

Corporate Governance Report

Al Kamil Power Company SAOG (the Company) has adopted the principles and guidelines of the Code of Corporate Governance issued by the Capital Market Authority (CMA). The Board and the Management of the Company are determined to promote highest standards of corporate governance towards transparency, accountability, disclosure and business propriety with the aim of enhancing long term shareholders value and the interests of all other stakeholders.

The Board and Management of the Company are therefore committed to adopt the best practices of corporate governance that promotes ethical standards and individual integrity and supports the guidelines issued by the CMA and at the same time protects the rights of the stakeholders. Towards this, the Company has in place effective policies, procedures and systems to ensure fair and timely release of material information about the Company.

In accordance with the CMA rules and guidelines on disclosure, the Company's Statutory Auditors, PricewaterhouseCoopers, have issued a separate Report on the Company's Governance Report for the year ended 31 December 2013.

Board of Directors

The Board of Directors comprises of five members. The roles of CEO and Chairman are not combined. The Board's role, its functions and responsibilities are clearly defined.

To facilitate proper governance, the Company's management places before the Board, at least, the minimum information required by Article 4 of the Code of Corporate Governance.

During the Annual General Meeting of the shareholders of the Company held on 18 March 2013, the meeting unanimously elected, unopposed, the following 5 members to the Board of Directors of the Company:

No	name	Independent/non Independent	Represent himself /Juristic Person	Executive / non Executive
1	Mr. Matti Castren	Non-Independent	Nominee of National Power Al Kamil Investments Limited	Non-executive
2	Mr. Johan VAN KERREBROECK	Non-Independent	Nominee of National Power Oman Investments Limited	Non-executive
3	Mr. Micah Jahnke	Non-Independent	Nominee of Al Kamil Investments Limited	Non-executive
4	Mr. Khalil Ahmed Abdullah Al Harthy	Independent	Self nominated- non shareholder	Non-executive
5	Mr. Ajeet Walavalkar	Independent	Nominee of Universal Engineering Services LLC	Non-executive

On 17 December 2013, Mr. Matti Castren, representing National Power Al Kamil Investments Limited, resigned from the Board of Directors. National Power Al Kamil Investments Limited nominated Mr. Ramani Hariharan in his place and his appointment was confirmed by the Board of Directors by a written resolution by circulation on 5 January 2014. In the same resolution it was also agreed to elect Mr. Ramani Hariharan as the Chairman of the Board of Directors.

The members of the Board of Directors are elected to hold office for a period of three years. The term of the current Board will expire at the conclusion of the Annual General Meeting of the shareholders of the company to be held in the year 2016.

The following table details the composition of the Board of Directors, and their attendance at Board of Directors meetings held during 2013:

Name of Director	Board Meetings held during the period	Board Meetings attended
Mr. Matti Castren	5	5
Mr. Johan VAN KERREBROECK	5	2
Mr. Micah Jahnke	5	4
Mr. Ajeet Walavalkar	5	5
Mr. Khalil Ahmed Abdulla Al Harthy	5	3
Mr. Karel Breda (resigned on 18 March 2013)	1	1

The Board meeting dates were:

12 February 2013

18 March 2013

22 April 2013

22 July 2013

23 October 2013

Other Interests

As declared by the Board members, no elected member of the Board is a member of more than four public joint stock companies whose principal place of business is in the Sultanate of Oman; nor is any elected member of the Board the Chairman of more than two public joint stock companies.

Mr. Ajeet Walavalkar is a director in Batinah Power Co SAOC. No other Directors are Board members of other Omani public joint stock company.

Audit Committee

Brief Description of Terms of Reference

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

- the financial reports and other financial information provided by the Company to any governmental body or the public;

- the Company's compliance with legal and regulatory requirement;
- the Company's systems of internal controls regarding finance, accounting, legal compliance and ethics that the management and the Board have established; and
- the Company's auditing, accounting and financial reporting processes generally.

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

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

- serve as an independent and objective party to monitor the Company's financial reporting processes and internal control systems;
- recommend the engagement of external and internal auditors of the Company;
- review and appraise the audit efforts of the Company's statutory and internal auditors; and
- provide an open avenue of communication among the statutory and internal auditors, the senior management and the Board of Directors.

The Audit Committee approves the quarterly unaudited and annual audited financial statements. The Audit Committee, on behalf of the Board, has regularly reviewed the internal controls of the Company. They meet the internal auditor of the company, Mr. Ahmed Fahim and external internal auditors of the Company, M/S Moore Stephen, on a regular basis to review the internal audit reports, its recommendations and any associated management comments. Audit Committee members have also met the external auditors to review audit findings and the management letter. The Audit Committee also briefs the Board on the effectiveness of the internal controls in the Company. The Audit Committee and Board are pleased to inform the shareholders that in their view an adequate and effective internal control system is in place and that there are no significant concerns.

Audit Committee

The Audit Committee consists of three members of the Board. Mr. Karel Breda was the Chairman of the Audit Committee until the end of the Annual General Meeting of the Company held on 18 March 2013. In the reconstituted Audit Committee after the election of a new Board of Directors, Mr. Khalil Ahmed Abdulla Al Harthy was elected as the chairman of the Audit Committee.

The following table details the composition of the Audit Committee and the attendance record of the Audit Committee members during 2013:

Name of Committee Member	Position	Meetings held during the period	Meetings attended during the period
Mr. Karel Breda (resigned on 18 March 2013)	Chairman	1	1
Mr. Khalil Ahmed Abdulla Al Harthy	Chairman	3	2
Mr. Ajeet Walavalkar	Member	4	4
Mr. Micah Jahnke (elected to the committee on 18 March 2013)	Member	3	3

Meeting dates were:

12 February 2013

22 April 2013

22 July 2013

23 October 2013

Procedure for standing as candidate for the Board of Directors

The election of the Board of Directors is governed by the Company's Articles of Association (Articles 25 to 27). The Company ensures that the elections to the Board of Directors are held in accordance with the Commercial Companies Law and Rules issued by the Capital Market Authority.

The five members of the Board of Directors are elected from amongst the shareholders or non-shareholders. A shareholder who is elected as director is required to hold a minimum of 500 shares as qualifying shares which they may not dispose off throughout their term in office.

Article 25 of the Company's Articles of Association stipulates the following restrictions with regard to the composition of the Board:

1. The majority of the Board members must not be working for the Company in consideration of a fixed monthly or annual remuneration.
2. A minimum of one-third of the Directors must be independent directors. That is to say, such directors or any of their first degree relatives should not have occupied any senior post (such as the Chief Executive Officer, General Manager or similar posts in accordance with the organisational structure) in the Company for the last two years. In addition, they should not have had any relations with the Company, its parent company or its affiliate or sister companies that could result in financial transactions.
3. More than one director shall not represent a juristic person on the Board of the Company.
4. The Chief Executive Officer / General Manager / Chairman's office shall not be held by a single person

The members thus elected hold office for a period of three years.

Annual General Meeting

- The last Annual General Meeting was held on 18 March 2013.
- Mr. Matti Castren and Mr. Ajeet Walavalkar attended the last Annual General Meeting.

Remuneration

Directors – Remuneration / Attendance Fees

The total attendance fees paid to the Directors and Audit Committee members for 2013 was RO 4,500 as detailed below:

Name of Director	Number of meetings attended	Total Sitting fees paid in Rials Omani
Mr. Matti Castren	5	750
Mr. Johan Van KERREBROECK	2	300
Mr. Karel Breda	2	300
Mr. Micah Jahnke	7	1,050
Mr. Ajeet Walavalkar	9	1,350
Mr. Khalil Ahmed Abdulla Al Harthy	5	750
Total	30	4,500

No other remuneration was paid to the directors.

Remuneration to Key Management

The remuneration package of the executives is made up of a fixed and variable component. The fixed component includes salary, perquisites and gratuity benefit as per the Omani Labour Laws. The variable component is performance-linked bonus, which is based on pre-determined parameters of performance.

The aggregate remuneration paid to the top three officers of the Company:

(Amt in Rials Omani)

Remuneration	Allowances	Bonus	Notice period	End of service gratuity
127,246	19,266	19,569	3 months	As allowed under the Omani Labour Laws

Specific Areas of Non-Compliance with the Provisions of Corporate Governance

There are no areas of non-compliance with the Code of Corporate Governance. No penalties or strictures were imposed on the Company by the Muscat Securities Market, the Capital Market Authority or any other statutory body on any matter related to the capital markets during the last three years.

Communications with Shareholders and Investors

The Annual Report and the Company's website are the main channels of communication with the shareholders. The Annual Report will also be sent to all shareholders by post to their registered postal addresses.

The Company's website (www.alkamilpower.com) contains detailed information on the Company, its business, financial results, announcements and news about the Company's operations. The website also gives information on the dividends declared by the Company, with a link to the MSM website giving current and historical information on the Company's share price. All announcements made to the Muscat Securities Market are posted on the Company's website. The Company issues press releases in cases of important news and developments. The financial results, and any material announcements, can also be viewed on the website of the Muscat Securities Market.

The Company will directly provide, or by mail (if requested), a complete copy of any accounts which have been submitted to the Capital Market Authority, in either English or Arabic, to any registered or beneficial shareholder or other interested party who requests it, within seven days receipt of such a request.

The Company is available to meet its shareholders and the analysts at their convenience.

Market Price Data

The following table details the market prices of AKPC shares for the year 2013 and its performance compared to the MSM Index:

Month	High Price	Low Price	MSM Index (service Sector)
Jan	1.930	1.930	2963
Feb	1.930	1.930	3116
Mar	2.282	2.075	3151
Apr	2.475	2.400	3145
May	2.500	2.450	3323
Jun	2.500	2.500	3307
Jul	2.500	2.500	3420
Aug	2.530	2.525	3445
Sep	2.575	2.575	3458
Oct	2.810	2.650	3501
Nov	2.850	2.805	3623
Dec	2.850	2.800	3669

Distribution of Shareholding

The Shareholding as of 31 December 2013 was as follows:

Category of Shareholders	Number of Shareholders	Total Shares	% Share Capital
Ordinary Shareholders above 5%	4	7,460,226	77.5%
Ordinary Shareholders below 5%	156	2,164,774	22.5%
Total	160	9,625,000	100%

The Company has not issued any securities or convertible financial instruments.

Statutory Auditors

PricewaterhouseCoopers (PwC) are the appointed Statutory Auditors of the Company.

Professional profile of PwC : statutory auditor

PwC is a global network of firms operating in 157 countries with more than 184,000 people who are committed to delivering quality in assurance, tax and advisory services. PwC also provides corporate training and professional financial qualifications through PwC's Academy.

Established in the Middle East for 40 years, PwC employs over 2,780 people and has 21 offices across 12 countries: Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Oman, Qatar, Saudi Arabia, the Palestinian Territories and the United Arab Emirates.

PwC has been established in Oman for over 40 years and the Firm comprises 3 partners, including one Omani national, and over 135 professionals and support staff. Expert assurance, tax and advisory professionals are able to combine internationally acquired specialist consulting and technical skills with relevant local experience.

PwC refers to the PwC network and/or one or more of its member firms, each of which is a separate legal entity. Please see www.pwc.com/structure for further details.

PricewaterhouseCoopers was paid total audit fee of RO 6.650 for the year 2013.

Internal Auditor

Mr. Ahmed Fahim Al Maimani is a full-time internal auditor of the Company. Mr. Ahmed Fahim has conducted his duties and the responsibilities of internal auditor diligently. He has prepared and submitted his internal audit report to the Audit Committee.

Additionally, an independent professional firm - Moore Stephens, Chartered Accountants - has also been assigned to carry out internal audit functions as specified in the Administrative Decision 6/2006 issued by Capital Market Authority.

Acknowledgement by the Board of Directors:

- ❖ The Board of Directors confirms the financial statements for 2013 have been prepared in accordance with the applicable standards and rules.
- ❖ The Board of Directors, through the Audit Committee, has reviewed the Company's system of internal controls, and confirms that all the necessary controls are in place and are fully effective.
- ❖ The Board of Directors confirms that they believe there are no material matters which may affect the continuation of the Company and its ability to continue its operations during the next financial year.

On behalf of Board of Directors,

Ramani Hariharan
Chairman