in a Foreign Operation*	The Interpretation provides guidance on the detailed requirements for net investment hedging for certain hedge accounting designations.
• IFRIC 18 *Transfers of Assets from Customers*	The Interpretation addresses the accounting by recipients for transfers of property, plant and equipment from 'customers' and concludes that when the item of property, plant and equipment transferred meets the definition of an asset from the perspective of the recipient, the recipient should recognise the asset at its fair value on the date of the transfer, with the credit recognised as revenue in accordance with IAS 18 *Revenue*.
• Improvements to IFRSs (2008)	Amendments to IFRS 5, IAS 1, IAS 16, IAS 19, IAS 20, IAS 23, IAS 27, IAS 28, IAS 29, IAS 31, IAS 36, IAS 38, IAS 39, IAS 40 and IAS 41 resulting from the May and October 2008 *Annual Improvements to IFRSs* majority of which are effective for annual periods beginning on or after 1 January 2009.
• IFRS 1 (revised) *First time Adoption of IFRS* and IAS 27 (revised) *Consolidated and Separate Financial Statements.*	Amendment relating to Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
• IFRS 3 (revised) *Business Combinations*	Comprehensive revision on applying the acquisition method and consequential amendments to IAS 27 (revised) *Consolidated and Separate Financial Statements*, IAS 28 (revised) *Investments in Associates* and IAS 31 (revised) *Interests in Joint Ventures.*
• IAS 39 (revised) *Financial Instruments: Recognition and Measurement*	Amendments relating to Eligible Hedged Items (such as hedging Inflation risk and Hedging with options).
• IFRS 1 (revised) *First time Adoption of IFRS*	Amendment on additional exemptions for First-time Adopters.
• IFRS 2 (revised) *Share-based payment*	Amendment relating to Group cash-settled Share-based payments.

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

3.2 Standards and Interpretations adopted with no effect on the financial statements (continued)

• IFRIC 17:	Distributions of Non-cash Assets to Owners.
• Amendment to IFRIC 16	Hedges of a Net Investment in a Foreign Operation
• Amendment to IFRIC 9 (revised)	Reassessment of Embedded Derivatives relating to assessment of embedded derivatives in case of reclassification of a financial asset out of the 'FVTPL' category
• Amendments to IFRS 2, IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 18, IAS 36, IAS 38 and IAS 39	Resulting from April 2009 *Annual Improvements to IFRSs*.

IAS 1 Presentation of Financial Statements

The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity. In addition, the standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Company has elected to present two statements.

Other amendments resulting from Improvements to IFRS did not have any major impact on the accounting policies, financial position or performance of the Company.

At the date of authorisation of these financial statements, the following new and revised Standards and Interpretations were in issue but not yet effective:

New Standards and amendments to Standards:

	Effective for annual periods beginning on or after
• IAS 32 (revised) *Financial Instruments:* Presentation – Amendments relating to classification of Rights Issue	1 February 2010
• IAS 24 *Related Party Disclosures* – Amendment on disclosure requirements for entities that are controlled, jointly controlled or significantly influenced by a Government	1 January 2011
• IFRS 9 Financial Instruments: *Classification and Measurement* (intended as complete replacement for IAS 39 and IFRS 7)	1 January 2013

New Interpretations and amendments to Interpretations:

	Effective for annual periods beginning on or after
• IFRIC 19: Extinguishing Financial Liabilities with Equity Instruments	1 July 2010
• Amendment to IFRIC 14: IAS 19: The limit on a defined Benefit Asset, Minimum Funding Requirement and their interaction	1 January 2011

Management anticipates that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Company in the period of initial application.

4. Summary of significant accounting policies

Statement of compliance

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 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.

Intangible assets are carried at cost less accumulated amortisation and accumulated payment losses.

Amortisation is the systematic allocation of the depreciable amount of an intangible asset over its estimated useful life. Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated amortisation and accumulated impairment losses thereon. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

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.

4. Summary of significant accounting policies (continued)

Property, plant and equipment (continued)

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 profit or loss 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 reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. Recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. An impairment loss is recognised in the profit or loss whenever the carrying amount of an asset exceeds its recoverable amount.

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

An impairment loss 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.

4. Summary of significant accounting policies (continued)

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.

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 the statement of cash flows.

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 profit or loss 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 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. 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.

4. Summary of significant accounting policies (continued)

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 reporting period 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 profit or loss.

Financial instruments

Financial assets and financial liabilities are recognized on the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Tariff and other receivables are initially measured at their fair value and subsequently measured at amortised cost, using the effective interest method. Appropriate allowances for estimated irrecoverable amounts are recognised in the profit or loss when there is objective evidence that the asset is impaired.

Trade and other payables are initially measured at their fair value and subsequently measured at amortised cost, using the effective interest method.

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 profit or loss immediately.

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 profit or loss using effective interest rate method.

4. Summary of significant accounting policies (continued)

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 reporting period 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 profit or loss 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 statement of financial position 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 ongoing 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.

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

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

(i) Useful lives of property, plant and equipment

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

(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.

Intangible assets	**Q3-2010 RO'000**	**Q3-2010 US $'000**	Q3-2009 RO'000	Q3-2009 US $'000
Natural Gas Reception System				
Cost				
Balance at 1 Jan	**620**	**1612**	620	1612
Balance at 30 September	**620**	**1612**	620	1612
Amortization				
Balance at 1 Jan	**(142)**	**(369)**	(76)	(198)
Amortization for the period	**(49)**	**(127)**	(49)	(127)
Balance at 30 September	**(191)**	**(496)**	(125)	(325)
Carrying Value	**429**	**1116**	495	1287

AL KAMIL POWER COMPANY SAOG

Notes to the financial statements
for the 9 months ended 30 September 2010 (continued)

7. Property, plant and equipment

	Plant and machinery	Other assets	Building and civil works	Work in Progress	Total	Total
	RO'000	RO '000	RO'000		RO'000	US$'000
Cost						
At 1 January 2009	50,790	345	918	-	52,053	135,338
Acquisitions	177	36	3	39	255	663
Disposals	-	(25)	-	-	(25)	(65)
01-Jan-10	50,967	356	921	39	52,283	135,936
Acquisitions	152	9	-	-	161	419
Disposals	-	(15)	-	-	(15)	(39)
Transfer	-	-	-	(39)	(39)	(101)
30-September -10	51,119	350	921	-	52,390	136,215
Depreciation						
At 1 January 2009	(9,779)	(336)	(118)	-	(10,233)	(26,606)
Charge for the period	(1,998)	(13)	(23)	-	(2,034)	(5,288)
Disposals	-	25	-	-	25	65
Transfer	-	-	-	--	-	-
01-Jan-10	(11,777)	(324)	(141)	-	(12,242)	(31,829)
Charge for the period	(1,512)	(12)	(17)	-	(1,541)	(4,007)
Disposals	-	15			15	39
30-September -10	(13,289)	(321)	(158)	-	(13,768)	(35,797)
Carrying amount						
At 30 September 2010	**37,830**	**29**	**763**	**-**	**38,622**	**100,418**
At 30 September 2009	39,655	35	786	-	40,476	105,238

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

	Q3- 2010 RO'000	**Q3- 2010 US $'000**	Q3- 2009 RO'000	Q3- 2009 US $'000
Liquid fuel	**926**	**2,408**	910	2,366
Maintenance spares	**272**	**707**	239	621
Total	**1,198**	**3,115**	1,149	2,987

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.

AL KAMIL POWER COMPANY SAOG

Notes to the financial statements
for the 9 months ended 30 September 2010 (continued)

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

	Q3- 2010 RO'000	**Q3- 2010 US $'000**	Q3- 2009 RO'000	Q3- 2009 US $'000
Advances	**1,918**	**4,987**	1,147	2,982
Long term advances	**(1,246)**	**(3,240)**	(1,122)	(2,917)
	672	**1,747**	25	65
Prepayments	**11**	**29**	27	70
Other receivables	**5**	**13**	0	0
Total	**688**	**1,789**	52	135

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

Deposit accounts	**3,301**	**8,583**	3,372	8767
Total	**3,301**	**8,583**	3,372	8,767

During the 9 months ended September 2010 the deposit accounts earned interest at rates ranging between 0.10% and 3.50% per annum (2009: 0.15% and 2.15% per annum).

12. Share capital

Authorised share capital of 25,000,000 (September 2009: 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 (September 2009: 9,625,000) shares of RO 1 each	**9,625**	**25,025**	9,625	25,025

AL KAMIL POWER COMPANY SAOG

Notes to the financial statements for the 9 months ended 30 September 2010 (continued)

The Company's shareholders at 30 September comprised of the following:

	Q3 2010		Q3 2009	
	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 30 September 2010, based on the interest rate differential over the life of the IRS, an indicative deficit was assessed at approximately RO 2.972 million (US$ 7.727 million) [September 2009 - RO 2.855 million (US$ 7.424 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 2.972 million (US$ 7.727 million) [September 2009 - RO 2.855 million (US$ 7.424 million)] has been recorded within the equity of the Company under "Hedging Deficit" and a similar amount is recorded under long term liabilities.

	Q3 2010 RO'000	**Q3 2010 US $'000**	Q3 2009 RO'000	Q3 2009 US $'000
Cumulative change in fair value:				
Balance at the beginning of the year	**2,316**	**6,022**	3,219	8,370
Change in fair value during the period	**656**	**1,705**	(364)	(946)

AL KAMIL POWER COMPANY SAOG

Notes to the financial statements for the 9 months ended 30 September 2010 (continued)

Balance at the end of the period	**2,972**	**7,727**	2,855	7,424

15. Taxation

Income tax

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.

The assessments for the years 2004 - 2009 have not been finalised by the Department of Taxation Affairs, Ministry of Finance. No provision for current period's tax has been made as the Company has set-off taxable income for the period against previous years' tax losses brought forward.

Deferred tax

At 30 September 2010, the Company's deferred tax liability amounts to approximately RO 2.267 million (US$ 5.894 million) [September 2009: RO 1.937 million (US$ 5.036 million)] arising on temporary timing differences. The movement in deferred tax liability during the period is as follows:

	Q3- 2010	**Q3- 2010**	Q3- 2009	Q3- 2009
	RO'000	**US $'000**	RO'000	US $'000
at 1 January	**1,994**	**5184**	1,707	4,438
Deferred tax charge for the period	**273**	**710**	230	598
at 30 September	**2267**	**5894**	1937	5036

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

Accelerated depreciation	**4,021**	**10,455**	4,005	10,413
Tax loss for the period	**(1,754)**	**(4,561)**	(2,068)	(5,377)
	2,267	**5,894**	1,937	5,036

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) as of 30 September 2010.

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for the 9 months ended 30 September 2010 (continued)

16. Long-term loans

	Q3- 2010	Q3- 2010	Q3- 2009	Q3- 2009
	RO'000	**US $'000**	RO'000	US $'000
Secured Loan	**23,207**	**60,338**	25,610	66,586
Unsecured Loan	**1,793**	**4,662**	2,018	5,246
	25,000	**65,000**	27,628	71,832
Current maturities of long term loans	**(2,849)**	**(7,408)**	(2,628)	(6,833)
Finance cost	**(345)**	**(897)**	(444)	(1,154)
Net long term loans	**21,806**	**56,695**	24,556	63,845

The amount of loans outstanding as at 30 September 2010 is analysed as follows:

	Total	Payable within one year	Payable between 1 & 2 years	Payable between 2 & 5 years	Payable after 5 years
RO'000					
Secured Loan	23,207	2,624	3,067	9,691	7,825
unsecured Loan	1,793	225	225	675	668
	25,000	2,849	3,292	10,366	8,493
US$'000					
Secured Loan	60,338	6,823	7,974	25,197	20,344
unsecured Loan	4,662	585	585	1,755	1,737
	65,000	**7,408**	**8,559**	**26,952**	**22,081**

The amount of loans outstanding as at September 2009 is analysed as follows:

RO'000					
Secured loan	25,610	2,403	2,624	9,501	11,082
Unsecured loan	2,018	225	225	675	893
	27,628	2,628	2,849	10,176	11,975
US$'000					
Secured loan	66,586	6,248	6,823	24,703	28,812
Unsecured loan	5,246	585	585	1,755	2,321
	71,832	6,833	7,408	26,458	31,133

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.

16. Long-term loans (continued)

Secured Loan (continued)

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 2014	0.90%
2014 to 2017	1.20%

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

The secured loans bear interest at US LIBOR plus applicable margins. There has been an increase of 134 Basis Points (on a weighted average basis) over the interest rate, for the period 3 November 2009 to 3 May 2010 and 4 May 2010 to 31 October 2010, that would have been payable by the company pursuant to the loan agreement.

Unsecured Loan

Unsecured loan facility of RO 1.793 million (US$ 4.661 million) [September 2009 – RO 2.018 million (US$ 5.246 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 period, the Company incurred the following finance costs:

	Q3- 2010 RO'000	**Q3- 2010 US $'000**	Q3- 2009 RO'000	Q3- 2009 US $'000
Secured loan	**1217**	**3,164**	1,319	3,429
Unsecured loan	**102**	**265**	114	296
Amortisation of finance costs	**73**	**190**	80	208
Others	**26**	**68**	22	57
Total	**1418**	**3687**	1,535	3,990

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Notes to the financial statements for the 9 months ended 30 September 2010 (continued)

17. Trade and other payables

	Q3- 2010 RO'000	Q3- 2010 US $'000	Q3- 2009 RO'000	Q3- 2009 US $'000
Trade payable	**1,857**	**4,828**	2,110	5,486
Interest payable	**689**	**1,791**	810	2,106
Payable to Fixed Asset Creditors	**67**	**174**	58	151
Accruals and other payables	**183**	**476**	144	374
Total	**2,796**	**7,269**	3,122	8,117

18. Due to related parties

Al Kamil Construction & Services LLC	**496**	**1,290**	550	1,430
Total	**496**	**1,290**	550	1,430

19. Net assets per share

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

Shareholders' fund RO / US$ ('000)	**17,031**	**44,282**	15,770	41,002
Number of shares outstanding as at 30 September ('000)	**9,625**	**9,625**	9,625	9,625
Net assets per share (RO / US $)	**1.769**	**4.60**	1.638	4.26

20. Operating revenue

Capacity charges	**6,062**	**15,761**	5,803	15,088
Energy charges	**8,218**	**21,367**	8,274	21,512
Total operating revenue	**14,280**	**37,128**	14,077	36,600

21. Operating costs

Fuel cost	**7,081**	**18,411**	7,231	18,801
Operation and maintenance charges	**1,673**	**4,350**	1,560	4,056
Depreciation	**1,529**	**3,975**	1,548	4,025
Amortisation of Intangible Assets	**49**	**127**	49	127
Total	**10,332**	**26,863**	10,388	27,009

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Notes to the financial statements
for the 9 months ended 30 September 2010 (continued)

22. Administrative and general expenses

	Q3- 2010 RO'000	**Q3- 2010 US $'000**	Q3- 2009 RO'000	Q3- 2009 US $'000
Employee costs	**157**	**409**	150	390
Depreciation	**12**	**31**	9	23
Legal and professional fees	**12**	**31**	15	39
Travelling	**8**	**21**	9	23
Social development costs	**13**	**34**	10	26
Utilities charges	**8**	**21**	8	21
Rent, rates and taxes	**9**	**23**	9	23
Directors / Shareholders meeting expenses	**13**	**34**	14	36
Share Registration fees	**10**	**26**	10	26
Miscellaneous expenses	**20**	**52**	19	49
Total	**262**	**682**	253	656

Employee related expenses comprise the following:

Wages and salaries	**143**	**372**	134	348
Other benefits	**3**	**8**	5	13
Contribution to defined retirement plan	**1**	**3**	1	3
Increase (reversal) in liability for unfunded defined benefit retirement plan	**10**	**26**	10	26
Total	**157**	**409**	150	390

Employee related expenses comprise the following:

The number of employees as at 30 September 2010 was 5 (September 2009: 5).

23. Other income

Interest receivable and similar income	**3**	**8**	5	13
Profit and loss on sale of fixed assets	**6**	**16**	14	35
	9	**24**	19	48

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Notes to the financial statements
for the 9 months ended 30 September 2010 (continued)

24. Earnings per share - basic and diluted

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

	Q3-2010	**Q3-2010**	Q3-2009	Q3-2009
Net profit for the period RO/US$ ('000)	**2,004**	**5,210**	1,690	4,395
Number of shares outstanding at 30 September ('000)	**9,625**	**9,625**	9,625	9,625
Earnings per share - basic and diluted RO/US$	**0.208**	**0.54**	0.176	0.46

25. 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 the PPA, whichever is earlier [Note 2(iv)].

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 9 months ended 30 September 2010 was as follows:

Operating costs				
Fee charged by AKCS under the Operations and maintenance agreement	**2,070**	**5,382**	1,993	5,182
Costs incurred by the company on behalf of the AKCS	**(4)**	**(10)**	(4)	(10)
Costs incurred by AKCS on behalf of the Company	**1**	**3**	2	4
	2,067	**5,375**	1,991	5,176
Administrative and general expenses				
Directors' meeting fee	**4**	**10**	5	13
	4	**10**	5	13
Compensation of key management Personnel				
Short term benefits	**134**	**348**	126	328
Post employment benefits	**65**	**169**	56	145
	199	**517**	182	473

26. Segment information

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

27. Dividends - paid and proposed

The Company disbursed cash dividend of 12% for the Year 2009 amounting to RO 1.155 million (RO 0.120 per share) to the shareholders of the Company who were on the shareholder's list registered with Muscat Depository and Securities Co. SAOG as at 29 July 2010 [cash dividend of 8% paid during the year 2009 amounting to RO 0.770 million (RO 0.080 per share)] as agreed at the Annual General Meeting of the Company held on 18 March 2010.

28. Commitments

	Q3-2010	**Q3-2010**	Q3-2009	Q3-2009
	RO'000	**US $'000**	RO'000	US $'000
Commitments				
Letter of Credit	**1,396**	**3,629**	1,628	4,232
Capital Commitment	**38**	**99**	101	263
Operating Lease Commitments				
Within one year	**10**	**26**	10	26
Between two and five years	**4**	**10**	4	10
After five years	**9**	**23**	10	26
	23	**59**	24	62

29. 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 30 September 2010 the entire trade receivables were from a Government owned company, Oman Power and Water Procurement Company SAOC ("OPWP"). The maximum exposure to credit risk as of the end of the period was RO 1.761 million (September 2009: RO 1.897 million). OPWP has a credit rating of A2 given by Moody's (Internet website). The Company has maintained all cash deposits with banks having credit rating by Moody's of A1 and above.

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Notes to the financial statements
for the 9 months ended 30 September 2010 (continued)

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 30 September 2010, 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**
September -10					
Long term loan	(25000)	(1648)	(1201)	(3292)	(18859)
Trade and other Payables	(2796)	(2738)	0	0	(58)
Due to related parties	(496)	(496)	0	0	0
	(28292)	(4882)	(1201)	(3292)	(18917)
September -09					
Long term loan	(27628)	(1328)	(1300)	(2849)	(22151)
Trade and other Payables	(3122)	(3064)	0	0	(58)
Due to related parties	(550)	(550)	0	0	0
	(31300)	(4942)	(1300)	(2849)	(22209)

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 30 September , the Company's market risk due to foreign exchange rates is analysed as under:

Financial assets / liabilities:

	Q3-2010			Q3-2009		
	Carrying amount in statement of financial position RO'000	**Amount denominated in RO RO'000**	**Amount denominated in non RO RO'000**	Carrying amount in statement of financial position RO'000	Amount denominated in RO RO'000	Amount denominated in non RO RO'000
Long term advances	**(25,000)**	**(1,793)**	**(23,207)**	(27,628)	(2,018)	(25,610)
Tariff and other receivables	**3,694**	**3,694**	**0**	3,071	3071	0
Cash and cash equivalents	**3,301**	**2,027**	**1,274**	3,372	2,243	1,129
Due to related parties	**(496)**	**(496)**	0	(550)	(550)	-
Trade and other payables	**(2,796)**	**(2,739)**	**(57)**	(3,122)	(3,064)	(58)
	(21,297)	**693**	**(21,990)**	(24,857)	(318)	(24,539)

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 Statement of financial position: increase / (decrease).

	Q3- 2010	Q3-2009
	RO'000	RO'000
In case of increase of 100 basis points in interest rates	**611**	787
In case of decrease of 100 basis points in interest rate	**(611)**	(787)

30. 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 30 September 2010.

31. 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.

32. Comparative amounts

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

33. Approval of financial statements

These financial statements were approved by the Board of Directors and authorised for issue on 24 October 2010.