

CHAIRMAN'S REPORT

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to welcome you to the eleventh Annual General Meeting and to present the Annual Report and the audited financial statements of the Company for the year 2015.

Strong history spanning 10 years

Al Kamil Power Company SAOG was incorporated in the year 2000 and became a publicly listed company after a successful IPO in the year 2004. Since then the Company has regularly distributed cash dividends and with a capital of RO 9.625 million (US\$ 25.025 million), has accumulated free reserves of RO 13.353 million (US\$ 34.7 million) at the end of the year 2015 thereby giving a net asset value of RO 0.271 (US\$ 0.70) per share.

Al Kamil Power Company's Market Capitalisation as at 31 December, 2015 equates to RO 30.03 million (US\$ 78.078 million).

Summarised Financial and Operational Results

Operational Highlights

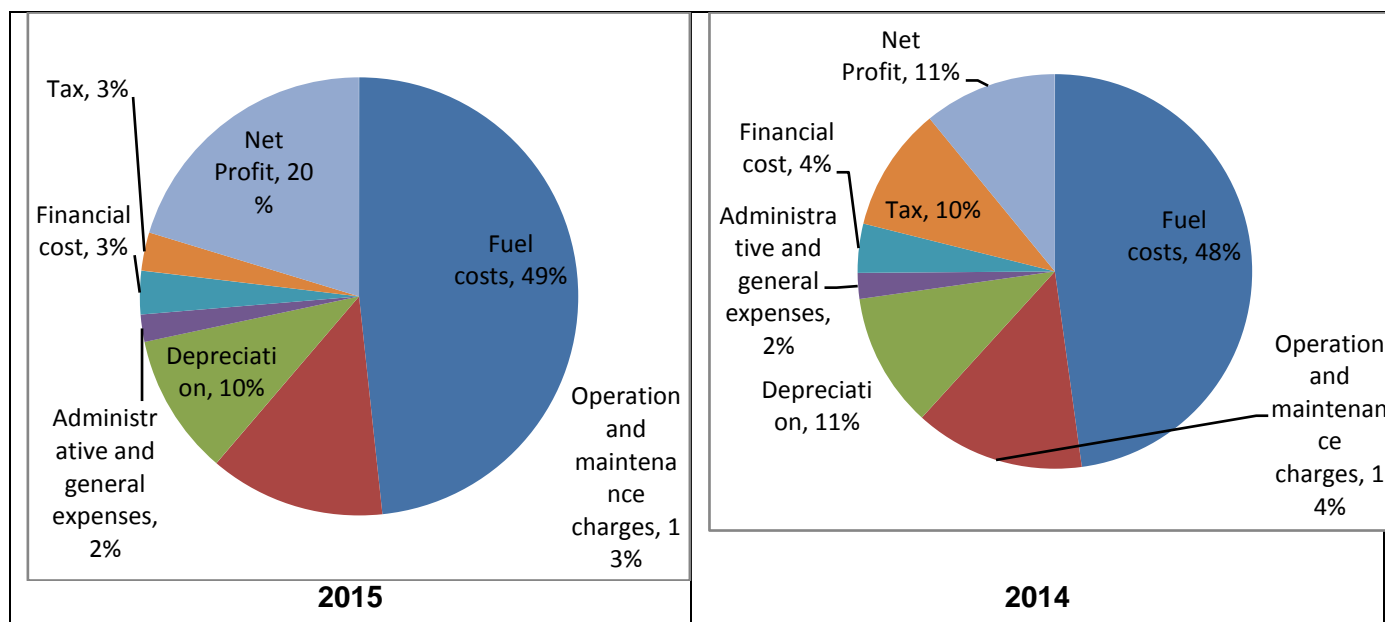
The plant's operation profile during 2015 was totally different as compared to previous years. The plant was idle during winter period and fully loaded during peak hours in the summer. Used to meet peak demand, the plant saw increased number of start and stop cycles. Nevertheless the plant performance was excellent, with commercial availability of 99.80% delivered 578 GWh to the Omani grid. The thermal efficiency, which determines the efficiency in the economical utilisation of the gas, slightly reduced due to the new operating profile as dispatched by Load Dispatch Centre (LDC). This admirable performance was achieved with no Lost Time Accidents to any of our staff, thereby clocking 4,548 Lost Time Accident free days since inception, and is reflective of our continued internal focus on Health, Safety, Environment and Quality Management. We acknowledge the excellent performance of our dedicated and diligent Operation and Maintenance team.

Financial Highlights

Although there was no agreement for additional power with OPWP during summer months as opposed to last year. The profit before taxation for the year 2015 of RO 3.801 million (US\$ 9.882 million) showed 1.44% growth over the previous year and the company posted a record profit since its inception. The net profit was RO 3.336 million which is 72% better than last year's net profit which was adversely impacted by the wrongful interpretation of tax law.

The following graph explains the costs as percentage of the total revenue. Fuel cost and Admin expenses elements remained at the same level as compared to last year. The

financial cost is better than the previous year due to partial repayment of the project loan.



Consequently, the earnings per share have increased from Baizas 20 in 2014 to Baizas 35 in 2015.

Power Sector in Oman

AKPC's entire output generated is purchased by Oman Power and Water Procurement Company SAOC (OPWP) pursuant to the Power Purchase Agreement between OPWP and AKPC.

Suite of Project Agreements

- ❖ The Power Purchase Agreement (PPA) sets out the terms for the generation and supply of power exclusively to OPWP, a closed joint stock company owned by the Government of Oman. The Agreement covers a fifteen year period from 1 May 2002.
- ❖ The Generation Licence is granted by the Authority for Electricity Regulation, a state regulatory body established under the Sector Law.
- ❖ The Natural Gas Sales Agreement (NGSA) with the Ministry of Oil and Gas (MOG) for the purchase of natural gas from MOG for a period of fifteen years at a pre-determined price. MOG is discussing with the Company the suggested amendment of NGSA related to increase in the gas price. This amendment will not alter the pass-through concept of Fuel cost.
- ❖ 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.

- ❖ The Operation & Maintenance Agreement (OMA) with Al Kamil Construction & Services LLC (AKCS). Pursuant to OMA, AKCS is responsible for the operations and maintenance of the plant in return for a fixed, as well as a variable, fee. The Agreement covers a fifteen year period from 1 May 2002.

The Company does not anticipate any material changes in the above agreements.

Future Outlook

- ❖ The Power Purchase Agreement (PPA) with OPWP expires on 30 April 2017. During the year the Company has continued the negotiations with OPWP about revised tariff for the extension of PPA and has finally confirmed the new tariff for the extended period of the PPA till 2020 with additional capacity of 9 MW. The PPA extension is at the final stage of approval process. The official execution of the extension agreement is expected in the first half of 2016.
- ❖ The interpretation by the Oman's Secretariat General for Taxation of Royal Decree 54/2000 granting tax exemption to the Company compelled the company to shell out a huge tax demand of RO 1.358 million (US\$ 3.53 million) for the tax years 2011-2013 and paid in 2014. The Royal Decree 54/2000 was issued granting 5 years' tax exemption to the Company that would also allow the Company to carry forward tax losses incurred during the tax exempt period to be set-off against future profits. The stand taken by the tax department has effectively denied a substantial tax benefit to the company. The Company has sought a rightful redress through the tax appellate process prescribed under the Omani tax laws. In parallel, the company has also filed Government Risk Notice in front of OPWP as defined in PPA. The outcomes are awaited
- ❖ Effort would be resumed to assess a refinancing of the Company's debts, once the PPA extension exercise is concluded. If this proves successful, the Company's cash flow will see significant improvement with a future possibility of higher dividend payments.
- ❖ The management is optimistic about the future of AKPC. Recognising that the long-term future of AKPC depends upon its efficient operational base, management will continue to focus on ensuring high levels of plant availability whilst closely controlling overhead costs.

Dividends

The Company did not distribute any dividend for the year 2014 as its ability to maintain/improve its past record in declaring handsome dividend payouts had been greatly impaired by the adverse tax assessments for the year 2011-2013, as explained earlier.

Despite the record profit of 2015, due to cash flow constraint arising from abnormal tax payment in 2014, the directors recommended a final dividend of 7% for 2015 to be paid in July 2016.

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

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

Year	Interim dividend %	Final Dividend %	Total Dividend %
2009	-	12%	12%
2010	-	8%	8%
2011	6%	6%	12%
2012	6%	9%	15%
2013	9%	10%	19%
2014	-	10%	10%

Other Matters

- ❖ There is a continuous process for identifying, evaluating and managing the key risks faced by the company. The internal audit plan is framed to appraise any identifiable high-risk areas. The report of the internal auditor is reviewed and any necessary actions taken. During the year, the Company identified various risks and finalised mitigation plans to deal with these.
- ❖ The auditors have given an unqualified audit report on the financial results of the Company for the year 2015.

Conclusion

Finally, the Sultanate under the wise leadership of His Majesty Sultan Qaboos bin Said stands today as an enviable model for sound economic policies aimed at spurring growth while ensuring stability. I wish His Majesty good health. I would like to take this opportunity to extend our sincere gratitude to His Majesty Sultan Qaboos bin Said and His Government for the encouragement and support they continue to provide to private sector investors.

I would like to extend my personal thanks to the Directors, management staff and all personnel associated with the operation of the Al Kamil power plant for their hard work and dedication, as well as to those others such as our contractors, whose expertise has assisted us in achieving these excellent results.

On behalf of the Board of Directors,

Jürgen De Vyt
Deputy Chairman