HIS MAJESTY

SULTAN QABOOS BIN SAID

VISION

To be a leading and professionally managed company meeting international quality standards securing supply of electricity and related water and providing the best work environment in Oman.

MISSION

To ensure that there is electricity and related water available at the lowest cost to meet the growing demands in Oman,

to benchmark with the international quality standards,

and to provide challenging employment opportunities for Omanis.

CONTENTS

BOARD OF DIRECTORS & EXECUTIVE MANAGEMENT

HE. Eng. Sultan Bin Hamdoon Al Harthi
Chairman of the Board

Mr. Qais Bin Mohammed Al Yousef
Vice Chairman of the Board

Eng. Abdulrahman Bin Barham Ba Omar
Member of the Board

Mr. Mubark bin Suliman Al Manthari
Member of the Board

Mr. K. Gopakumar
Member of the Board

Mr. Hilal Bin Khalfan Al-Naamani
Member of the Board

Mr. Alastair John De Reuck
Chief Executive Officer

Eng. Saleh bin Hamoud Al Rashdi
Deputy Chief Executive Officer

CHAIRMAN'S FOREWARD

Dear Shareholders,

It is my pleasure, on behalf of the members of the Board, to present to you the Annual Report for the year 2008 of Oman Power and Water Procurement Company (SAOC).

The company has achieved good financial results during 2008. The net profit after tax stood at RO 1.071 million and the earning per share stood at RO 2.142.

The report summarizes major achievements during the year, highlights the important activities and functions of the Company and operational statistics of the Company. The report also includes the financial results for the year ending 31st December 2008 together with the Auditor's Report.

Following are some of the important achievements during the year:

- Early power commercial operation of Barka II Power and Desalination Project commenced on 29th July, 2008.
- Publication of the Seven year statement for the period of 2009-2015.
- Compliance with the conditions of Licence issued by the Authority for Electricity Regulation, Oman (AER).
- Maintained the ISO 9001:2000 Certificate issued in 2007.

In addition, the internationally recognized financial rating agency, Standard and Poor's has assigned the A/Stable/A-1 to OPWP. This opinion is supported by OPWP's unique and strategically important role as the sole bulk buyer and bulk seller of electricity and related desalinated water in Oman.

The Company shall endeavor, during the upcoming period, to further improve its performance and fulfill its obligations as per the Sector Law and its Licence in a professional and competent manner under the stewardship of Mr. Alastair de Reuck, new Chief Executive Officer.

During the year Mr. K. Gopakumar and Mr. Hilal Al Naamani resigned from the Board. I express my thanks and the thanks of other members of the Board for their contribution to the Company. The company has also lost one of its distinguished employees Mr. Mamoun Mohammed Elsayed Regulatory Compliance Manager, who is since the establishment of the company has contributed effectively.

I would like to take this opportunity to express my gratitude and appreciation to the Members of the Board of Directors, Executive Management and the Company staff for their sincere and dedicated approach in discharging their duties which enabled the Company to achieve the desired performance. I would also like to thank the Electricity Holding Company(EHC), other Affiliated Companies in the Sector and AER for the support they have extended to the Company.

Finally, I would like, on behalf of the Board Members, the Executive Management and the Company staff, to take this opportunity to confirm our utmost allegiance and devotion to His Majesty Sultan Qaboos Bin Said and to His Majesty's Government for their continuous guidance and relentless support in pursuance of development and improvement of both Electricity and Water Sectors in the Sultanate.

Eng. Sultan Bin Hamdoon Al Harthi
Chairman

FINANCIAL AND OPERATIONS HIGHLIGHTS

Key Financials		**2008**	**2007**	**% Increase**
Profit before interest and tax	RO' 000	1,211	1,474	-22%
Profit after tax	RO' 000	1,071	1,301	-21%
Key Ratios				
Earning per Share	RO	2.142	2.602	-21%
Dividend per Share	RO	2.142	2.030	5%
Key Operational				
Main Intercannection System (MIS)				
Electricity				
Units purchased	GWh	14,017	12,480	11%
Purchase Cost	RO' 000	158,990	142,576	10%
Purchase Cost per MWh	RO	11.343	11.424	-1%
Bulk Supply Revenue (BSR)	RO' 000	158,683	132,515	16%
BSR per MWh	RO	11.321	10.618	6%
Water				
Water Purchased	Thousand m^3	97,621	84,203	14%
Purchase Cost	RO' 000	62,935	54,615	13%
Purchase Cost per m^3	RO	0.645	0.649	-1%
Bulk Supply Revenue (BSR)	RO' 000	63,710	55,346	13%
BSR per m^3	RO	0.653	0.657	-1%
Staff Count				
Staff Strength	Number	34	31	9%
Salalah				
Units purchased (DPC + RACEO)	GWh	1,469	1,387	6%
Purchase Cost (DPC + RACEO)	RO' 000	21,664	21,179	2%
Purchase Cost per MWH	RO	14.745	15.265	-4%
Cost sharing charge to DPC	RO' 000	7,977	8,202	-3%
Cost sharing charge per MWH	RO	5.440	5.970	-10%
Staff Count				
Staff Strength	Number	13	13	0%

OVERVIEW

of Oman Power & Water Procurement Company

The OPWP has been established as a closed joint stock company (SAOC) in the year 2003. The Law for the Regulation and Privatization of the Electricity and Related Water Sector (the Sector Law) issued by Royal Decree no. (78/2004) states the functions and duties of the Company. The Transfer Scheme was issued pursuant to the Sector Law to affect the transfer of electricity and related water activities from the Ministry of Housing, Electricity & Water (MHEW) to the newly established companies as per the functions set for each company with effect from 1 May 2005.

The Company was formed with a capital of R.O. 500,000 (Five Hundred Thousand Omani Rials) divided into five hundred thousand shares, each with a nominal value of one Omani Rial. The company is wholly owned by the government of the Sultanate of Oman with 99.99% of the Company's shares held by the Electricity Holding Company on behalf of the Government and 0.01% is owned by the Ministry of Finance.

Article (74) of the Sector Law specifies the functions and duties of the Company as follows:

- To secure Production Capacity and Output to meet all reasonable demands for electricity in the Sultanate of Oman in coordination with the Rural Areas Electricity Company.

- To secure the production of Desalinated Water according to the maximum limit consistent with the Economic Purchase of Production Capacity and Output of Electricity and Desalinated Water.

- To cooperate with the Rural Areas Electricity Company in respect of forward planning for reasonable demand for electricity and New Capacity required thereof.

- To secure the procurement of Ancillary Services, when and in the manner required, in coordination with the Oman Electricity Transmission Company.

- To make Bulk Supply of Desalinated water to the Water Department of Public Authority for Electricity and Water (PAEW) in accordance with an agreement concluded for this purpose in which the consideration, conditions, and terms for such Bulk Supply are specified, and to secure the sale of de-mineralized water to other Persons.

- To make Bulk Supply of electricity to licensed Suppliers in consideration of a Bulk Supply Tariff and to secure adequate supplies of electricity is available to Licensees to enable them to meet all reasonable demand for electricity.

- To import or export electricity in accordance with the provisions of Article (1140) of the Sector Law.

- To meet the requirement for new capacity which the company strives to be designed, constructed, financed, owned and operated by local and foreign investors.

- The company shall in all cases abstain from discrimination or partiality, without due legal justification, between Persons, and comply with the general policy of the state when undertaking the functions assigned to it pursuant to the Sector Law particularly those relating to the price and use of fuel.

- The purchase, procurement, and management of Production Capacity and Output, Ancillary Services and all goods and other services shall be on the basis of Economic Purchase.

- To issue instructions to the Salalah Project Company for the transfer of its System assets to the Electricity Holding Company on the termination or expiry of the Concession Agreement.

COMPLIANCE WITH LICENCE REQUIREMENTS

The Company has complied with the basic requirements stipulated in its Licence and there are no deviations, in the Company's opinion, that may be considered as major breaches. The following are the requirements completed in 2008:

- **Seven Year Statement**

In accordance with the Condition 5 of the Licence, OPWP has issued its 7 Year Statement which provides a 7-year outlook (for the years 2009 to 2015) on the demand for electricity and desalinated water, and the power generation and desalination resources required to meet those demands, in the two main systems in Oman, the Main Interconnected System and the Salalah Power System.

- **Bulk Supply Tariff**

In accordance with the Article 74 of the Sector Law, Condition 21 of the OPWP Licence and the terms of the relevant Bulk Supply Agreement, OPWP has issued the Bulk Supply Tariffs of electricity and water for the year 2009.

The Bulk Supply Tariff means the tariff charged by the OPWP for the bulk supply of electricity to the Licenced suppliers (namely Muscat Electricity Distribution Company, Majan Electricity Company and Mazoon Electricity Company) and bulk supply of related (desalinated) water to Water Departments (Public Authority for Electricity and Water (PAEW) and Majis Industrial Services Company (MISC)), and includes

1. The rates to be charged for Bulk Supplies made to Licensed Suppliers.

2. The method to be used to determine the quantities of Bulk Supply chargeable to each Licensed Suppliers.

3. The arrangement for invoicing and payment.

POWER AND WATER GENERATION PROJECTS

OPWP has an obligation to economically procure new capacities emerging from the Oman PWP's 7-Year Statement. As per the Sector Law, OPWP is to conduct a competition to secure the new capacities and output and contract for the same.

Thus, OPWP tenders, via Tender Board, the new capacities in the form of Independent (Water) and Power Projects, the I(W)PP. The scope under an I(W)PP Tender includes financing, development, design, construction, operation, maintenance and ownership of a power (and water) plant, the purchasing of the required fuel and all other services required to deliver Capacity and Output.

- **Barka II IWPP**

Project Overview

Location: adjacent to the existing Barka I

Power Capacity: 678 MW

Water Capacity: 26 million imperial gallons a day

Actual Early Power Date: 29th July 2008

Target Commercial Operation Date (COD): 1st April 2009 (scheduled)

Project Status

Early generation embarked upon to support the main grid requirement during summer 2008 of approximately 363 MW was achieved on 29 July 2008, as against the scheduled early power as per the Power and Water Purchase Agreement (PWPA) of 29 May 2008.

The construction of the second phase of the project and associated projects is in progress and expected to achieve COD on time.

- **Salalah IWPP**

Project Overview

Location: Salalah/Murbat

Power Capacity: Around 400 MW

Water Capacity: 15 million imperial gallons a day

Target Early Power Date: July 2010

Target Commercial Operation Date (COD): March 2011

Project Status

The Salalah Independent Water and Power Project "the Project" Request for Proposals was launched in November 2007 after a successful Prequalification Process. The Project Capacity envisaged to meet the new requirement for the desalinated water and the increase in power demand within the Dhofar governorate.

OPWP has received three Bids for the Project in June 2008 from consortia representing reputable international and local companies.

OPWP has completed the evaluation of the bids and has issued a Preferred Bidder notice to the consortium in Dec 2008. OPWP is now in the process of appointing a Preferred Bidder for the Project in liaison with relevant authorities in this regard.

- ## New IPP (Sohar and Barka)

Project Overview

Location: Barka and Sohar

Power Capacity: Around 650 MW each

Target Commercial Operation Date (COD): 15th May, 2012

Project Status

OPWP has identified a need for new generation capacity in 2011/2012 in the north of Oman. The new IPPs with potential capacity of about 1300 MW are split equally between sites at Barka (Barka III) and Sohar (Sohar II).

OPWP has appointed the financial, technical and legal advisors for the project.

- ## Al-Ghubrah IWPP

Project Overview

Location: Al-Ghubrah area in Muscat

Power Capacity: 500 MW (proposed)

Water Capacity: 30 MIGD (proposed)

Target Commercial Operation date: Q2 2013

Project Status

The proposal for the technical, financial and legal advisory services for the project are under evaluation by OPWP and Tender Board. It is expected to award the advisory services contract by February 2009.

- **Duqum IWPP**

Project Overview

Location: Duqum Port Area

Power Capacity: 1000 MW

Water Capacity: Not defined yet

Target Early Power Date: Q3 2015

Target Commercial Operation date: Q2 2016

Project Status

This project is initiated as per the government instructions.

The proposal for the technical, financial and legal advisory services for the project are under evaluation by OPWP and Tender Board.

Fuel Selection Study

In light of potential constraints on natural gas availability for power generation, OPWP has launched a fuel selection study aiming to select the most economical fuel-technology options for the future IWPPs. The outcome of this study will be used as a feedback to a least cost generation system analysis that is performed when selecting the fuel for a specific IWPP. The fuel selection study is expected to be completed in February 2009.

OPERATIONAL PERFORMANCE

Procurement and Bulk Supply arrangements

Long Term Power & Water Purchase, Concession and Bulk Supply Agreements

Long Term Power & Water Purchase and Concession Agreements:

Generation/Desalination Plant	Type of Agreement	Ownership	Agreement Term
Al Ghubra Power & Desalination Plant	PWPA	Al Ghubra Power & Desalination Company SAOC (Government Ownership)	13 years
Al Rusail Power Plant	PPA	Al Rusail Power Company SAOC (Private Ownership)	17 years
Wadi Al Jizzi Power Plant	PPA	Wadi Al Jizzi Power Company SAOC (Government Ownership)	15 years
Barka Power & Desalination Plant Phase 1	PWPA	AES Barka SAOG (Private Ownership)	15 years
Al Kamil Power Plant	PPA	Al Kamil Power Company SAOG (Private Ownership)	15 years
Manah Power Plant	PPA	United Power Company SAOG (Private Ownership)	20 years
Sohar Power & Desalination Plant	PWPA	Sohar Power Company SAOG (Private Ownership)	15 years
Barka Power and Desalination Plant Phase 2 (under construction)	PWPA	SMN Barka Power Company SAOC (Private Ownership)	15 years
Power Station (DPC) - Salalah	Concession Agreement	Dhofar Power Company SAOG (DPC - Private Ownership)	20 years

Bulk Supply Agreement for Power and related Desalinated Water:

Bulk Supply Customers	Type of Supply	Term
Muscat Electricity Distribution Company SAOC (Government Ownership)	Electricity	Open
Majan Electricity Company SAOC (Government Ownership)	Electricity	Open
Mazoon Electricity Company SAOC (Government Ownership)	Electricity	Open
Water Departments:		
Public Authority for Electricity and Water (Government Ownership)	Desalinated Water	Open
Majis Industrial Services company (Government Ownership)	Process Water	Open

Procurement and charges of Power and Related Water during the year 2008:

The following table shows the Power and Water Capacities of the plants at reference conditions, the quantity of power and water purchased and gas consumption during the year 2008:

Plant	Power Capacity (Net)	Water Production Capacity	Quantity of Power Purchased	Quantity of Water Purchased	Quantity of Fuel Consumption
	MW	Cubic Meter/hr	GWh	Million Cubic Meter	Million Standard Cubic Meter for Power + Water
Al Ghubra Power & Desalination Plant	465	7756	2653.7	55.0	1281.667
Al Rusail Power Plant	653	-	2702.4	-	937.504
Wadi Al Jizzi Power Plant	274	-	669.8	-	243.724
Barka Power & Desalination Plant Phase (1)	427	3800	2308.5	30.2	634.452
Al Kamil Power Plant	272	-	1135.7	-	383.047
Manah Power Plant	271	-	1013.2	-	355.939
Sohar Power and Desalination Plant	585	6250	2916.5	12.4	723.270
Barka Power and Desalination Plant –Phase II (Early Power)	363	-	232.4	-	69.712
Main Interconnected System (Total)	**3310**	**17806**	**13632.1**	**97.6**	**4629.314**
Power Station (DPC) - Salalah	235	-	1467.1	-	470.351
Total	**3545**	**17806**	**15099.2**	**97.6**	**5099.665**

The following table shows the power and water charges of the plants during year 2008:

Plant	Total Power & Water Purchase Cost Million RO	Total Fuel Cost (Power & Water) Million RO
Al-Ghubra Power & Desalination Plant	54.584	26.155
Al-Rusail Power Plant	29.945	19.132
Wadi Al-Jizzi Power Plant	12.221	4.974
Barka Power & Desalination Plant Phase (1)	40.499	12.947
Al-Kamil Power Plant	16.241	7.817
Manah Power Plant	17.630	7.264
Sohar Power & Desalination Plant	43.526	14.760
Barka Power & Desalination Plant Phase II (Early Power)	3.618	1.423
Amortization and adjustments	0.618	-
Main Interconnected System	**218.882**	**94.470**
Power Station (DPC) - Salalah	19.834	9.616
Total	**238.716**	**104.086**

Short Term Power Purchase Agreements

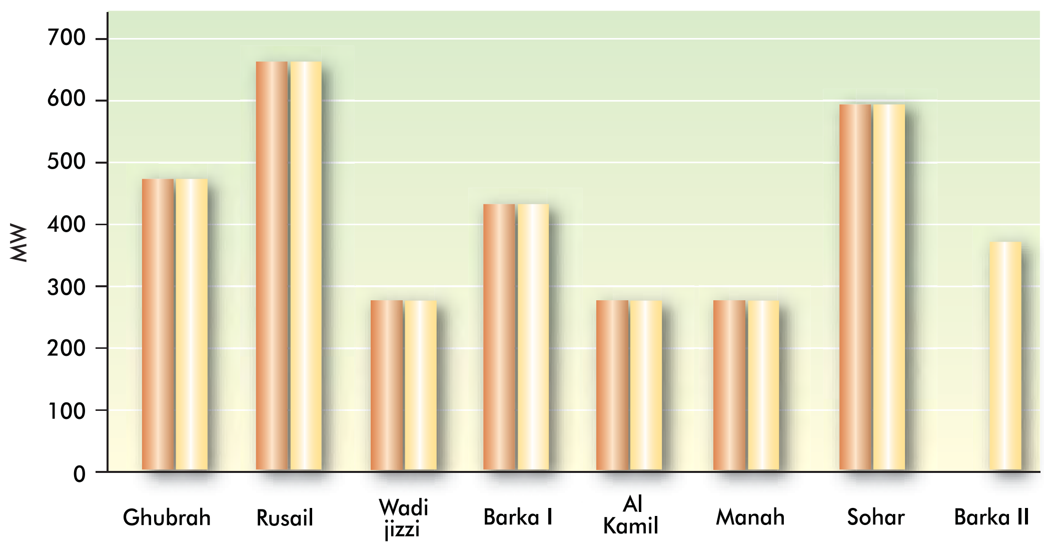
In addition to the long term PPAs & PWPAs, OPWP has also short term Power Purchase Agreements with various auto generators for the MIS and Rural Areas Electricity Co. for Salalah Power System.

The following table shows the quantities and values of power purchased mainly during the summer period from other producers under short term agreements in 2008.

Company Name	Quantity of Power (GWh)	Power Purchased Cost (Million RO)
Oman Cement Company	4.589	0.023
Oman Mining Company	47.433	0.559
Sohar Aluminum Company	204.203	1.474
Others	128.772	0.986
Main Interconnected System (Total)	**384.996**	**3.042**
Rural Areas Electricity Company (Raysut A & B)	2.101	1.830
Total	**387.098**	**4.872**

Figures reflecting operational statistics

Net Plants Capacities in Main Interconnected System

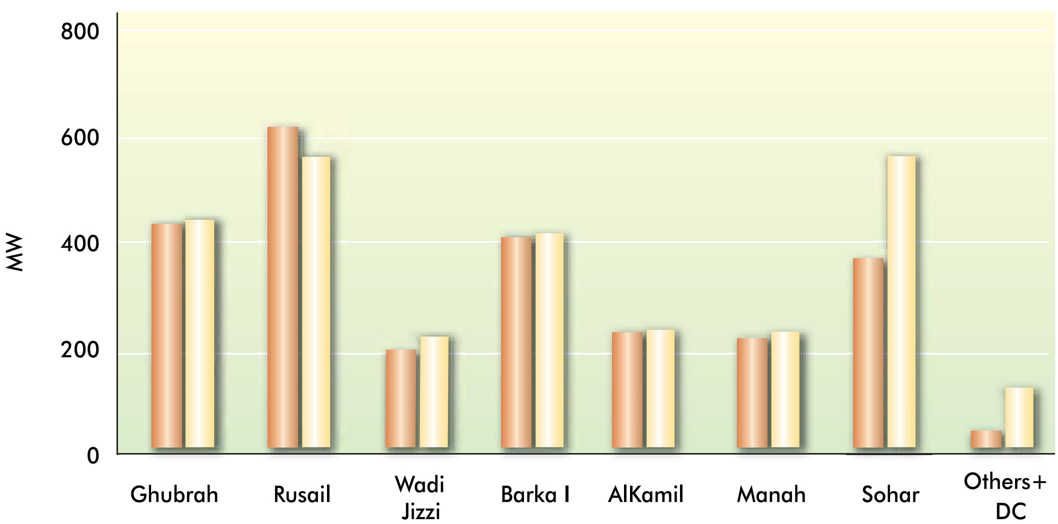


	Ghubrah	Rusail	Wadi jizzi	Barka I	Al Kamil	Manah	Sohar	Barka II
2007	465	653	274	427	272	271	585	
2008	465	653	274	427	272	271	585	363

Figure 1: Shows the net plants capacities in (MW) feeding the Main Interconnected System (MIS) at 50° C ambient temperature. The aggregate of net capacities of plants during peak demand in May 2008 was 3310 MW.

Note: Sohar plant is in operation since May 2007.

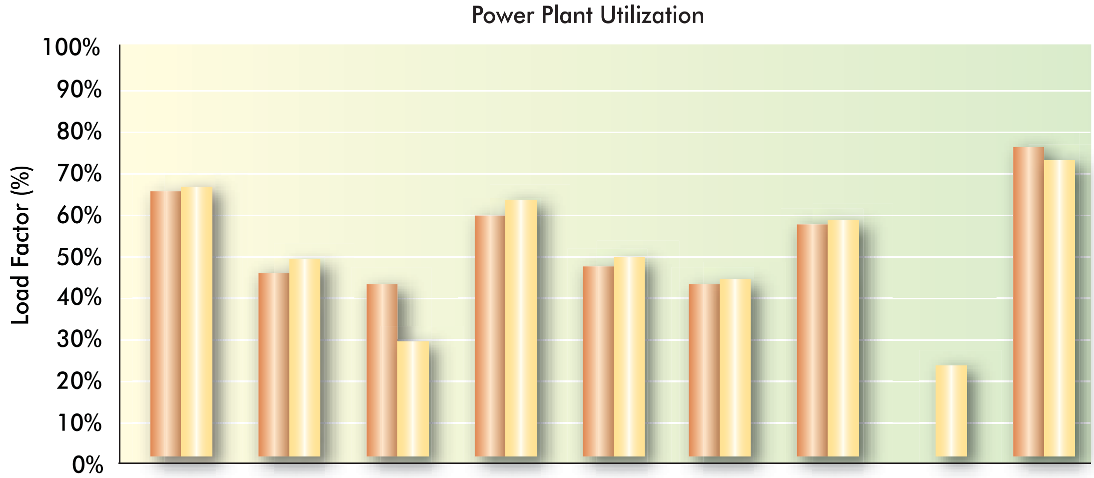
Sharing of Power Peak Demand in Main Interconnected System



	Ghubrah	Rusail	Wadi Jizzi	Barka I	AlKamil	Manah	Sohar	Others+ DC
2007	422	662	228	433	270	261	388	23
2008	436	567	274	445	279	284	583	163

Figure 2: Shows the peak demand for the power in the MIS and the contribution of each plant. Peak demand in the MIS (plus exports to the interconnected system of PDO) reached 3031 MW in May 2008. The peak demand in 2008 in Salalah System reached 260 MW in June 2008. The increase in peak demand in 2008 over 2007 in MIS was 12.8%.

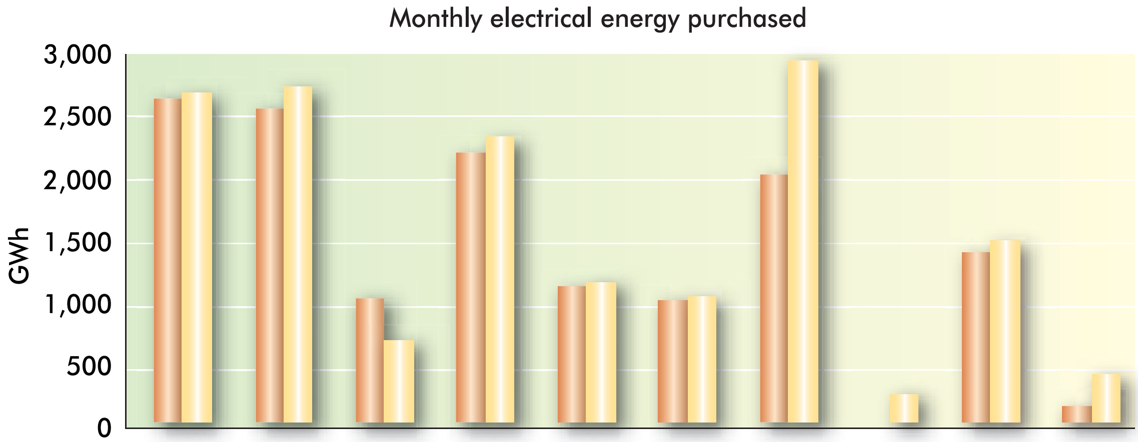
Note: Sohar plant is in operation since May 2007.



	Ghubrah	Rusail	Wadi Jizzi	Barka I	Al Kamil	Manah	Sohar	Barka II	Dhofar
2007	63.9	47.1	41.6	58.0	45.8	41.4	55.6		74.0
2008	64.9	44.1	27.8	61.5	47.6	42.6	56.8	21.9	71.1

Figure 3: Shows the power plants utilization for MIS & Salalah Power System. The utilization of Wadi Jizzi has reduced by 49 % due to utilization of cost effective Sohar plant.

Note: Sohar plant is in operation since May 2007.



	Ghubrah	Rusail	Wadi Jizzi	Barka I	Al Kamil	Manah	Sohar	Barka II	DPC	Others
2007	2,604	2,526	998	2,170	1,089	981	1,993		1,372	129
2008	2,653	2,702	669	2,308	1,135	1,013	2,916	232	1,467	387

Figure 4: Shows the monthly electrical energy purchased in the MIS and Salalah Power System. The increase in energy purchased in 2008 over 2007 is 12.3% for MIS and 5.9% for Salalah power system respectively.

Note: Sohar plant is in operation since May 2007.

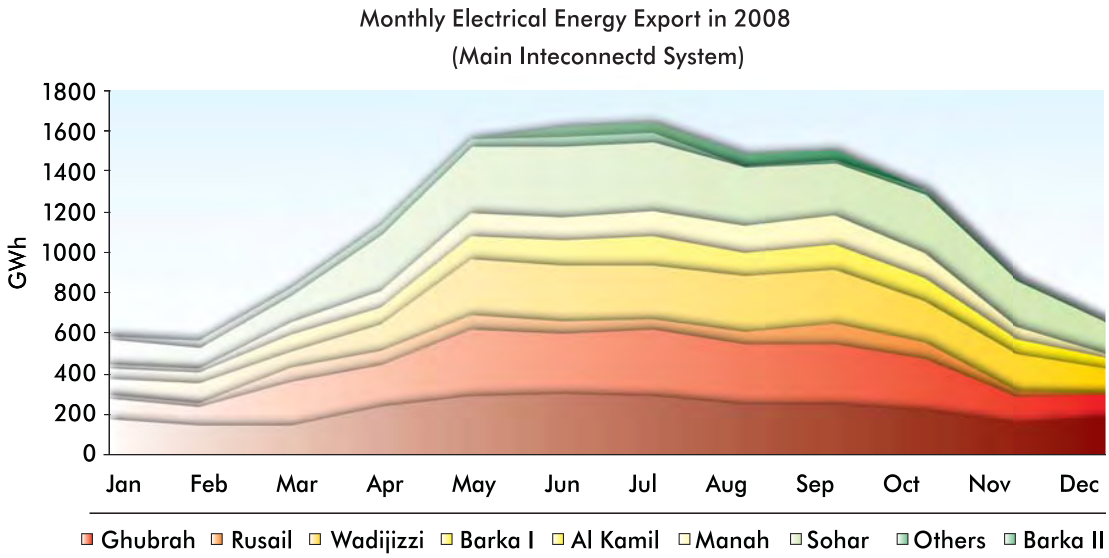
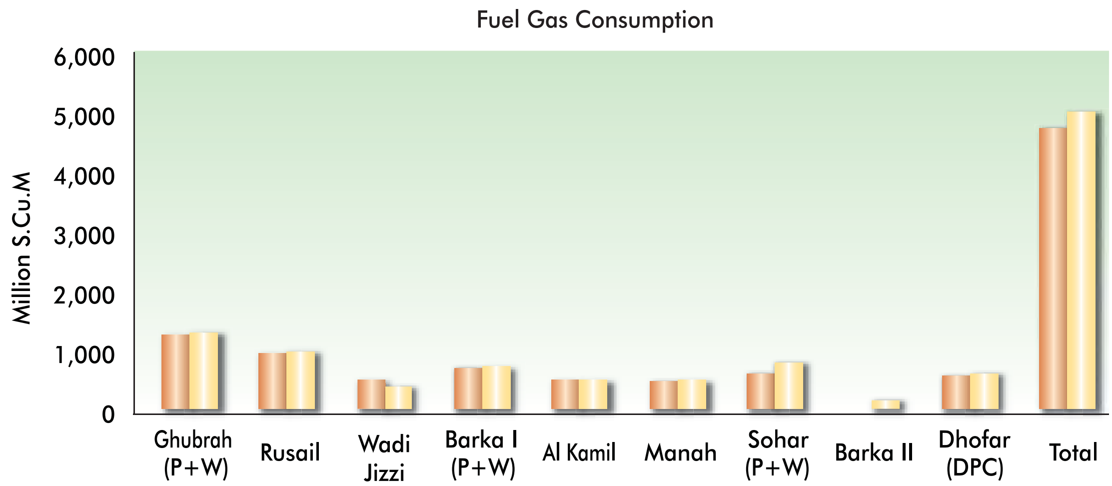


Figure 5: Shows the monthly electrical energy purchased in 2008 in the MIS.



	Ghubrah (P+W)	Rusail	Wadi Jizzi	Barka I (P+W)	Al Kamil	Manah	Sohar (P+W)	Barka II	Dhofar (DPC)	Total
2007	1,261	898	367	602	379	350	486		444	4,789
2008	1,281	937	243	634	383	355	723	69.70	470	5,099

Figure 6: Shows the fuel gas consumption. There has been overall increase in fuel consumption in 2008 over 2007 by 6.47% as against the increase in production of power by 12.3% and water by 15.9%.

Note: Sohar plant is in operation since May 2007.

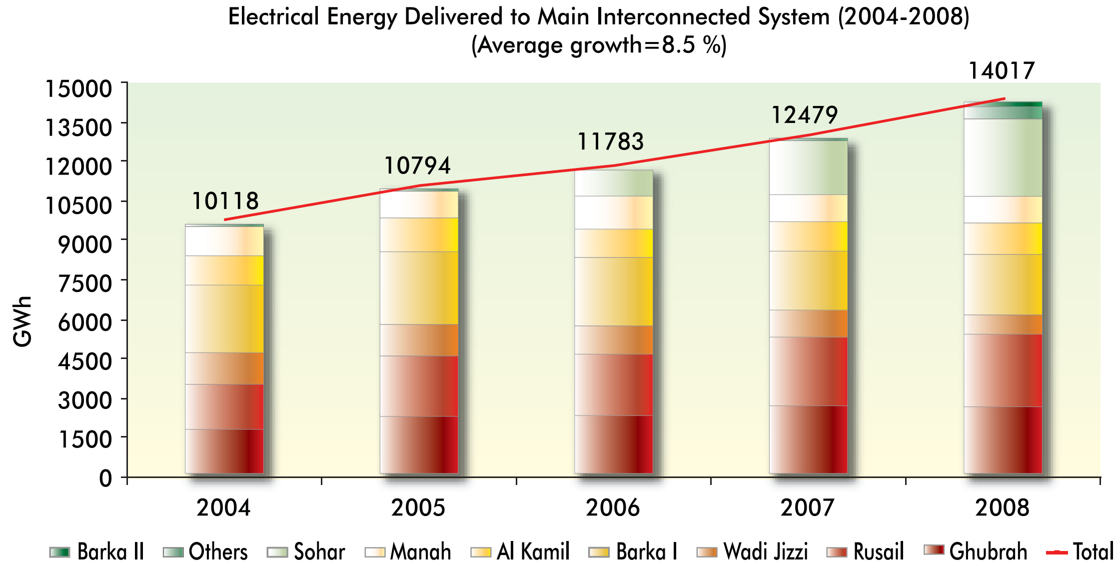


Figure 7: Shows the electrical energy delivered to the MIS in years 2004-2008 and indication of the yearly power demand growth. The average annual growth over this period is 8.5%.

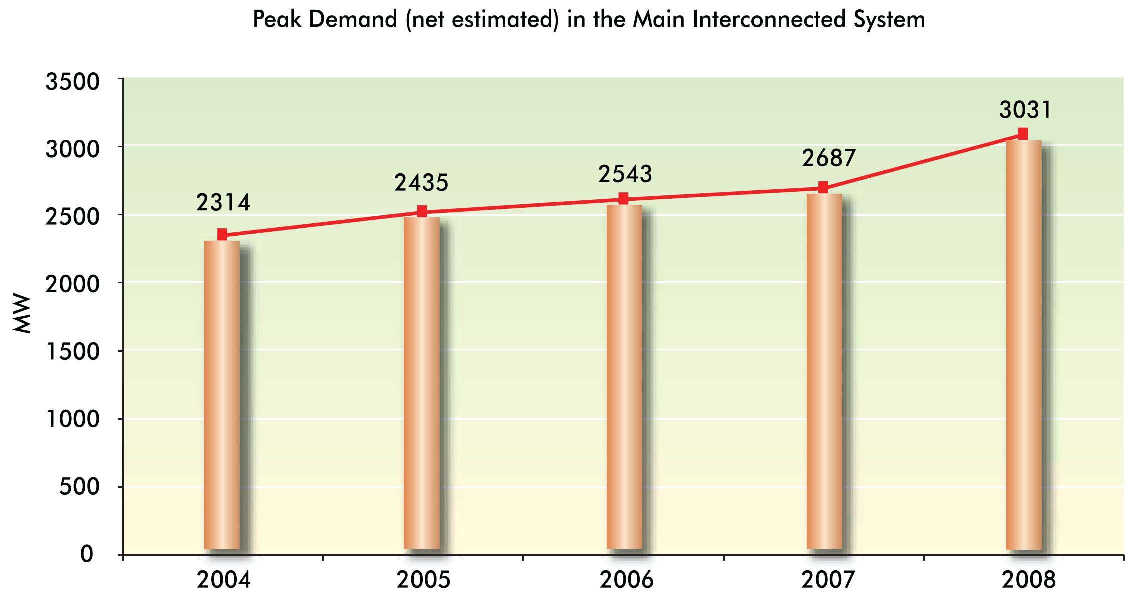


Figure 8: Shows power peak demand in the MIS for the years 2004-2008. The power peak demand in the MIS has increased from 2,314 MW in 2004 to 3,031 MW in 2008 with average annual growth rate of about 7%.

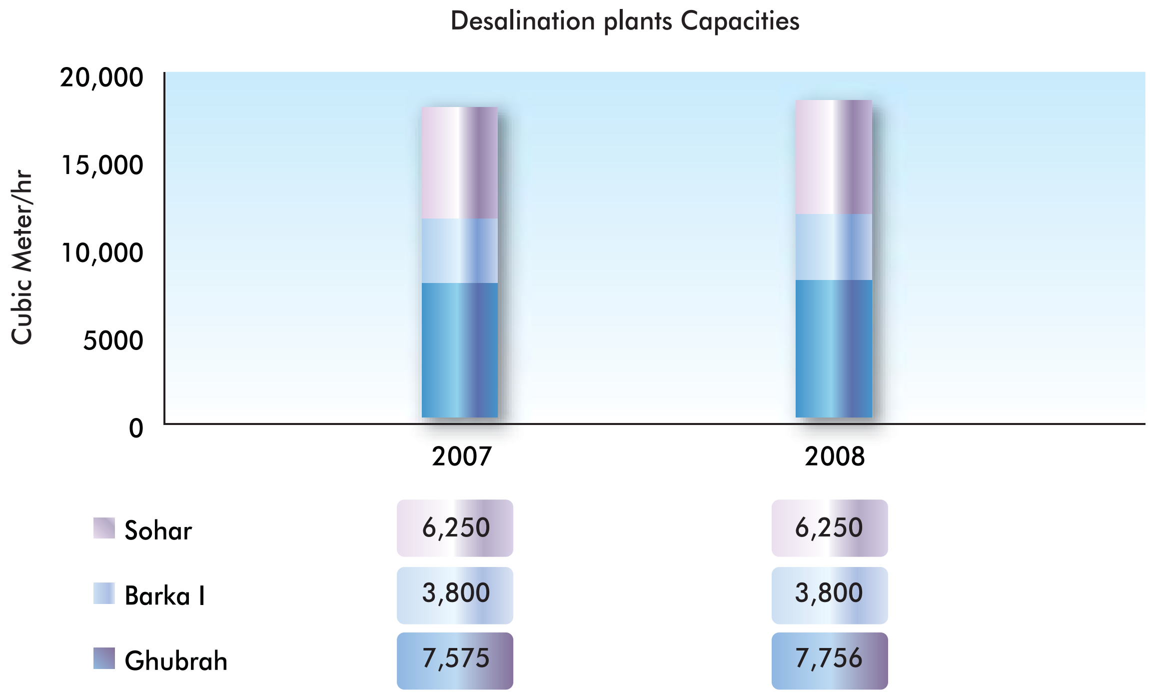


Figure 9: Shows desalination plants capacities (Cubic Meter/hr) with a total capacity of 17,625 Cu.M/hour in 2007 and 17,806 Cu.M/hour in 2008 respectively.

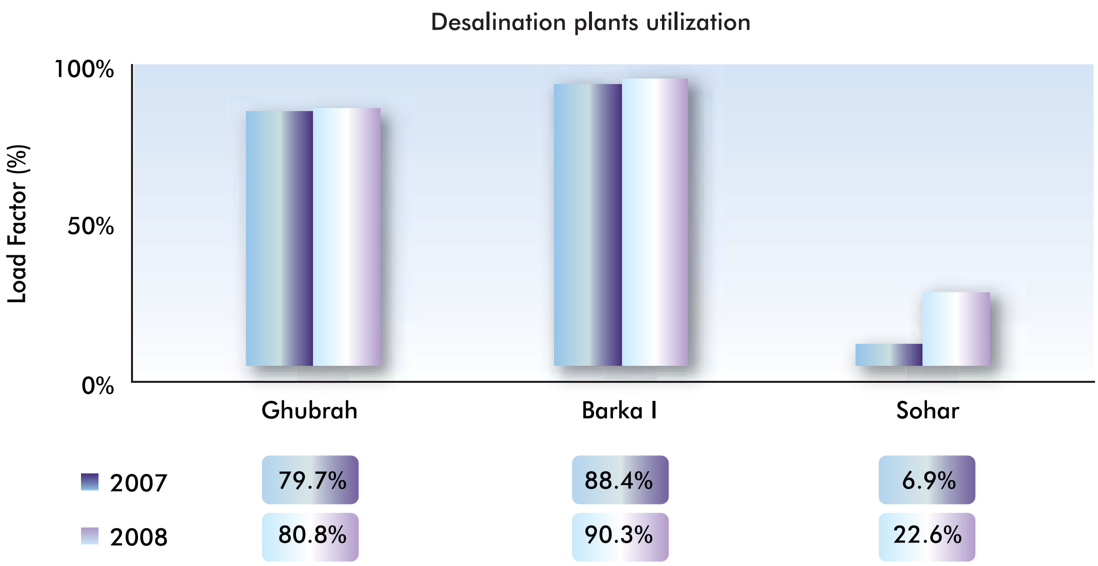


Figure 10: Shows desalination plants utilization. The utilization of Sohar power and water plant is low due to delayed completion of the distribution network.

Note: Sohar plant is in operation since May 2007.

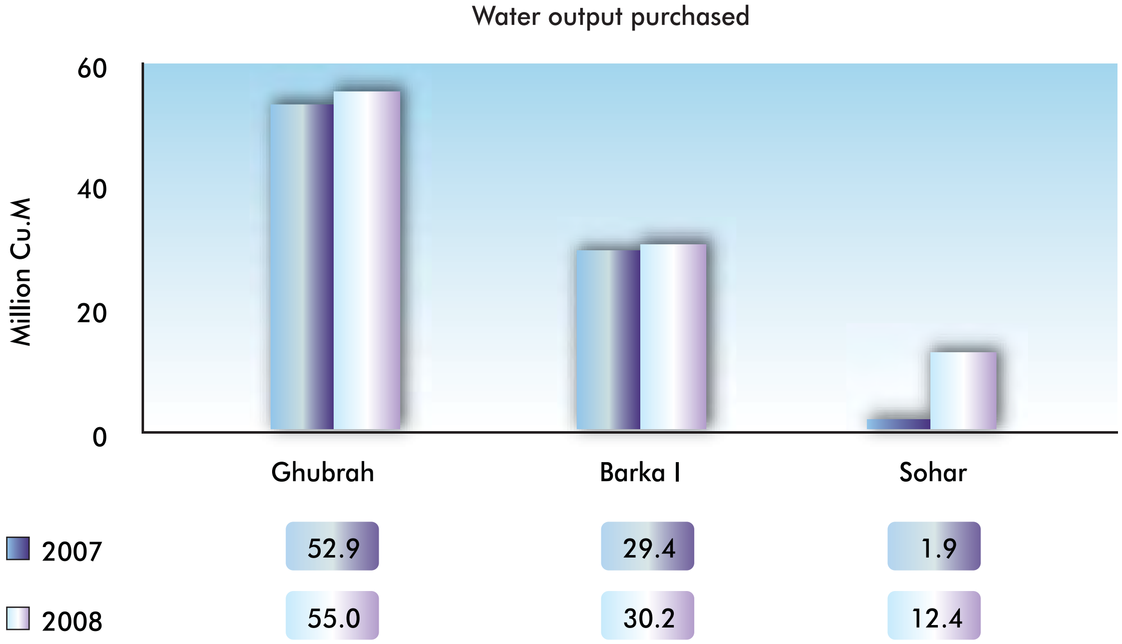


Figure 11: Shows water output purchased. The total annual production reached about 97.6 million cubic meters in 2008.

Note: Sohar plant is in operation since May 2007.

Figures showing statistics relating to bulk supply of electricity and related water:

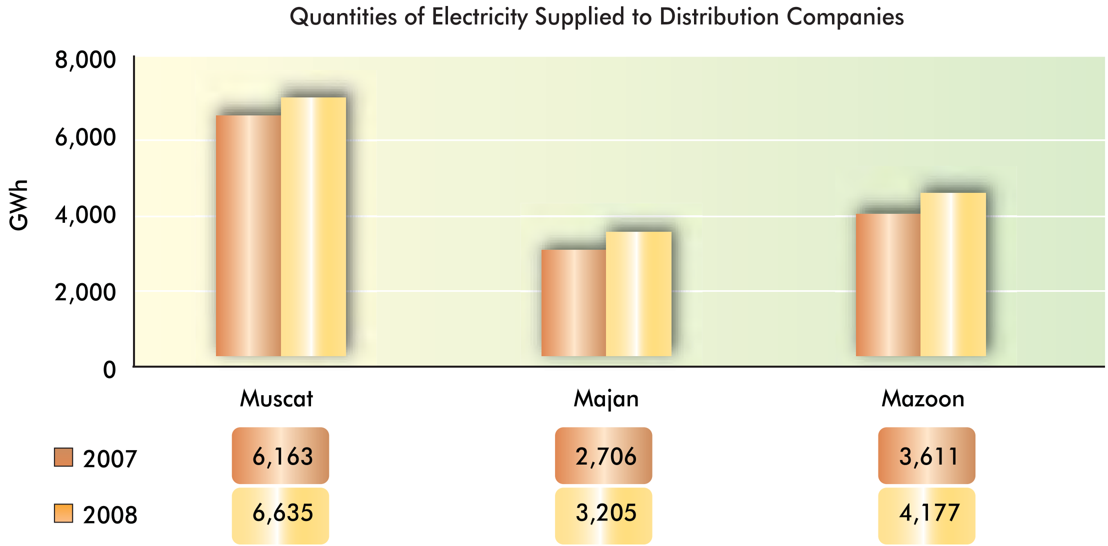
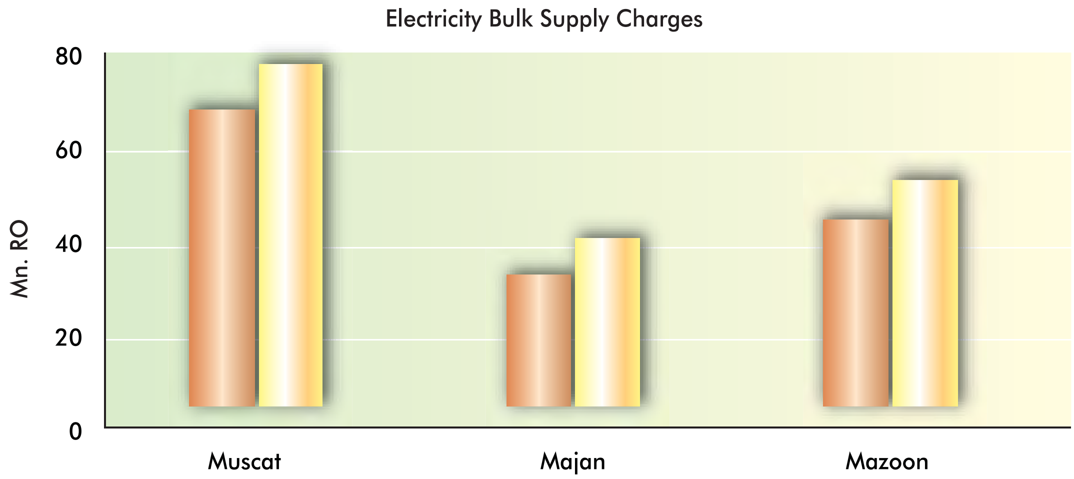
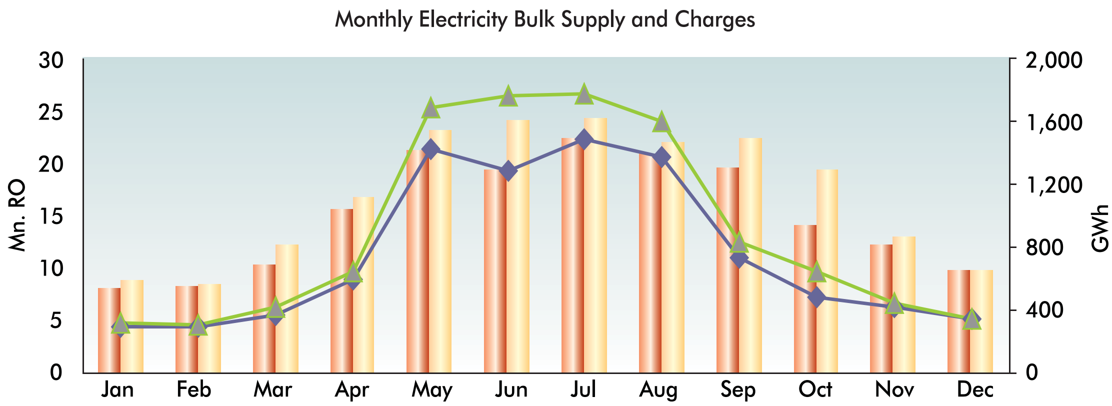


Figure 12: Shows the annual quantities of electricity supplied to Distribution Companies (Muscat, Majan and Mazoon) in GWh. The total annual quantities of electricity supplied to Distribution Companies (Muscat, Majan and Mazoon) has reached to 14,017 GWh in 2008 reflecting growth of 12.3% over 2007.



	Muscat	Majan	Mazoon
2007	64	28	40
2008	74	36	49

Figure 13: Shows the annual electricity bulk supply charges classified by Distribution Companies in Mn. R.O. The total annual charges for electricity supplied to Distribution Companies (Muscat, Majan and Mazoon) reached around 159 Million Rial Omani in 2008. Muscat Electricity Distribution Co. MEDC is the largest electricity distributor in the Sultanate. The charges of quantity of electricity supplied to MEDC has increased from 64 Million Rial Omani in 2007 to 74 Million Rial Omani in 2008.



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2007 Quantities GWh	549	566	707	1,072	1,457	1,335	1,529	1,437	1,340	970	842	675
2008 Quantities GWh	602	580	839	1,153	1,586	1,647	1,663	1,513	1,535	1,331	894	676
2007 Charges Mn.RO	4	4	5	9	21	19	22	21	11	7	6	5
2008 Charges Mn.RO	4	4	6	9	25	27	27	24	12	9	6	5

Figure 14: Shows the monthly electricity bulk supply charges and quantities. The maximum monthly quantity of electricity supplied to Distribution Companies (Muscat, Majan and Mazoon) was in July. It has increased from 1529 GWh in 2007 to 1663 GWh in 2008 and the related charges increased from 22 Million Rial Omani in 2007 to 27 Million Rial Omani in 2008.

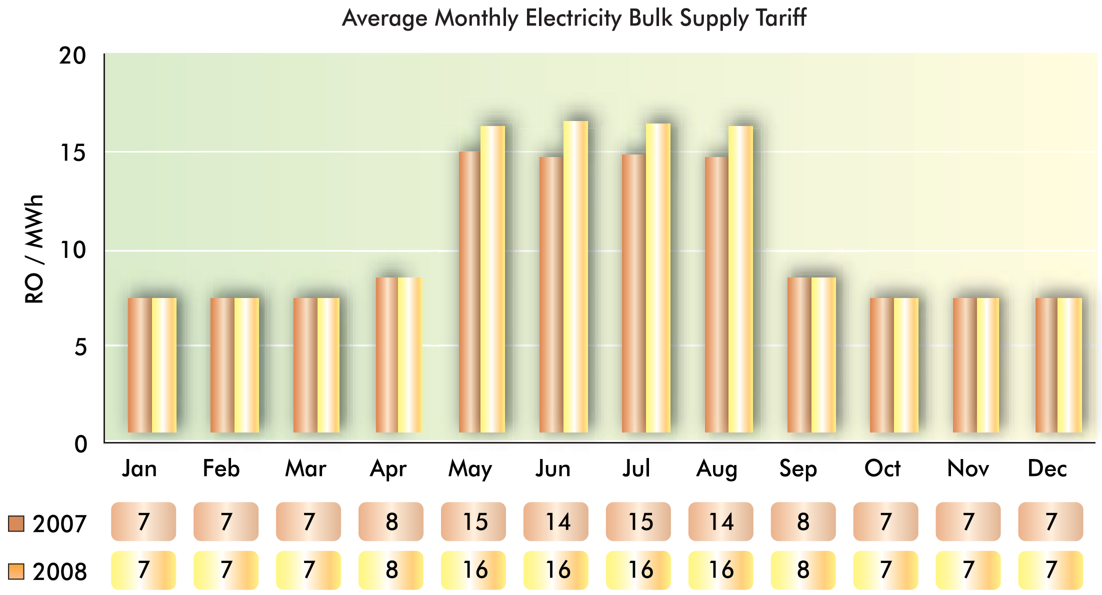


Figure 15: Shows the average monthly electricity bulk supply tariff. The higher bulk supply tariff for electricity was in the period between May to August.

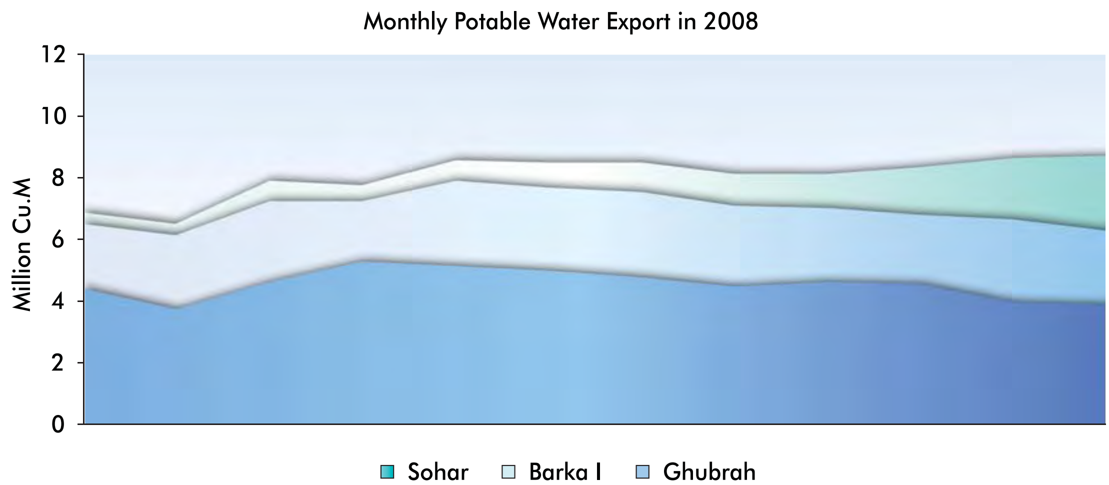


Figure 16: Shows monthly related desalinated water sold to PAEW in 2008. The growth of the monthly quantity of the related desalinated water sold to PAEW in 2008 is stable. The changes appear between the months mainly due to the changes on the number of the days in the month.

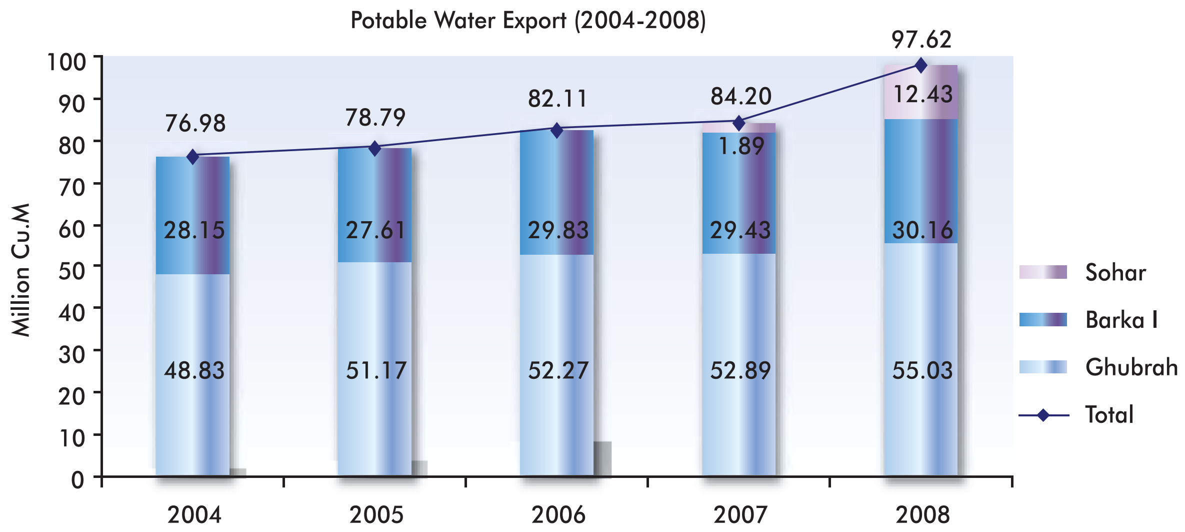


Figure 17: Shows water output exported to MHEW/PAEW for the years 2004-2008 and indication of yearly water demand growth. The total annual quantity of water output exported to the Water Departments has reached about 97.62 million cubic meters in 2008. Al Ghubra desalination plant is the largest desalination plant in the Sultanate of water output reached about 55.03 million cubic meters accounting for 56.4% of the total output of the Sultanate's desalination capacity in 2008.

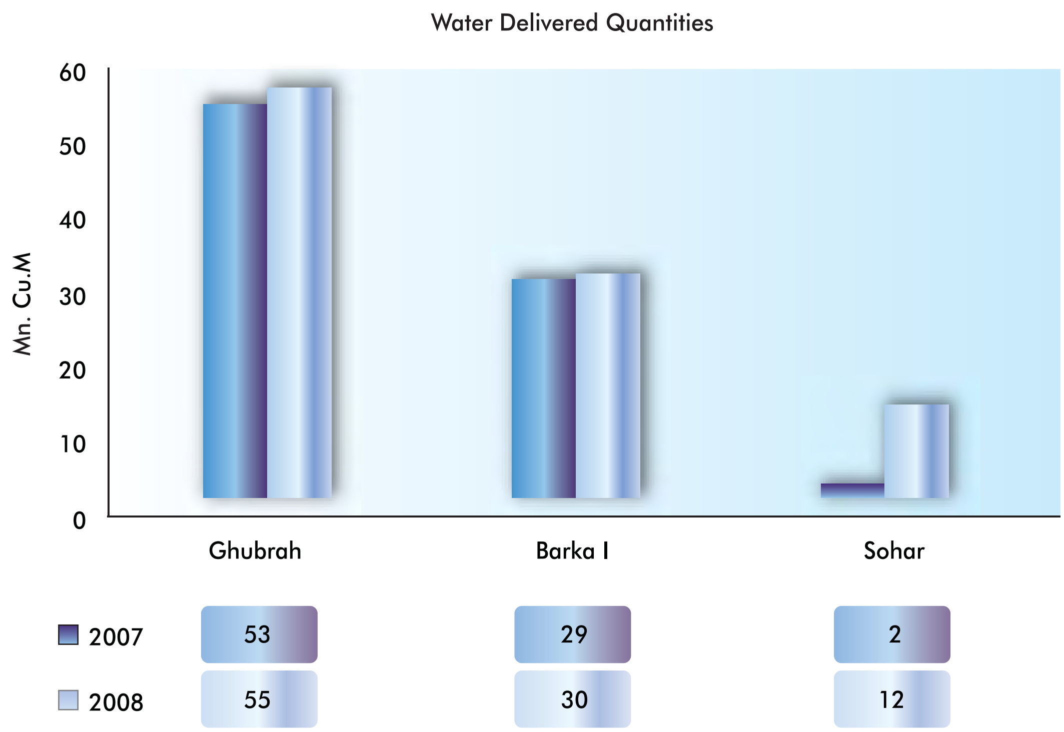
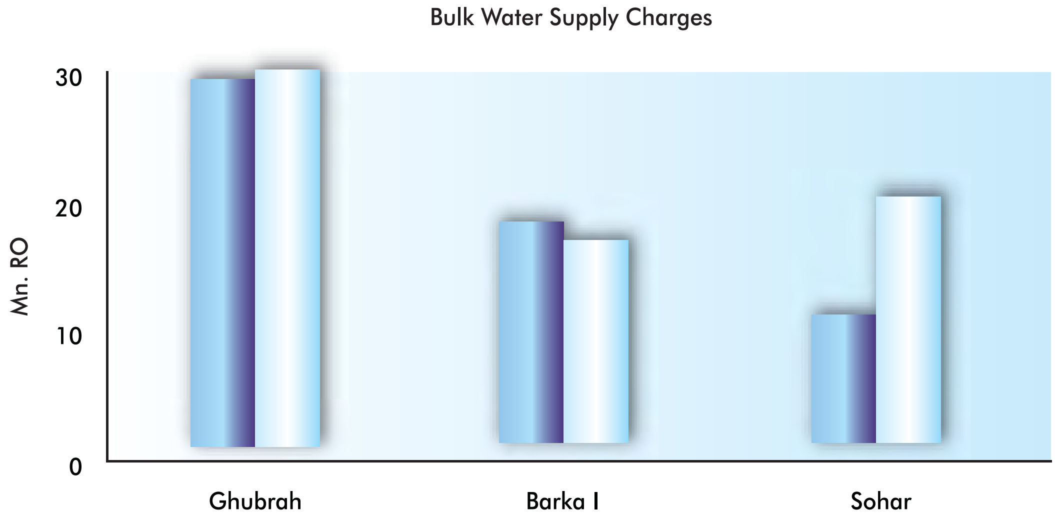


Figure 18: Shows the annual water delivered quantities in Mn. CM classified by plant. The total annual quantity of water delivered to Water Departments has reached about 97 million cubic meters in 2008 comparing with 84 million cubic meters in 2007. The quantity of water delivered from Sohar desalination plant has increased from 2 million cubic meter in 2007 to 12 million cubic meter in 2008 and its relative share has increased from 2% to 13% in the same year.

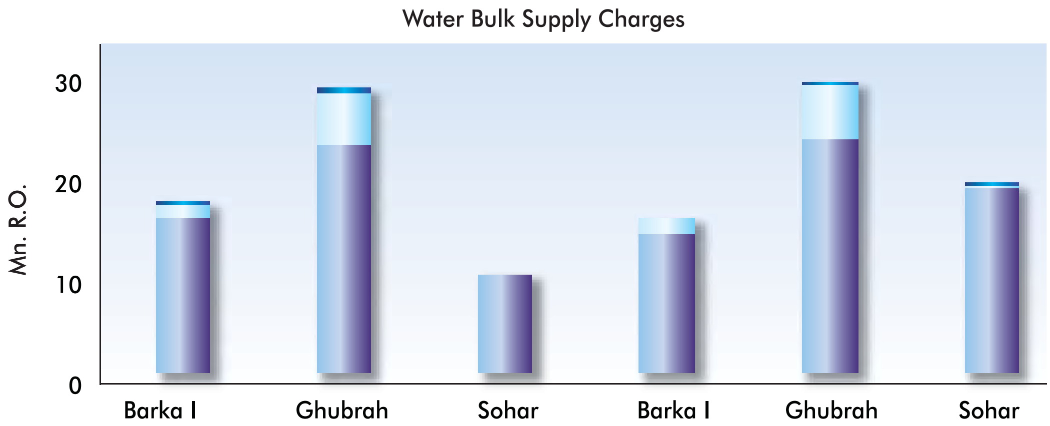
Note: Sohar plant is in operation since May 2007.



	Ghubrah	Barka I	Sohar
2007	29	17	10
2008	29	16	19

Figure 19: Shows the annual water bulk supply charges in Mn. R.O classified by plant.

Note: Sohar plant is in operation since May 2007.

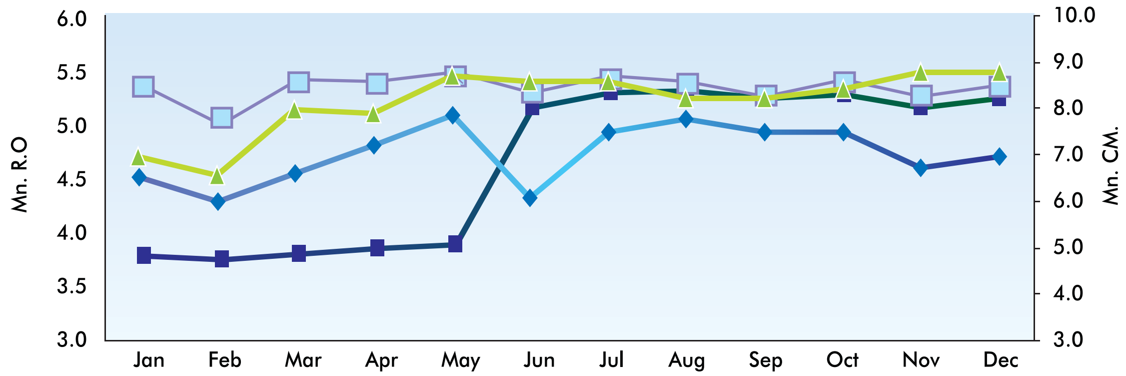


	2007			2008		
	Barka I	Ghubrah	Sohar	Barka I	Ghubrah	Sohar
PWP Charge	0.21	0.36	0.15	0.17	0.33	0.27
Variable Charge	1.47	5.29	0.03	1.67	5.50	0.20
Fixed Charge	15.52	22.92	9.78	13.85	23.37	18.67

Figure 20: Shows the annual water bulk supply charges in Mn. R.O classified by plant and type of charges. The total annual charges of water delivered to Water Departments has increased from 55.73 Million Rial Omani in 2007 to 64.03 Million Rial Omani in 2008 with an annual growth of 14.9%. The total fixed charges of water bulk supply charges has increased from 48.22 Million Rial Omani in 2007 to 55.89 Million Rial Omani in 2008 with an annual growth of 15.9%.

Note: Sohar plant is in operation since May 2007.

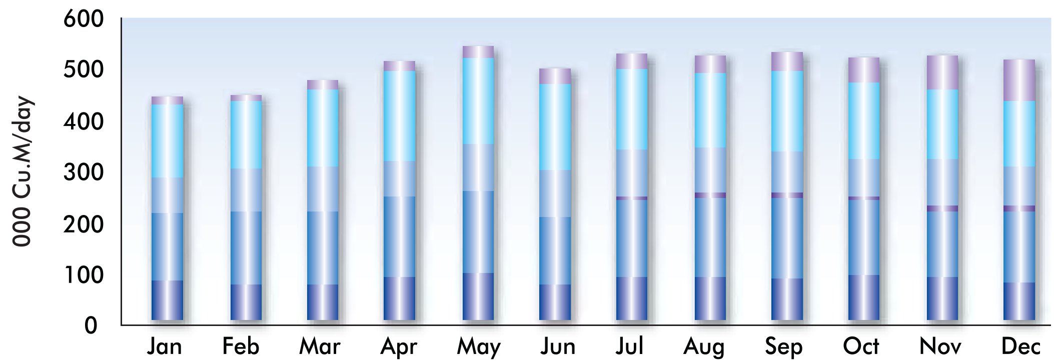
Monthly Water Bulk Supply and charges



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2007 Charges Mn. R.O.	3.8	3.8	3.8	3.8	3.9	5.1	5.3	5.3	5.2	5.3	5.2	5.2
2008 Charges Mn. R.O.	5.4	5.0	5.4	5.4	5.5	5.3	5.4	5.4	5.3	5.4	5.3	5.4
2007 Quantities Mn. CM	6.5	6.0	6.6	7.2	7.8	6.1	7.5	7.8	7.5	7.5	6.7	6.9
2008 Quantities Mn. CM	7.0	6.6	8.0	7.9	8.7	8.6	8.6	8.2	8.2	8.4	8.8	8.8

Figure 21: Shows the monthly water bulk supply charges and quantities. The maximum monthly quantity of water delivered to Water Departments was in December. It has increased from 6.9 Million Cubic Meter in 2007 to 8.8 Million Cubic Meter in 2008. The maximum monthly charges of water delivered to Water Departments were in May. It has increased from 3.9 Million Rial Omani in 2007 to 5.5 Million Rial Omani in 2008. The high increase in quantity in June was due to interruption in supply in June 2007 as a result of severe weather condition experience during that period.

The daily average of the Water Bulk Supply



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2008 Sohar	13	11	21	17	22	27	30	33	38	49	67	78
2008 Ghubrah	143	131	150	177	166	167	156	147	157	149	134	128
2008 Barka I	68	84	87	69	91	91	91	84	80	73	91	78
2007 Sohar	-	-	-	-	-	-	5	12	13	9	11	10
2007 Ghubrah	131	144	142	157	161	132	151	154	154	143	128	140
2007 Barka I	79	70	71	83	92	70	85	85	83	90	84	75

Figure 22: Shows the daily average of the water delivered quantities in thousand Cubic Meters /day.

Note: Sohar plant is in operation since May 2007.

MANAGEMENT OF AGREEMENTS

The Company recognizes the importance of maintaining business relations and smooth interfaces with the generation Companies and is putting in efforts for the improvement of the management of the P(W)PAs and Salalah Concession Agreement. However, while managing the PWPAs and Salalah Concession Agreement, OPWP is facing some challenges and disputes that need to be resolved:

A. Transmission & Distribution Allowance

The company has been paying increased Transmission and Distribution-Extension and Enhancement (T&DEE) allowance to Dhofar Power Company SAOG (DPC) based on the Experts determination in August 2005 and has claimed the same as pass through cost from Ministry of Finance. However the company intends to challenge the ruling through the process of Arbitration. The cumulative amount paid to DPC on account of increased (T&DEE) allowance till 31st December 2008 stands at RO 1,118,921.

B. Increased Transmission and Distribution System Operating Cost Allowance

An amount of RO 1.252 million and RO 1.353 million for the year 2007 and 2008 respectively has been claimed by DPC on account of increased Transmission and Distribution System Operating Cost Allowance. The matter is under dispute with DPC. The DPC has formally notified OPWP that it is referring the dispute to an Expert for determination in accordance with Article 32 of the Concession Agreement.

C. Customer Services and Supply Standard

For 2003

During 2004, the Company notified DPC, of its claim for penalties on it of approximately RO 1.10 million in respect of certain non-compliances with the Concession Agreement by DPC during the year 2003.

In accordance with the provisions of the Concession Agreement, the parties referred the issues in this regard to an Independent Expert. The Expert determined in favour of DPC on 14th July 2005. The Company has notified DPC that it intends to challenge the ruling of the Expert through the process of Arbitration.

From 2004 to 2007

During 2004 to 2007, the company has claimed penalties from DPC for certain non-compliances with the Concession Agreement as under.

Year	2004	2005	2006	2007
Amount in Million RO	1.965	0.439	13.400	1.050

DPC has disputed the claim of the company.

D. Liquidated Damages

Sohar Power Company SAOG

The company has claimed Liquidated Damages of RO 2.210 million, from Sohar Power Company SAOG (SPC) for delay in achieving Commercial Operation Date (COD) and RO 1.131 million for Early Power delay claims. While SPC has contested this, it has not yet exercised its option of Expert determination in this matter.

SMN Barka Power Company SAOC

The Company has claimed Liquidated Damages of RO 1.220 million from SMN Barka Power Company SAOC (SMN) for Early Power delay claim. SMN Barka has not yet exercised its option of Expert Determination in this matter.

SALALAH POWER SYSTEM

As a privatization initiative of the Government, the Salalah Power System commenced operations from May 2003 pursuant to the Salalah Concession Agreement entered into by the Government with Dhofar Power Company SAOC (DPC). Since May 2005, OPWP is managing the Salalah Concession Agreement. The activities covered under the agreement are monitoring of operation and maintenance of Salalah Power System, new expansion in production, transmission, distribution and customer services related activities and review the System Performance and quality service reports submitted by (DPC). The Company also reviews and approves the Five year and Annual Business Plan submitted by DPC.

Restructuring of the Salalah Power System

The shareholders of DPC have signed a Memorandum of Understanding (MOU) on 20/10/2006 with OPWP for the restructuring of the Salalah Power System with a term of twelve months. The term has been extended to the early 2009. Efforts are being made by the related parties to achieve a successful conclusion.

CORPORATE GOVERNANCE

The Board of Directors

The Board of Directors is comprised of five non-executive members appointed by the shareholders. The Chairman of the Board and three other members represent the Electricity Holding Company, and one member represents the Ministry of Finance. The Board has formed the following three committees:

- **The Audit Committee:** The committee observe and study all aspects related to appointment of External and Internal Auditors, review Audit plan and results of the audit, checking financial fraud particularly fictitious and fraudulent portions of the financial statement, oversight of aspects related to preparation of financial statement with particular reference to review of annual and quarterly financial statements before issue, review of reservations of external auditors on the draft financial statements.

- **The Human Resources Committee:** The Committee's main responsibility is to assist the Board in establishing and developing the Company's human resources policies, including the human resources manual and recruitment of top executive management positions.

- **The Internal Tender Committee:** The Committee's main task is to assist the Board in approving contracts in accordance with the Financial Delegation of Authority and Tender Board Law.

The Board and its Committees are responsible for establishing the general policies of the Company, supervising the execution of its activities, approving its budget and the appointment of the top management positions. The following table shows the number of meetings held by the Board and its committees and attendance of members:

Board Members	Board Meeting	Internal Tender Committee	Human Resources Committee	Audit Committee	Board sitting fees	Committee meeting fees	Bonus
	Number of Member's Meeting				R.O.		
	6	8	2	3			
H.E Sultan Hamdoon Al Harthi	5	8	0	0	3,250	3,200	9,000
Mr. Qais Bin Mohammed Al Yousef	6	0	0	0	3,000	0	5,250
Eng. Abdulrahman bin Barham Ba Omar	5	0	2	3	2,500	1,700	5,250
MR. K. Gopakumar	2	0	0	3	1,000	1,200	5,250
Mr. Hilal Khalfan Al Naamani (Former member from MOF)	3	4	0	3	1,500	2,100	1,300
Mr. Mubark Bin Suliman Al Manthari	2	1	0	2	1,000	900	3,950
Total					**12,250**	**9,100**	**30,000**

The total remuneration for attending the meetings and bonus is of R.O. 51,350

INTERNAL AUDIT

The Company believes that the presence of effective internal audit and control contributes to efficient and effective performance of Company activities and assists in ensuring compliance with the laws and regulations. George Mathew & Co. has been contracted to carry out internal audit of the company for the period from January 1, 2008 to December 31, 2008.

The areas covered during this reporting period, as per the Audit Plan for the year are as follows:

- Reviewing the ways and means to safeguard the Company's assets.
- Audit of new projects.
- Verification of operating controls in respect of import and export of power and compliance of respective company's policy in this regard.
- Analysis of Debtors ageing statement, Debtors ledger and control over collections from debtors
- Analysis of Creditors ageing statement, creditors' ledger and control over payments to creditors
- Providing information to the Board/Management about the adequacy and effectiveness of the company's system of Internal Administration and control, Information Technology, Accounting and Financing controls related to these transactions.
- Reviewing the controls in systems to ensure the reliability and integrity of information related to these transactions.
- Promoting the awareness of risk management issues, and ensuring that the members of the board and employees have been informed about the legal requirements, Government guidelines, codes of conduct and ethics, internal regulation and any change thereon from time to time.

MANAGEMENT PERFORMANCE

A. Credit Rating

OPWP was assigned by Standard & Poor's Ratings Services its 'A' long-term corporate credit rating on May 6, 2008. This rating reflects OPWP's unique and strategically important role as the sole bulk buyer and bulk seller of electricity and related (desalinated) water in Oman.

B. Budget 2009

The OPWP Board has approved the Budget for 2009 and has been submitted to EHC for approval.

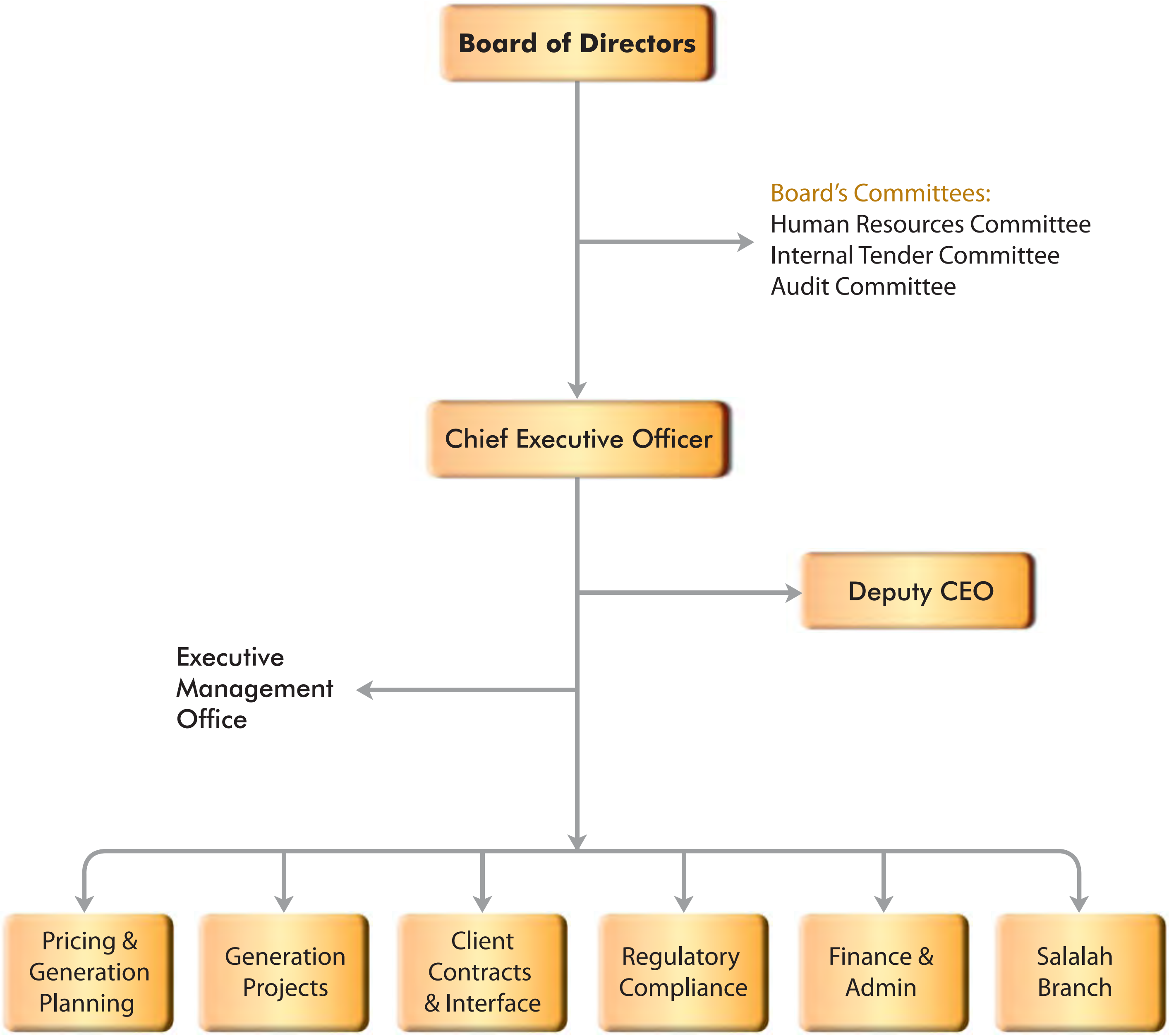
C. Personnel

During the year, most of the key positions of the Company were filled in accordance with the employment plan, which includes Chief Executive Officer, Project Manager and Technical Expert. The total staff strength in the Main office and Salalah Branch is 47 employees.

D. Omanization

The total number of Omani personnel at end of year 2008 is 37 out of 47 employees representing 79 % of the total work force. The executive management aims at recruitment and training of Omani nationals in different job categories of the Company in an organized and phased manner. The training cost during the year 2008 was R.O 53,080 representing about 5% of the total staff cost.

THE ORGANIZATION CHART



FINANCIAL PERFORMANCE

The Financial Statements of the Company for the year ending 31st December 2008 and the Report of the Company's External Auditor Deloitte & Touch Middle East is attached

REPORT AND FINANCIAL STATEMENTS

for the year ended 31 December 2008

Pages

Deloitte.

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Independent auditor's report to the shareholders of Oman Power and Water Procurement Company SAOC

Report on the financial statements

We have audited the accompanying financial statements of **Oman Power and Water Procurement Company SAOC**, which comprise of the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 3 to 30.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent auditor's report to the shareholders of Oman Power and Water Procurement Company SAOC (continued)

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **Oman Power and Water Procurement Company SAOC** as of 31 December 2008, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 2 to the financial statements. The company has not adopted IFRIC 4 – "Determining whether an arrangement contains a lease", under which the arrangement between the company and the relevant power producing company will be treated as a finance lease as per the provisions of IAS 17-"Leases" which would result in the following:

- Recognition of property, plant and equipment related to the generation facilities at fair value and the corresponding lease liabilities;
- Depreciation of these assets over their estimated useful lives; and
- Recognition of interest cost implicit in the lease.

Management has concluded that the adoption of IFRIC 4 would result in recognition of costs associated with relevant agreement on a profile inconsistent with the cost recovery mechanism provided for in the licence issued by the Authority for Electricity Regulation, Oman (AER) and recognition of property, plant and equipment which relate to power generation facilities which the company is prohibited to own under the licence issued by AER and provisions of the Sector Law. The effect of such non-adoption of IFRIC 4 on the financial statements has been quantified in Note 2.

Deloitte & Touche (M.E.)
Muscat, Sultanate of Oman
16 February 2009

Balance sheet
as at 31 December 2008

	Notes	2008 RO '000	2007 RO '000
ASSETS			
Non-current assets			
Property, plant and equipment	4	229	77
Advance payments	5	17,443	18,847
Total non-current assets		17,672	18,924
Current assets			
Inventories		567	567
Trade and other receivables	6	47,741	36,660
Cash and cash equivalents	7	1,718	6,231
Total current assets		50,026	43,458
Total assets		67,698	62,382
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	8	500	500
Statutory reserve	9	167	167
General reserve	10	250	250
Retained earnings		1,071	1,015
Electricity Holding Company SAOC Funds	1	9,172	9,172
Total equity		11,160	11,104
Non-current liabilities			
Amount due to Holding Company	23	16,306	12,306
Provisions	12	66	53
Deferred tax liability	13	2	5
Total non-current liabilities		16,374	12,364
Current liabilities			
Trade and other payables	14	39,969	38,696
Provision for current tax	21	142	171
Provisions	12	53	47
Total current liabilities		40,164	38,914
Total liabilities		56,538	51,278
Total equity and liabilities		67,698	62,382
Net assets per share (RO)	15	22	22

.... **Chairman** .... **Director** .... **Chief Executive Officer**

The accompanying notes form an integral part of these financial statements.

Income statement
for the year ended 31 December 2008

	Notes	2008 RO '000	2007 RO '000
Revenue	16	238,720	214,524
Operating costs	17	(234,920)	(210,653)
Gross profit		3,800	3,871
General and administrative expenses	18	(2,619)	(2,407)
Profit from operations		1,181	1,464
Finance costs	19	(17)	(13)
Other income	20	47	23
Profit before tax		1,211	1,474
Income tax expense	21	(140)	(173)
Profit for the year		1,071	1,301
Basic earnings per share (RO)	22	2.142	2.602

The accompanying notes form an integral part of these financial statements.

Statement of changes in equity
for the year ended 31 December 2008

	Share capital RO '000	Statutory reserve RO '000	General reserve RO '000	Retained earnings RO '000	EHC SAOC Funds RO '000	Total equity RO '000
Balance at 1 January 2007	**500**	**131**	**-**	**406**	**9,172**	**10,209**
Profit for the year	-	-	-	1,301	-	**1,301**
Total recognised income and expenses	-	-	-	1,301	-	**1,301**
Transferred to statutory reserve	-	36	-	(36)	-	-
Transferred to general reserve	-	-	250	(250)	-	-
Dividend paid	-	-	-	(406)	-	**(406)**
Balance at 1 January 2008	**500**	**167**	**250**	**1,015**	**9,172**	**11,104**
Profit for the year	-	-	-	1,071	-	**1,071**
Total recognised income and expenses	-	-	-	1,071	-	**1,071**
Dividend paid	-	-	-	(1,015)	-	**(1,015)**
Balance at 31 December 2008	**500**	**167**	**250**	**1,071**	**9,172**	**11,160**

The accompanying notes form an integral part of these financial statements.

Cash flow statement
for the year ended 31 December 2008

	2008 RO '000	2007 RO '000
Cash flows from operating activities		
Profit before tax	**1,211**	1,474
Adjustments for:		
Depreciation of property, plant and equipment	**26**	24
Loss on sale of property, plant and equipment	**4**	-
Advance payment amortised	**1,404**	1,385
Net transfer to provision for employee benefits	**19**	31
Operating cash flows before movement in working capital	**2,664**	2,914
Decrease/ (increase) in working capital		
Trade and other receivables	**(11,081)**	(9,721)
Trade and other payables	**1,273**	(1,158)
Cash used in operations	**(7,144)**	(7,965)
Income tax paid	**(172)**	(56)
Net cash used in operating activities	**(7,316)**	(8,021)
Cash flows from investing activities		
Purchase of property, plant and equipment	**(183)**	(8)
Proceeds on disposal of property, plant and equipment	**1**	-
Net cash used in investing activities	**(182)**	(8)
Cash flows from financing activities		
Amount due to Holding Company	**4,000**	1,552
Bank overdraft	-	(1,390)
Dividend paid	**(1,015)**	(406)
Net cash from/ (used in) in financing activities	**2,985**	(244)
Net change in cash and cash equivalents	**(4,513)**	(8,273)
Cash and cash equivalents at the beginning of the year	**6,231**	14,504
Cash and cash equivalents at the end of the year	**1,718**	6,231

The accompanying notes form an integral part of these financial statements.

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

1 Legal status and principal activities

Oman Power and Water Procurement Company SAOC (the "Company") is a closed Omani joint stock company registered under the Commercial Companies Law of Oman. The company is primarily undertaking procurement activities pertaining to electricity and related desalinated water and the supervision of Salalah concession under a license issued by the Authority for Electricity Regulation, Oman (AER).

The establishment and operations of the Company are governed by the provisions of the Law for the Regulation and Privatisation of the Electricity and Related Water Sector (the "Sector Law") promulgated by Royal Decree 78/2004.

The company commenced trading on 1 May 2005 (the "Transfer Date") following the implementation of a decision of the Ministry of National Economy (the "Transfer Scheme") issued pursuant to Royal Decree 78/2004.

Oman Power and Water Procurement Company SAOC is a 99.99% subsidiary of the Electricity Holding Company SAOC (EHC).

The registered address of the company is at PO Box: 1388, PC 112, Ruwi, Sultanate of Oman.

Electricity Holding Company SAOC Funds

In accordance with the Transfer Scheme, the company received the following assets and liabilities from the Ministry of Housing, Electricity and Water (MHEW) on the transfer date:

	RO '000
Property, plant and equipment	**26**
Trade and other receivables	**1,198**
Inventories	**567**
Advance payments	**21,809**
Cash and cash equivalents	**1**
Total assets	**23,601**
Trade and other payables	**(14,429)**
Electricity Holding Company SAOC Funds (represents net assets transferred)	**9,172**

At the date of transfer, there was no consideration in cash for the above net assets transferred. In line with the intention of the Government of Oman (Ministry of Finance) and the Board of Directors, the net assets transferred represent Electricity Holding Company SAOC's Funds and are classified within Equity. Upon disposal of a cash-generating unit or business, the corresponding value of Electricity Holding Company SAOC's Funds as per the books, as on the date of disposal shall be reduced fully and the entire consideration received from disposal shall be paid to the Electricity Holding Company SAOC. Until then, Electricity Holding Company SAOC's Funds are considered to be non-distributable funding.

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

2 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 year beginning on 1 January 2008 except, IFRIC 4 – "Determining whether an arrangement contains a lease".

The adoption of relevant standards and interpretations has not resulted in changes to the company and has not affected the amounts reported for the current year.

Non adoption of IFRIC 4 – "Determining whether an arrangement contains a finance lease".

The effect of the adoption of IFRIC 4 "Determining whether an arrangement contains a lease" and consequently IAS 17 – "Leases" in these financial statements would result in the following:

- The Power Purchase Agreement (PPA) between Oman Power and Water Procurement Company SAOC (OPWP) and United Power Company SAOG (UPC) is a build, own, operate and transfer (BOOT) arrangement and would be treated as a finance lease as per the provisions of IAS 17 – "Leases". All the property, plant and equipment under the PPA shall be transferred at RO 1 to the Electricity Holding Company or its nominee at the end of the term of PPA;
- Recognition of the property, plant and equipment related to the generation facilities, at their net present value of future payments together with the related finance lease liabilities;
- Depreciation of these assets over their estimated useful lives; and
- Recognition of interest costs implicit in the leases.

If IFRIC 4 was adopted the change would be applied retrospectively, in accordance with the transitional provisions of IFRIC 4. The impact of this change in accounting policy at the beginning of the comparative period would increase property, plant and equipment by RO 32,906 thousand, increase finance lease liabilities by RO 34,455 thousand and increase deferred tax liabilities by RO 586 thousand with a corresponding adjustment for the net effect of RO 2,135 thousand against opening retained earnings. Depreciation and finance costs for the year ended 31 December 2008 would increase by RO 2,677 thousand (2007 - RO 2,677 thousand) and RO 4,774 thousand (2007 – RO 5,065 thousand) respectively and operating costs reduced by RO 6,791 thousand (2007 - RO 6,798 thousand). There would be a decrease in profit for the year ended 31 December 2008 of RO 660 thousand (2007 - RO 944 thousand) as a result of the recognition of costs. At 31 December 2008, property, plant and equipment would be restated by RO 27,551 thousand (2007 - RO 30,228 thousand) and finance lease liabilities increased by RO 30,705 thousand (2007 - RO 32,722 thousand).

Thus the resultant impact net of tax, directors fees and interest on correction factor as at 31 December 2008 would cause the company to recognize an accumulated loss of RO 2,480 thousand (2007 – RO 1,952 thousand).

The adoption of IFRIC 4 would result in recognition of costs, associated with relevant agreement on a profile inconsistent with the cost recovery mechanism provided for in the licence issued by the Authority for Electricity Regulation, Oman (AER) and recognition of property, plant and equipment which relate to power generation facilities which the company is prohibited to own under the licence issued by AER and provisions of the Sector Law.

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

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

Accordingly, the management has concluded that compliance with IFRIC 4 and IAS 17 would be misleading and would conflict with the objective of the financial statements set out in the Framework adopted by the International Accounting Standards Board. With the non-adoption of IFRIC 4 and IAS 17, the management has concluded that the financial statements present fairly the company's financial position, financial performance and cash flows.

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

	Effective for annual periods beginning on or after
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 27: (Revised) Consolidated and Separate Financial Statements	1 July 2009
IAS 28: (Revised) Investments in Associates	1 July 2009
IAS 29: (Revised) Financial Reporting in Hyperinflationary Economies	1 January 2009
IAS 31: (Revised) Interests in Joint Ventures	1 July 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 39: (Revised) Financial Instruments: Recognition and Measurement	1 July 2009
IAS 40: (Revised) Investment Property	1 January 2009
IAS 41: (Revised) Agriculture	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 3: (Revised) Business Combinations	1 July 2009
IFRS 5: (Revised) Non- Current Assets held for Sale and Discontinued Operation	1 July 2009
IFRS 8: Operating Segments	1 January 2009
IFRIC 13: Customer Royalty Programs	1 July 2008
IFRIC 15: Agreements for Construction of Real Estate	1 January 2009
IFRIC 16: Hedges of a Net Investment in Foreign Operation	1 October 2008
IFRIC 17: Distribution of Non-cash Assets to Owners	1 July 2009

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

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

3 Summary of significant accounting policies

Statement of compliance

These financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

Basis of Preparation

These financial statements are prepared on historical cost basis except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets.

These financial statements are presented in Rial Omani ("RO") which is the currency in which the majority of transactions are denominated and are rounded off to the nearest thousand.

The principal accounting policies are set out below.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any identified impairment loss. Borrowing costs, net of interest income, which are directly attributable to acquisition of items of property, plant and equipment, are capitalised as the cost of property, plant and equipment.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of property and equipment. All other maintenance expenditure is recognised in the income statement as an expense as and when incurred.

Depreciation

Depreciation is charged so as to write off the cost of property, plant and equipment (other than work in progress) on a straight line basis over the expected remaining useful economic life of the asset concerned.

The estimated useful lives used for this purpose are:

Asset	Years
Motor vehicles	7
Furniture and equipment	5

Work in progress

Work in progress is stated at cost. When commissioned, work in progress is transferred to the appropriate property, plant and equipment category and depreciated in accordance with depreciation policies of the company.

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

3 Summary of significant accounting policies (continued)

Property, plant and equipment (continued)

Impairment

At each reporting date, the company reviews the carrying amounts of its assets (or cash-generating units) to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of cash- generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash- generating units, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be identified.

The loss arising on impairment of an asset is determined as the difference between the recoverable amount and the carrying amount of the asset and is recognised immediately in the income statement.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre- tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount and the increase is recognised as income immediately, provided that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

Leased assets

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which the economic benefits from the leased assets are consumed.

Inventories

Inventories represent fuel stock of Phase 2 at Manah Power Plant of UPC at the year end and are stated at cost.

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

3 Summary of significant accounting policies (continued)

Provision for staff benefits

A liability is recognised for benefits accruing to employees in respect of wages, salaries, annual leave and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of employee benefits are measured at their nominal value using the current remuneration.

Provision for end of service indemnity for non-Omani employees is made generally in accordance with the Oman Labour Law unless specified higher in the contract of employment or Human resource manual and is based on current remuneration and cumulative years of service at the reporting date.

End of service indemnity for Omani employees are contributed in accordance with the terms of the Social Securities Law 1991 and Civil Service Employees Pension Fund Law for direct hires by the company and employees transferred from MHEW respectively.

Provisions

Provisions are 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 it will result in an outflow of economic benefits that can be reliably estimated.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. Where some or all of the economic benefits required to settle a provision are expected to be recovered from third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Taxation

Income tax is calculated as per the fiscal regulations of the Sultanate of Oman.

Current tax is the expected tax payable on the taxable income for the year, using the tax rates ruling at the reporting date.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax is calculated on the basis of the tax rates that are expected to apply to the year when the asset is realised or the liability is settled based on tax rates (and tax laws) that have been enacted or substantially enacted by the reporting date. The tax effects on the temporary differences are disclosed under non-current liabilities as deferred tax.

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. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realized.

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

3 Summary of significant accounting policies (continued)

Taxation (continued)

However for the purposes of deferred tax, it is assumed that the carrying amount of assets and liabilities is equal to the carrying amounts used for income tax purposes on the transfer date.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax is recognised as an expense or income in the income statement, except when they relate to items credited or debited directly to equity, in which case the tax is also recognised directly in equity.

Revenue

Revenue is recognised to the extent of maximum allowed revenue (MAR) by the regulatory formula in accordance with the licensing requirements. Actual regulated revenue in excess of the maximum allowed by the regulatory formula in accordance with licencing requirements is deferred to the subsequent year and is shown under trade and other payables. Accordingly the deficit is recognised in the current year and is shown under trade and other receivables.

Interest income is accounted on accrual basis, by reference to the amount outstanding and at the interest rates applicable.

Revenue also includes the funding received from Ministry of Finance (MOF) in respect of cost relating to the Salalah business.

Power purchase cost

Fixed capacity payments for purchase of power and water are considered as operating lease payments.

Fixed capacity contractual payments made to United Power Company SAOG for Manah Power Plant are recognised in the income statement on a straight line basis over the period of the contract, which is representative of the time pattern of the user's benefit. Fixed capacity payments in respect of other Independent Power and Water Projects, are recognised in the income statement based on actual payments made which is representative of the time pattern of the user's benefit.

Foreign currency translation

Transactions denominated in foreign currencies are initially recorded at the rates of exchange prevailing on the date of the transaction. Monetary assets and liabilities denominated in such currencies are translated at the rates prevailing on the reporting date. Gains and losses arising from foreign currency transactions are dealt with in the income statement.

Cash and cash equivalents

Cash comprises cash on hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amount of cash, which are subject to an insignificant risk of changes in value and have maturity of three months or less at the date of acquisition.

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

3 Summary of significant accounting policies (continued)

Financial Instruments

Financial assets and liabilities are recognised on the Company's balance sheet when the company becomes a party to the contractual provisions of the instrument.

Financial assets

The principal financial assets are advance payments, trade and other receivables and cash and cash equivalents. These are stated at their nominal values less impairment, if any.

Financial liabilities

The principal financial liabilities are amounts due to Holding Company and trade and other payables. These are stated at their nominal values.

Advances, if any, received from the Holding Company, do not bear interest and are classified as non current liabilities.

Share capital is stated at the net proceeds received.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For financial assets, objective evidence of impairment could include:

- significant financial difficulty of the counterparty or
- default or delinquency in payments.
- it becoming probable that the borrower will enter bankruptcy or financial reorganization.

For certain categories of financial asset, such as trade receivables that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis.

Objective evidence of impairment for a portfolio of receivables could include the company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of a provision account.

When a trade receivable is considered uncollectible, it is written off as bad after appropriate approvals. Subsequent recoveries of amounts previously written off are credited to a revenue account "bad debts recovered."

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

3 Summary of significant accounting policies (continued)

Financial risk management

Overview

The company's activities and its use of financial instruments expose it to a variety of financial risks:

- Credit risk
- Liquidity risk
- Market risk

The company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance.

Credit risk management is carried out by the company and Liquidity and Market risk by the Group treasury department at EHC under policies approved by the Board of Directors. The Group treasury department identifies, evaluates and hedges financial risks in close co-operation with the company. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non derivative financial instruments, and investment of excess liquidity.

(i) 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 company's receivables from customers. The credit risk of the company is primarily attributable to trade and other receivables and bank balances.

Trade and other receivables

The company's exposure to credit risk on trade and other receivables is influenced mainly by the individual characteristics of each customer. The company has established credit policies and procedures that are considered appropriate and commensurate with the nature and size of receivables. Trade receivables represents amount due from Distribution companies (related parties), Public Authority for Electricity and Water (PAEW) and Majis Industrial Services Company SAOC (MISC). The company do not consider this as an undue exposure since all are part of government or government owned entities. The other receivables are short term in nature, primarily advances to suppliers of goods and services and prepaid expenditures.

Investments

The company limits its exposure to credit risk on its investments by only investing in liquid securities and only with counterparties which have a good credit rating. Given good credit ratings and liquidity, management does not expect any counterparty to fail to meet its obligations.

Investment in bank deposits and bank balances

The company's banks accounts are placed with reputed financial institutions.

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

3 Summary of significant accounting policies (continued)

Financial risk management (continued)

(ii) 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 have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking the company's credit worthiness.

Typically the company ensures that it has sufficient cash on demand to meet expected operational expenses covering a period of at least 30 days, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition the company has access to credit facilities.

(iii) Market risk

Market risk is the risk of changes in market prices, such as foreign exchange rates, interest rates, that 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 optimising the return.

Price risk

The company sells electricity to licensed distributors, and water to water departments, according to bulk supply tariffs determined annually by the company and approved by the AER. The company determines bulk supply tariffs according to cost-plus method following the principles set forth in its licence. This eliminates the price risk for the company.

Foreign currency risk

The company's functional and presentation currency is Rial Omani.

There are no financial instruments denominated in foreign currency and consequently, the company is not exposed to foreign currency risk.

Interest rate risk

The company has balances with banks, which are interest bearing and exposed to changes in market interest rates. The company adopts a policy of ensuring that all its deposits and borrowings are on a fixed rate basis.

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 company's overall strategy remains unchanged from 2007.

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

3 Summary of significant accounting policies (continued)

Capital management (continued)

The Board's policy is to maintain a strong capital base so as to maintain creditor and market confidence and to sustain future development of the business.

The capital structure of the company comprises share capital, reserves, retained earnings and Electricity Holding Company SAOC Funds.

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

Critical accounting judgments and key sources of estimation uncertainty

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amount of financial assets and liabilities at the date of the financial statements and the resultant provisions and changes in fair value for the year. Such estimates are necessarily based on assumptions about several factors involving varying, and possibly significant, degrees of judgment and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated assets and liabilities.

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) Allowance for doubtful debts

Allowance for doubtful debts is based on management assessment of various factors such as company's past experience of collecting receivables from customers and the age of debt.

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

4 Property, plant and equipment

	Work in progress RO '000	Furniture and equipment RO '000	Motor vehicles RO '000	Total RO '000
Cost				
1 January 2007	-	89	37	**126**
Additions	4	4	-	**8**
1 January 2008	4	93	37	**134**
Additions	124	28	31	**183**
Disposals	-	-	(8)	**(8)**
31 December 2008	**128**	**121**	**60**	**309**
Accumulated Depreciation				
1 January 2007	-	23	10	**33**
Charge for the year	-	18	6	**24**
1 January 2008	-	**41**	**16**	**57**
Charge for the year	-	19	7	**26**
Disposals	-	-	(3)	**(3)**
31 December 2008	-	**60**	**20**	**80**
Net book value				
31 December 2008	**128**	**61**	**40**	**229**
31 December 2007	4	52	21	77

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

5 Advance payments

Advance payments pertain to fixed capacity payments made to United Power Company SAOG in respect of power purchases from their Manah Power Plant as at 1 May 2005. The tariff in respect of fixed capacity contractual payments for Phase 1 comprising generation facilities had been structured in such a way that the tariff rates were significantly higher during initial years as compared to the later period of the contract. Fixed capacity contractual payments are recognised as an expense in the income statement on a straight line basis, over the period of the contract, which is representative of the time pattern of the user's benefit.

Advance payments represent total cumulative payments made to date reduced by the total cumulative charges to date recognised in the income statement.

6 Trade and other receivables

	2008 RO '000	2007 RO '000
Trade receivable from related parties (Note 23)	**21,310**	10,172
Due from PAEW – Water sales	**18,422**	23,821
Due from others – Water sales	**48**	-
Due from MISC – Water sales	**2,869**	989
Other receivables from related parties (Note 23)	**304**	821
Prepayments	**68**	57
Other receivables (See Note below)	**2,634**	800
Revenue recovered less than the maximum allowed as per price control formula (Note 16)	**2,046**	-
Interest on the revenue recovered less than the maximum allowed as per price control formula (Note 20)	**40**	-
	47,741	36,660

Other receivables at 31 December 2008 includes RO 1,640 thousand (2007 – RO 800 thousand) towards costs incurred in connection with Salalah IWPP, RO 635 thousand (2007 – Nil) incurred for consultancy for restructuring Salalah concession agreement which will be recoverable from MOF and RO 357 thousand (2007 – Nil) in connection with new Independent Water and Power Projects (IWPP) costs recoverable from the Project company, yet to be appointed.

As at 31 December 2008 no amounts are impaired (2007 - Nil).

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

7 Cash and cash equivalents

	2008 RO '000	2007 RO '000
Cash on hand	**1**	1
Bank current accounts	**1,717**	6,230
	1,718	6,231

8 Share capital

The company's authorized, issued and paid-up capital consists of 500,000 shares of RO 1 each. The details of the shareholders are as follows:

	Percentage of shareholding	Number of Shares	2008 RO	2007 RO
Electricity Holding Company SAOC	99.99%	499,950	**499,950**	499,950
Ministry of Finance	0.01%	50	**50**	50
		500,000	**500,000**	500,000

9 Statutory reserve

In accordance with the Commercial Companies Law of 1974 (as amended), 10% of the company's net profits after the deduction of taxes will be transferred to a non-distributable statutory reserve each year until the amount of such statutory reserve has reached a minimum one-third of the company's issued share capital. The company has achieved the minimum amount required for the statutory reserve. This reserve is not available for distribution to shareholders as dividends.

10 General reserve

In accordance with the company's accounting policy, an amount not exceeding 20% of the profit after transfer to statutory reserve should be transferred to a general reserve till the balance of the general reserve reaches one half of the share capital. The company has achieved the amount so required.

11 Proposed dividend

The Board of Directors, in their meeting held on 15th February 2009 have proposed a cash dividend of RO 2.142 per share aggregating RO 1,071 thousand on the company's existing share capital. (For the year ended 31 December 2007, RO 2.030 per share aggregating RO 1,015 thousand was proposed and paid as dividend). This dividend is subject to the approval of the shareholders in the Annual General Meeting.

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

12 Provisions

	2008 RO '000	2007 RO '000
Current		
Employee benefits	**53**	47
	53	47
Non – current		
Employee benefits	**66**	53
	66	53

13 Deferred tax liability

Deferred income taxes are calculated on all temporary differences under the balance sheet liability method using a principal tax rate of 12%. The net deferred tax liability in the reporting and deferred tax charge in the income statement are attributable to the following items:

2008	**Balance at 1 January 2008 RO '000**	**Charge for the year RO '000**	**Balance at 31 December 2008 RO '000**
Liability			
Accelerated tax depreciation	5	(3)	2

2007	Balance at 1 January 2007 RO '000	Charge for the year RO '000	Balance at 31 December 2007 RO '000
Liability			
Accelerated tax depreciation	3	2	5

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

14 Trade and other payables

	2008 RO '000	2007 RO '000
Trade payables to related parties (Note 23)	**9,931**	10,260
Accrued expenses	**21,712**	22,657
Due to Ministry of Finance (MOF) for excess funding received	**6,886**	4,308
Revenue in excess of maximum allowed as per price control formula, deferred to next year (Note 16)	-	477
Interest on revenue in excess of maximum allowed as per Price Control Formula (Note 16 & 19)	-	9
Suppliers and contractors payables	**1,180**	843
Other payables	**260**	142
	39,969	38,696

15 Net assets per share

	2008	2007
Net assets (RO '000)	**11,160**	11,104
Number of shares issued at the year end ('000)	**500**	500
Net assets per share (RO)	**22**	22

Net assets per share is calculated by dividing the shareholders' equity at the year end by the number of shares issued.

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

16 Revenue

	2008 RO '000	2007 RO '000
Bulk supply revenue for electricity	**158,683**	132,515
Bulk supply revenue for water	**63,710**	55,346
Net funding from MOF	**10,730**	11,110
Recharge of interconnection and transmission facilities	**2,903**	2,985
	236,026	201,956
Add: Previous year revenue in excess of maximum allowed as per price control formula, reversed (Note 14)	**477**	11,996
Add: Previous year interest on revenue in excess of maximum allowed as per price control formula, reversed (Note 14)	**9**	557
Add / (Less): Revenue less than / (in excess of) the maximum allowed as per price control formula added / (deferred to next year)	**2,046**	(477)
	238,558	214,032
Interest on bank accounts	**162**	492
	238,720	214,524

17 Operating costs

	2008 RO '000	2007 RO '000
Electricity capacity and output purchase costs	**164,008**	147,836
Desalinated water capacity and output purchase costs	**62,935**	54,615
Cost sharing charge to Dhofar Power Company SAOG	**7,977**	8,202
	234,920	210,653

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

18 General and administrative expenses

	2008 RO '000	2007 RO '000
Employee benefit expenses	**1,061**	884
License fee to AER	**232**	274
Service expenses	**1,078**	1,030
Directors remuneration and sitting fees (Note 23)	**51**	43
Depreciation	**26**	24
Other expenses	**171**	152
	2,619	2,407

Included within employee benefit expenses is an amount of RO 78 thousand (2007 – RO 66 thousand) relating to post employment benefit expenses.

19 Finance costs

	2008 RO '000	2007 RO '000
Interest on bank overdraft	**17**	4
Interest on excess revenue billed over maximum allowed revenue under the price control formula (Note 14)	**-**	9
	17	13

20 Other income

	2008 RO '000	2007 RO '000
Interest on the revenue recovered less than the maximum allowed as per price control formula (Note 6)	**40**	-
Sale of forms and tenders	**6**	-
Other income	**1**	23
	47	23

21 Income tax expenses

Income tax is provided as per the provisions of the "Law of Income Tax on Companies" in Oman after adjusting the items which are non-assessable or disallowed. The tax charge applicable to the Company is 12%. The deferred tax on all temporary differences have been calculated and dealt with in the income statement (Note 13).

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

21 Income tax expenses (continued)

Income tax benefit / (expense)

	2008	2007
	RO '000	RO '000
Tax expenses for the year comprise of:		
Current tax	(142)	(171)
Tax for the year 2007	(1)	-
Deferred tax (Note 13)	3	(2)
	(140)	(173)

22 Basic earnings per share

	2008	2007
Profit for the year (RO '000)	1,071	1,301
Number of shares issued at the year end ('000)	500	500
Earnings per share (RO)	2.142	2.602

The face value of each share is RO 1. The earnings per share is calculated by dividing the profit for the year by the number of shares issued at the year end.

23 Related parties

Related parties comprise the shareholders, directors, key management personnel and business entities in which they have the ability to control or exercise significant influence in financial and operating decisions. For the purpose of IAS 24, the Government of the Sultanate of Oman is not considered as a related party.

The company maintains balances with these related parties which arise in the normal course of business from the commercial transactions and are entered into at terms and conditions which is considered to be comparable with those adopted for arms length transactions with third parties. Outstanding balances at year end are unsecured and settlement occurs in cash.

No expenses have been recognised in the year for bad or doubtful debts in respect of amounts owed by related parties.

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

23 Related parties (continued)

Following is the summary of significant transactions with related parties during the year:

	2008 RO '000	2007 RO '000
Revenue		
Bulk supply tariff for electricity to Muscat Electricity Distribution Company SAOC	**73,262**	64,197
Bulk supply tariff for electricity to Mazoon Electricity Company SAOC	**49,075**	39,824
Bulk supply tariff for electricity to Majan Electricity Company SAOC	**36,346**	28,494
Recharge of interconnection and transmission facilities to Oman Electricity Transmission Company SAOC	**2,903**	2,985
	161,586	135,500
Expenses		
Electricity capacity and output purchase from Al Ghubrah Power and Desalination Company SAOC	**26,676**	25,401
Electricity capacity and output purchase from Wadi Al Jizzi Power and Desalination Company SAOC	**12,221**	13,704
Electricity capacity and output purchase costs Al Rusail Power Company SAOC (up to Jan-2007)	-	1,427
Electricity capacity and output purchase costs Rural Areas Electricity Company SAOC	**2,115**	2,275
Desalinated water capacity and output purchase cost from Al Ghubrah Power and Desalination Company SAOC	**27,908**	26,832
Accounting service charges to Electricity Holding Company SAOC	**287**	267
	69,207	69,906
Funding of obligations prior to 1 May 2005 during the year		
Electricity Holding Company SAOC	-	52
Amount due to Holding Company	**16,306**	12,306

The amount due from / (to) related parties other than amount due to Holding Company have been disclosed in Notes 6 and 14 in these financial statements.

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

23 Related parties (continued)

Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the company, directly or indirectly, including any director (whether executive or otherwise). The compensation for key managerial personnel during the year is as follows.

	2008 RO '000	2007 RO '000
Short term employee benefits	**393**	297
Post employment benefits	**77**	62
Directors remuneration and sitting fees (Note 18)	**51**	43
	521	402

24 Contingencies and operational commitments

	2008 RO '000	2007 RO '000
Commitments		
Operating lease commitments		
Not more than 1 year	**104,638**	87,573
More than 1 year but not more than 5 years	**414,542**	417,464
More than 5 years	**651,579**	753,295
	1,170,759	1,258,332
Capital commitments	**51**	-

25 Financial risks

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The exposure to credit risk at the reporting date is on account of:

	2008 RO '000	2007 RO '000
Trade receivables	**45,039**	35,803
Other receivables	**2,702**	857
Cash and cash equivalents	**1,718**	6,231
	49,459	42,891

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

25 Financial risks (continued)

Exposure to credit risk (continued)

The exposure to credit risk for trade receivables at the reporting date by type of customer is:

	2008	2007
	RO '000	RO '000
Muscat Electricity Distribution Company SAOC	**4,885**	5,416
Mazoon Electricity Company SAOC	**9,594**	1,447
Majan Electricity Company SAOC	**6,358**	3,309
Oman Electricity Transmission Company SAOC	**473**	-
Due from Public Authority for Electricity and Water	**18,422**	23,821
Due from Majis Industrial Services Co. SAOC	**2,869**	989
Due from others	**48**	-
	42,649	34,982

The age of trade receivables and related impairment loss at the reporting date is:

	31 December 2008			31 December 2007		
	Gross	**Impairment**	**Past Due but not impaired**	Gross	Impairment	Past Due but not impaired
	RO '000	**RO '000**	**RO '000**	RO '000	RO '000	RO '000
Not past due	**9,493**	**-**	**-**	27,913	-	-
Less than 1 month	**12,168**	**-**	**12,168**	7,069	-	7,069
1 month to 3 months	**19,374**	**-**	**19,374**	-	-	-
3 months to 1 year	**1,614**	**-**	**1,614**	-	-	-
	42,649	**-**	**33,156**	34,982	-	7,069

There is no impairment assessed for trade and other receivables as these are considered fully recoverable.

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

25 Financial risks (continued)

Liquidity risk

The following are the contractual maturities of financial liabilities, including interest payments:

31 December 2008

	Carrying amount RO '000	Less than 1 month RO '000	1 month to 3 months RO '000	3 months to 1 year RO '000	1 year to 5 years RO' 000	More than 5 years RO '000
Non Interest bearing						
Trade and other payables	**18,257**	-	**18,257**	-	-	-

31 December 2007

	Carrying amount RO '000	Less than 1 month RO '000	1 month to 3 months RO '000	3 months to 1 year RO '000	1 year to 5 years RO '000	More than 5 years RO '000
Non Interest bearing						
Trade and other payables	16,039	-	16,039	-	-	-

Interest rate risk

At the reporting date the company does not hold any fixed rate instruments (2007 – nil).

Fair value sensitivity analysis for fixed rate instruments

The company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Fair value of financial assets and liabilities

The carrying value of the financial assets and liabilities as recorded in the balance sheet approximates to their fair value.

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

26 Comparative figures

Certain comparative figures have been regrouped and reclassified wherever necessary to match with current year presentation.

27 Approval of the financial statements

The financial statements were approved by the Board of Directors and authorised for issue in their meeting held on 15th February 2009.