

annual report 2010



OMAN POWER AND WATER PROCUREMENT CO. (SAOC)





HIS MAJESTY
SULTAN QABOOS BIN SAID



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BOARD OF DIRECTORS & EXECUTIVE MANAGEMENT

H.E. Saud Bin Nasser Al Shukaily

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. Hamdan bin Ali Al Hinai

Member of the Board

Mr. Abdullah bin Salim al Harthi

Member of the Board

Mr. Saleh bin Ali Harthi

Member of the Board

Mr. Bob Whitelaw

Chief Executive Officer



CHAIRMAN'S FOREWORD

Dear Shareholders,

It is my pleasure on behalf of the members of the Board to present the Annual Report of Oman Power and Water Procurement Company (SAOC) for the year 2010.

2010 has been a critical year for OPWP with the appointment of a new Chief Executive Officer and significant changes to the Board of Directors. It has been a challenging year, but a highly successful one and one in which all associated with OPWP can be proud.



Some of the major achievements for 2010 have been:

- Finalisation of contracts and deployment of temporary generation for the Main Interconnected System (MIS) and Salalah Power System in order to meet all our Loss of Load Hour obligations for 2010.
- Conclusion of analysis, negotiation and contract signing for the Barka III/Sohar II power projects which will add 990MW to the MIS in 2012 and 1490 MW by 2013.
- Expeditious development of the Request for Proposal (RFP) for the next major power plant at Sur, moving from concept to issue of the RFP within 3 months.
- Groundbreaking Ceremony and on-going construction of the Salalah IWPP Project that will provide 173 MW and 15MIGD of water by 2011 and 445 MW of power by 2012.
- Requests from the Public Authority for Electricity and Water (PAEW) for OPWP to commence its first water only project as well as to take over responsibility for the Sultanate's large scale Solar project.

As mentioned in last year's Annual Report, OPWP's financial results have been materially affected by changes in the accounting treatment of its Power (and Water) Purchase Agreements in line with recommendations by its auditors to comply with International Accounting Standards. This has meant that this year OPWP has booked a net loss before tax of RO 3,223k. As was the case last year, this is purely a timing issue and the underlying net surplus for the company remains strong, with a surplus on operating activities of RO 1,049k.

During the year Members of the Board Tahir Bin Salim Al-Amry and Clive Dalton resigned their positions. I express my thanks and the thanks of the other Members of the Board for their contribution to the Company. Also during the year two new Members have joined the Board Abdullah Al Harthy and Hamdan Al Hinai.

In May 2010, OPWP appointed Bob Whitelaw as its new Chief Executive Officer. Mr. Whitelaw replaced Acting Chief Executive Officer Clive Dalton, who joined the company in a permanent position as Chief Operating Officer. Mr. Whitelaw's knowledge of OPWP and the Oman electricity sector in general, make him an ideal selection for this critical role. The Board of OPWP feel confident that we have a strong management team in place and the results for 2010 bear testament to this.

In November 2010 OPWP was informed of the demise of Eng. Abdulrahman Al-Ibrahim who was Director of our Salalah operations. The Board and employees at OPWP are deeply saddened by the loss of our colleague and would like to convey again our sincere condolences to his family.



2011 is going to be a very demanding year for OPWP with a number of existing projects being delivered as well as new projects commencing. Amongst these are:

- Ensuring that the Salalah Independent Water and Power Project (IWPP) meets its key milestones of early power by July 2011.
- Managing the mobilisation of 300 MW of Temporary Generation to ensure adequate power in the MIS for 2011.
- Managing the PDO interconnection arrangement in Salalah to be available by August 2011.
- Finalising the bidding process for the Sur Independent Power Project (IPP) and getting this to contract signature stage.
- Developing the bid process for the Al Ghubra Independent Water Project (IWP).
- Undertaking the key Solar project on behalf of the Government to develop the region's largest Solar facility.

In addition the company is undertaking a number of key Human Resource activities in the areas of Staff Development and Omanisation in order to build a sustainable, Omani led organisation for the future.

I am confident that the company is well prepared to meet these significant challenges and look forward to celebrating their successful outcome.

I would like to express my sincere gratitude to the Members of the Board of Directors, Executive Management and Company employees whose commitment and dedication have enabled us to have a successful 2010, despite the significant changes in the company's Organisation Structure. I look forward to an even more successful 2011. I would also like to thank the Electricity Holding Company, Public Authority for Electricity and Water, Authority for Electricity Regulation and all other affiliated Government agencies and sector companies for their ongoing support.

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

Saud Bin Nasser Al Shukaily

Chairman



LIST OF ACRONYMS

AER	Authority for Electricity Regulation
BSR	Bulk Supply Revenue
BST	Bulk Supply Tariff
COD	Commercial Operation Date
DPC	Dhofar Power Company
EHC	Electricity Holding Company
GWh	GigaWatt Hour (1000 MegaWatt Hours)
IAS	International Accounting Standard
IPP	Independent Power Project
IWP	Independent Water Project
IWPP	Independent Water and Power Project
M3	Meters cubed
MIGD	Million Imperial Gallons per Day
MIS	Main Interconnected System (MIS)
MW	MegaWatt (One Thousand Watts)
MWh	MegaWatt Hour
OPWP	Oman Power and Water Procurement Company (SAOC)
PAEW	Public Authority for Electricity and Water
PPA	Power Purchase Agreement
PWPA	Power and Water Purchase Agreement
RAECO	Rural Areas Electricity Company
RFP	Request for Proposal
RO	Rials Omani
SSPWC	Sembcorp Salalah Power and Water Co

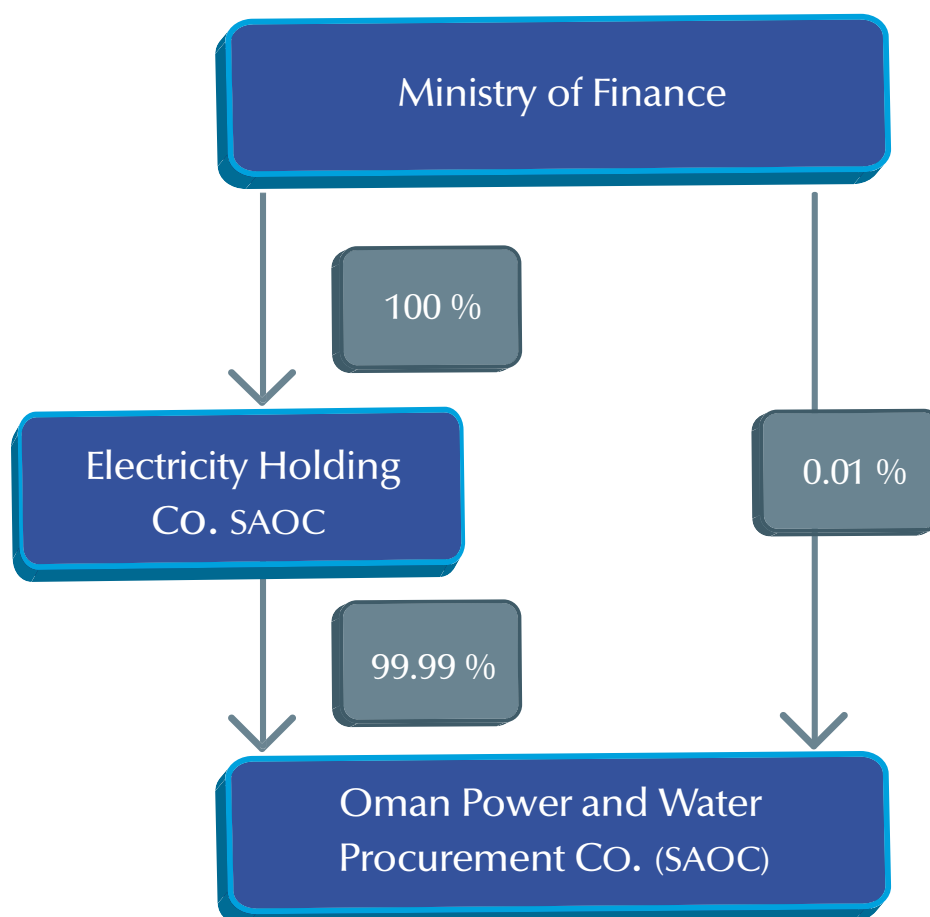


ABOUT THE COMPANY:

Oman Power and Water Procurement Company (SAOC) was established as a closed joint stock company (SAOC) in 2003. The Law for the Regulation and Privatisation 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 issued pursuant to the Sector Law gave effect to the transfer of electricity and related water activities from the Ministry of Housing, Electricity & Water (MHEW) to the newly established companies in accordance with the functions set for each company. The Transfer Scheme came into 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% held directly by the Ministry of Finance.

Oman Power and Water Procurement Co. (SAOC) Ownership Structure





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

1. 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.
2. 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.
3. To cooperate with the Rural Areas Electricity Company in respect of forward planning for reasonable demand for electricity and New Capacity required thereof.
4. To secure the procurement of Ancillary Services, when and in the manner required, in coordination with the Oman Electricity Transmission Company.
5. 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.
6. 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.
7. To import or export electricity in accordance with the provisions of Article (114) of the Sector Law.
8. To meet the requirement for new capacity which the company strives to be designed, constructed, financed, owned and operated by local and foreign investors.
9. 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.
10. 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.
11. To issue instructions to the Salalah project company of its system assets to the Electricity Holding Company on the termination or expiry of the Concession Agreement.

The company is based in two offices; Muscat and Salalah, and employs 49 members of staff.

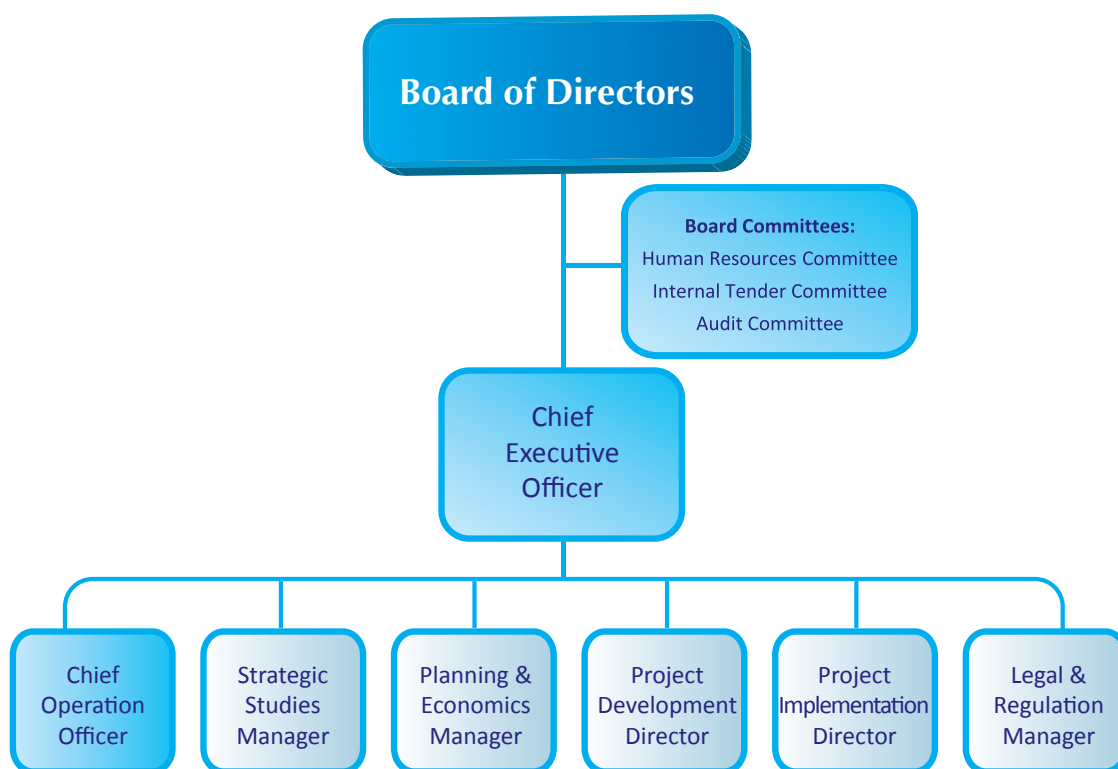


COMPANY STRUCTURE

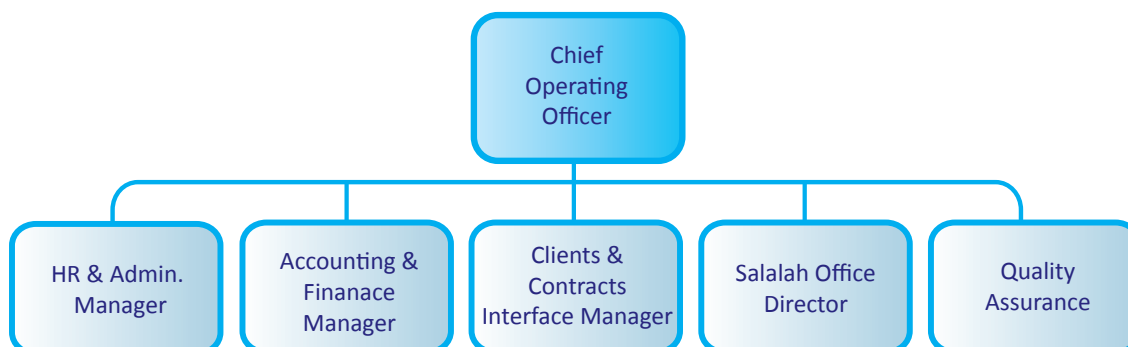
In 2010 the company established a revised Organisation Structure in order to manage the Governance, Projects and Operations of the Business more effectively.

The key aims of this structure were to:

- Focus the CEO position on the core aspects of the company business, notably planning and projects, by introducing a Chief Operating Officer position to manage support services.
- Separate key aspects of the projects and planning functions, notably implementation, development and strategic studies departments to provide for a more focused approach for those areas.



Operations Management





KEY COMPANY DEPARTMENTS

Strategic Studies:

The Strategic Studies department is responsible for conducting studies to determine the medium and long-term direction of OPWP's power and water procurement activities, consistent with the Government's economic strategy and policy objectives. The conclusions of these studies feed into the detailed planning maintained by the Planning & Economics department, and into new projects to be taken forward by the Project Development department.

Planning & Economics:

The Planning and Economics department is responsible for forecasting demand for electricity, planning for new capacity and output to meet the generating security planning standard as set out in the OPWP licence, as well as determining and publishing the Bulk Supply Tariffs for Electricity and Water.



Project Development:

The Project Development department is responsible for developing the project requirements of power generation and desalination capacity, conducting "fair and transparent" competition open to local and foreign investors for the supply of such capacity and ensuring that all relevant contracts are in place.



Project Implementation:

The Project Implementation department is responsible for ensuring that all the company's projects are delivered on time to meet Commercial Operation Date (COD). This involves managing the Power (and Water) Purchase Agreements (P(W)PAs) during their initial phase of project build and ensuring that key milestones are achieved.



Clients Contracts & Interface department (CCI):

The CCI department manages all P(W)PA contracts for OPWP and serves as the main contact point for all existing generators. It is responsible for maintaining business relationships with all our key suppliers. In addition it has the responsibility for ensuring that all monthly invoices submitted to the company are in accordance with the P(W) PAs. This is a complex process requiring sound knowledge of technical issues as well as understanding detailed financial models.





Finance department:

The Finance department oversees the accounting, finance and IT functions of the company. It is responsible for ensuring that the company maintains adequate cash-flow as well as production of statutory and regulatory accounts to meet its legal and licence conditions.

Legal and Regulatory department:

Legal and Regulatory support ensures that the company is fully compliant with licensing conditions and all legal requirements of its business. In addition, the department also manages any disputes arising out of the P(W)PAs.

Human Resources department:

The HR department was established in mid 2010 to give a greater focus on HR issues in the company. These include Training & Development of staff, Omanisation policy and initiatives, payroll and employee performance.



Quality assurance:

The role of the department is to ensure that the quality management system is effectively implemented in the company complying with the requirement of ISO 9001:2008. The department monitors the internal business processes by conducting quality audit, identify non conformance and improvement opportunities and reports to the management.

Salalah Branch:

The Salalah Branch of OPWP was established to manage the Concession Agreement between the Dhofar Power Company (DPC) and OPWP. The Concession Agreement outlines certain performance standards that need to be met, as well as providing the mechanism by which DPC is rewarded. OPWP administer this process on behalf of the Government to ensure that proposed investments are appropriate and cost effective.



2010 HIGHLIGHTS OF ACCOMPLISHMENTS

Salalah IWPP:

The construction stage of the Salalah IWPP project officially commenced with a Foundation Stone Laying Ceremony on 10 February, 2010. With a total planned capacity of 445 MW of power and 15 MIGD of potable water, it will be commissioned in three phases, with early power commissioning in July 2011 and full commercial operation in April 2012.

The project demonstrates the continued commitment of the Omani Government to attracting private investment into the provision of utilities in Oman.

OPWP is working very closely with Sembcorp Salalah Power and Water Co (SSPWC), the owner of the facility, to ensure that the project is delivered on time and in line with expectations.



Barka III / Sohar II projects:

During 2010, OPWP successfully closed out the contract stage of the Barka III / Sohar II projects, awarding the contracts to a consortium led by GDF Suez. These projects involve the construction of two 745MW combined cycle power plants in Barka and Sohar, which will add a combined 1,490MW of contracted capacity to the MIS.

The projects are scheduled to deliver 990 MW of early power by 1st May 2012 which will be sufficient to meet the expected demand for the MIS.





Temporary Generation - 2010:

In late 2009 it became evident that OPWP would not have enough power to meet expected demand in 2010, due to delays in the bidding process for the next major power plant. OPWP therefore had to source and arrange for contracted temporary generation rental units located at five sub-stations throughout the MIS from May 2010. The combined total of the output for these units was 115 MW.

Despite a worldwide shortage in this type of equipment and logistical issues in ensuring that the units and fuel supply were in place, OPWP managed to have all units in place and available for the expected summer peak in May 2010, thus eliminating any risks of power outages due to lack of available generation.

As an additional benefit, these generators were also able to be quickly moved to provide power to areas which suffered power disruptions due to cyclone Phet and assisted in the overall restoration of services following the cyclone.



Temporary Generation – Salalah:

The growth in power demand in the Dhofar region has meant that the existing generation capabilities have been stretched. This resulted in load shedding for 2009. In order to address this issue, and prior to the new IWPP at Salalah coming into service, OPWP requested that DPC install temporary generation in order to meet the demand requirements for 2010 and 2011.

Despite a worldwide shortage for such generation, DPC was able to contract for approx 60MW of additional generation on a fast-track approach in order to meet the summer peak in 2010.





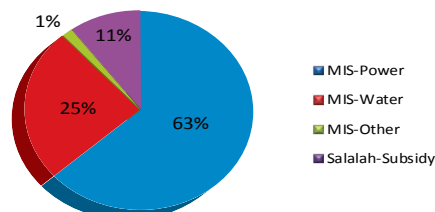
FINANCIAL HIGHLIGHTS

Regulatory framework

Where the money comes from

	2010	2009
	RO '000	
MIS - Bulk Supply Revenue from Power	198,029	176,861
MIS - Bulk Supply Revenue from Water	77,862	64,387
MIS - Other Revenues	2,442	2,991
Salalah - Subsidy from MOF	33,780	20,861
Total	312,113	265,100

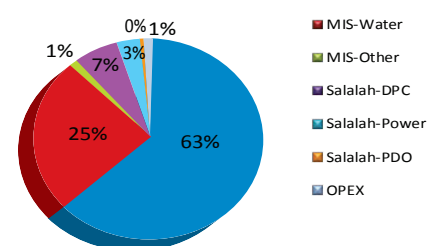
2010



Where the money goes

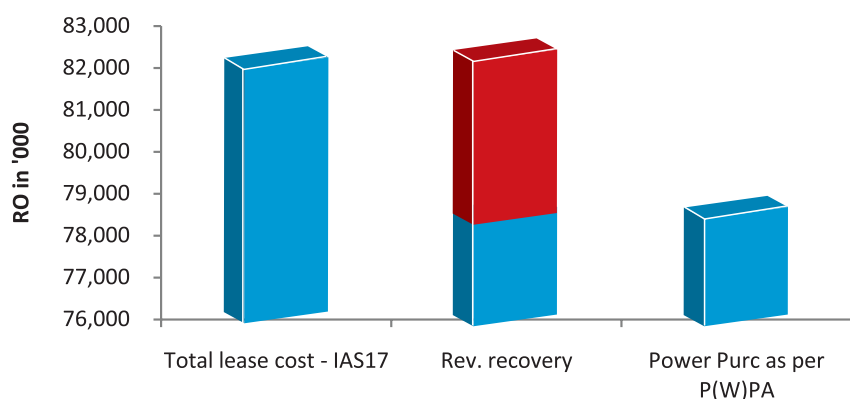
	2010	2009
	RO '000	
Power purchase (MIS-Power)	195,687	174,154
Water purchase (MIS-Water)	76,851	63,599
Other Cost (MIS-Other)	2,313	2,786
Cost sharing charges to DPC (Sal-DPC)	21,796	9,614
Other costs (Salalah-Power))	9,582	6,194
PDO Interconnection (Salalah-PDO)	1,509	4,175
OPWP OPEX (OPEX)	3,326	3,286
Total	311,064	263,808
Net surplus before tax	1,049	1,292
Loss before tax (As per Financial Statements)	(3,223)	(559)

2010



OPWP's financial performance for 2010 shows a healthy surplus on its activities of RO 1,049k.

In terms of the company's profitability, OPWP has made a loss of RO 3,223k. The loss is due solely to how OPWP accounts for its P(W)PAs in alignment with International Accounting Standard 17 (IAS17). As can be seen from the diagram below, OPWP's income is determined in accordance with its regulatory framework. This means that the costs recovered are in accordance with its P(W)PA contracts and not the costs as booked in accordance with IAS17.



The red section represents the lease costs under IAS 17 not recovered through regulated revenue

OPWP therefore views Net Surplus Before Tax as a more meaningful reflection of the company's financial performance.

Credit ratings:

The current credit ratings of OPWP, as rated by the two leading rating agencies in 2010, are:
 Standard and Poor's Ratings Services - 'A/Stable'
 Moody's Investor Services - 'A1/Stable'

The credit rating agencies understand the issues regarding the IAS17 treatment of P(W)PAs in the accounts of OPWP and conclude that these do not have any effect on the company's ability to meet its obligations.



OPERATIONS HIGHLIGHTS

Main Interconnection System(MIS):	2010	2009	Inc/ Dec %
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Regulatory framework

Electricity

Units purchased	GWh	16,855	15,721	7%
Total Cost ¹	RO' 000	195,687	174,154	12%
Cost per MWh	RO	11.610	11.078	5%
Bulk Supply Revenue (BSR)	RO' 000	198,029	176,861	12%
BSR per MWh	RO	11.749	11.250	4%

Higher consumer demand has lead to an increase in the number of units purchased. This increase in demand was recorded non-uniformly across the supply businesses, Muscat (4%), Mazoon (8%) and Majan (13%). In addition to this, the unit cost of power purchased also increased due to costs incurred in the provisioning for temporary diesel generation to meet expected demand. The increase in BSR reflects this overall increase in contracted costs.

Water

Water purchased	Thousand m ³	129,377	112,916	15%
Total Cost	RO' 000	76,851	63,599	21%
Cost per m ³	RO	0.594	0.563	5%
Bulk Supply Revenue (BSR)	RO' 000	77,862	64,387	21%
BSR per m ³	RO	0.602	0.570	6%

Increased costs are due to a combination of volume increase (15%) and increased capacity payments following the SMN Barka plant coming into operation in late 2009. The increased cost per unit reflects the fact that not all water capacity is being utilised by the PAEW. This is expected to change over the coming year as the distribution network is increased.

Salalah Power System:

Electricity

Units purchased (DPC + RAECO)	GWh	1,891	1,734	9%
Total Cost (DPC + RAECO)	RO' 000	32,036	27,863	15%
Cost per MWh	RO	16.941	16.069	5%
Cost sharing charge to DPC	RO' 000	21,465	9,614	123%
Cost sharing charge per MWh	RO	11.351	5.544	105%

During 2010, OPWP requested DPC to procure temporary gas based generation in order to meet expected demand in the Salalah system. Temporary generation is considerably more expensive than the established generation therefore total costs have increased more than would have been expected from volume increases. The cost of this temporary generation is the key driver of increases in the cost sharing charge to DPC.

Total Staff Count	Number	49	49	0%
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¹For 2009- includes RO. 4,366 thousands on account of reversal of Manah advance amortization in 2009



OVERVIEW OF OPERATIONS

Procurement and Bulk Supply arrangements:

OPWP purchases electricity and desalinated water in accordance with the Power Purchase Agreements (PPAs) and Power and Water Purchase Agreements (PWPAs) with the various generation and desalination companies. These agreements are generally for a period of 15 years.

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 I	PWPA	ACWA Power 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 SAOC (Private Ownership)	15 years
Barka Power & Desalination Plant Phase II	PWPA	SMN Barka Power Company SAOC (Private Ownership)	15 years
Power Station (DPC) - Salalah	Concession Agreement	Dhofar Power Company SAOG (Private Ownership)	20 years

Short Term Power Purchase Agreements :

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

The following table shows the quantities and power purchased, mainly during the summer period, from other producers under short term agreements in 2010.

Company Name	Quantity of Power (GWh)
Oman Cement Company	8
Oman Mining Company	10
Sohar Aluminum Company	160
Others	125
Rural Areas Electricity Company (Raysut A & B)	72
Total	375



Bulk Supply Agreement for Power and related Desalinated Water:

OPWP sells electricity to licensed suppliers, and water to the water authority, in accordance to bulk supply tariffs approved by the AER. OPWP determines the bulk supply tariffs following the principles set forth in its licence for the annual setting of tariffs.

Bulk Supply Customers	Type of Supply
Electricity Customers	
Muscat Electricity Distribution Company SAOC (Government Ownership)	Electricity
Majan Electricity Company SAOC (Government Ownership)	Electricity
Mazoon Electricity Company SAOC (Government Ownership)	Electricity
Water Customers	
Public Authority for Electricity and Water (Government Ownership)	Desalinated Water
Majis Industrial Services company (Government Ownership)	Processed water

Procurement of Power and Related Water during the year 2010:

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 2010:

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	** M. S. Cu.m
Al Ghubra Power & Desalination Plant	457	7,626	2,388	47	1,294
Al Rusail Power Plant	653		3,394		1,231
Wadi Al Jizzi Power Plant	284		910		331
Barka Power & Desalination Plant Phase I	427	3,800	2,328	25	651
Al Kamil Power Plant	285		1,310		453
Manah Power Plant	271		1,321		446
Sohar Power and Desalination Plant	585	6,250	2,669	22	696
Barka Power & Desalination Plant -Phase II	678	5,000	2,232	35	578
Others	116		302		
Main Interconnected System (Total)	3,756	22,676	16,855	129	5,680
Power Station (DPC) - Salalah	298		1,891		603
Grand Total	4,054	22,676	18,746	129	6,284

** Million standard Cubic Meter.

Management of Agreements

The Company has a strong relationship with its key suppliers and customers which are subject to comprehensive agreements. Occasionally disputes arise which need to be resolved in accordance with provisions laid out in those agreements. During 2010 OPWP targeted resolving outstanding issues as a priority and has managed to resolve a number of these. As at the end of 2010 all long term issues were either resolved or in formal process in accordance with the contractual arrangements.



FIGURES REFLECTING OPERATIONAL STATISTICS

The following pages contain various graphs outlining key operational statistics on the procurement and distribution of power and water.

Key points to note are:

Electricity

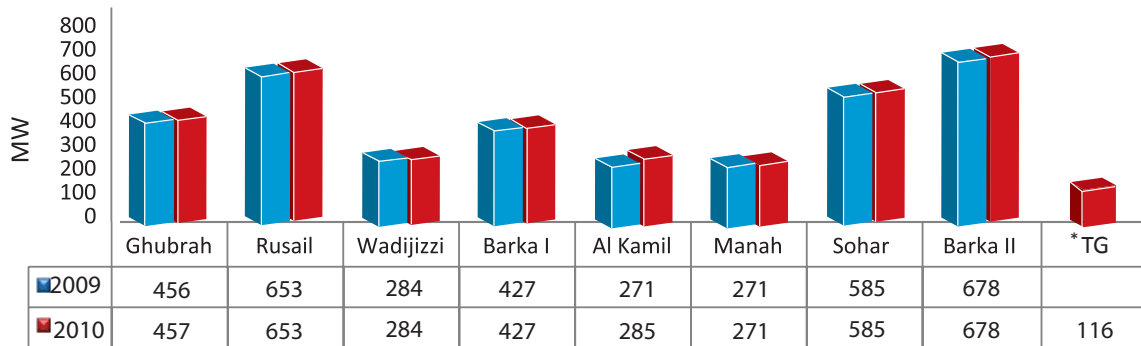
- Full Year operation of the Barka II power plant allowed for some older, less efficient plant to be displaced.
- The peak expected demand in the month of May, 2010 did not materialise due to adverse weather conditions including Cyclone Phet.
- There was adequate capacity in MIS to meet the demand.
- Gas utilisation was more efficient due to newer generation e.g. Barka II displacing older plant.
- Demand from Distribution Companies increased by 7.21 % in total

Water

- Full year output from the Barka II power plant has reduced that from other plants. This will continue in the short term whilst capacity exceeds supply.
- Water exports to customers have increased by 14% compared to 2009.



Net Plant Capacities (MW) in MIS



*Temporary Generation (Diesel)

Figure 1: Shows the net plant capacities in MW feeding the Main Interconnected System (MIS) at 50° C ambient temperature. The aggregate of net capacities of plants in 2010 was 3,756 MW (including Short Term PPAs) as against peak demand of 3,500 MW on 1st June 2010. In 2010 OPWP signed an agreement to take additional capacity of 14MW from the Al Kamil power plant.

Power Plant Utilization

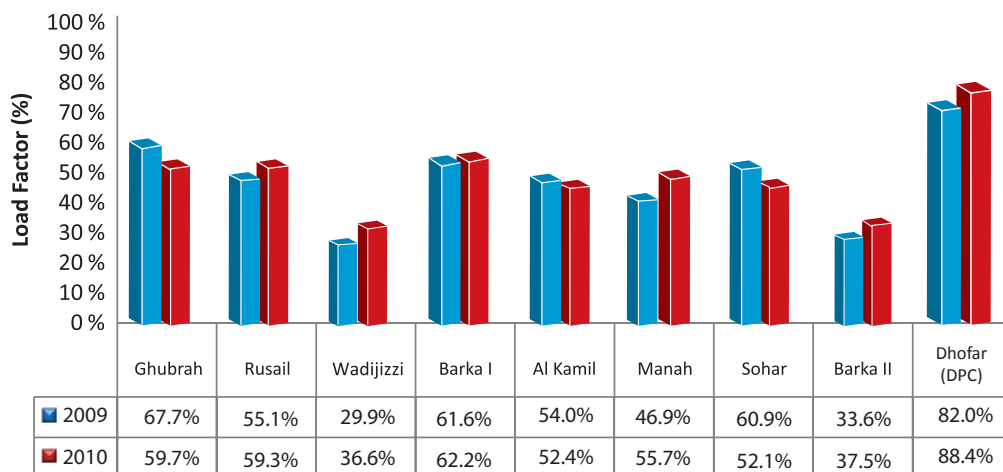


Figure 2: Shows the power plant utilization for MIS & Salalah Power System. The Barka II facility achieved COD in late 2009, therefore 2010 was its first full year of operation.



Share of Electrical Energy Purchased

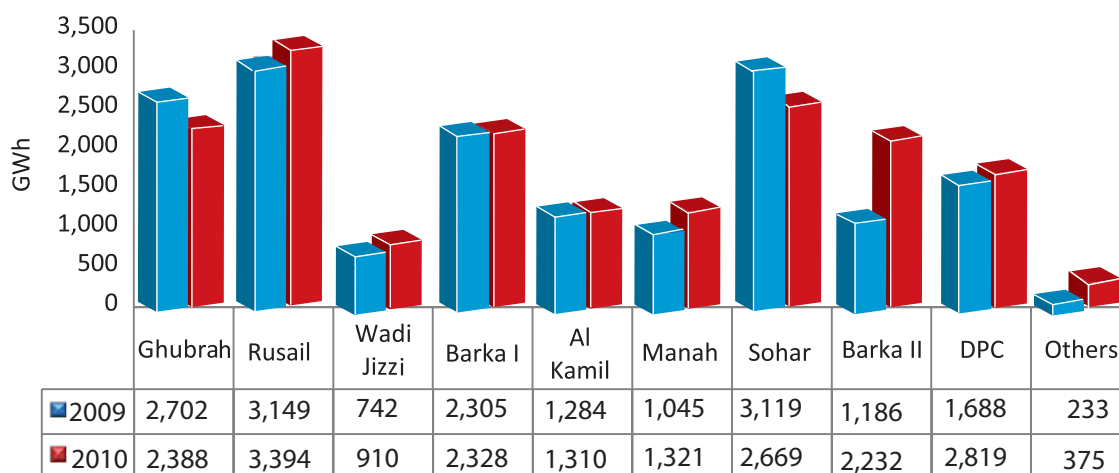


Figure 3: Shows the electrical energy purchased in the MIS and Salalah Power System. The increase in energy purchased in 2010 over 2009 is 7.21% for MIS and 9.14% for Salalah power system respectively.

Monthly Energy Purchased-2010 (MIS)

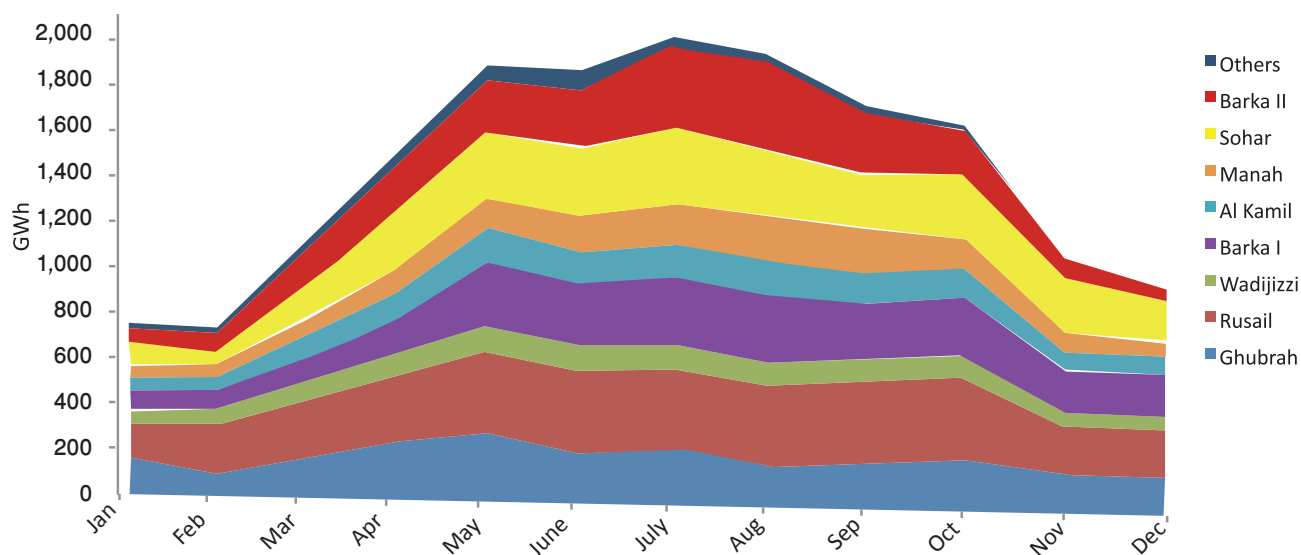


Figure 4: Shows the monthly electrical energy purchased in 2010 in the MIS.



Fuel Gas Consumption

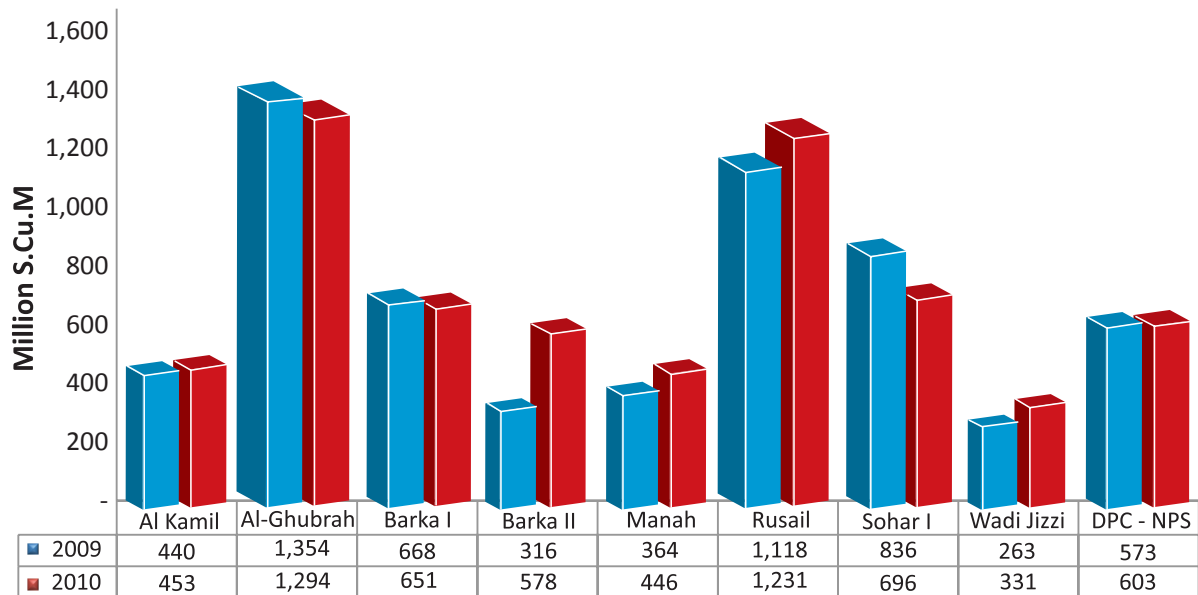


Figure 5: Shows the fuel gas consumption. The increase in total gas consumption was 6% compared to 2009. This is against an increase in production of power 5.86% and water by 14.2%.

Electrical Energy Delivered to MIS (2004-2010)

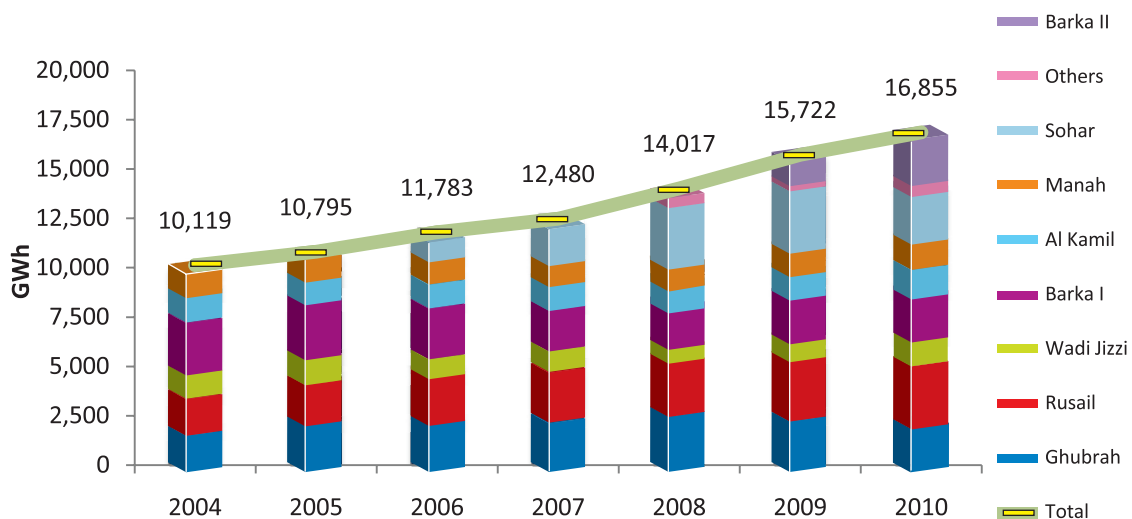


Figure 6: Shows the electrical energy delivered to the MIS in years 2004 - 2010 and provides an indication of the yearly power demand growth. The average annual growth over this period was 8.88%. The system load factor (MIS) increased from 47.55% in 2009 to 50.77% in 2010.



Peak Demand (net estimated) in MIS

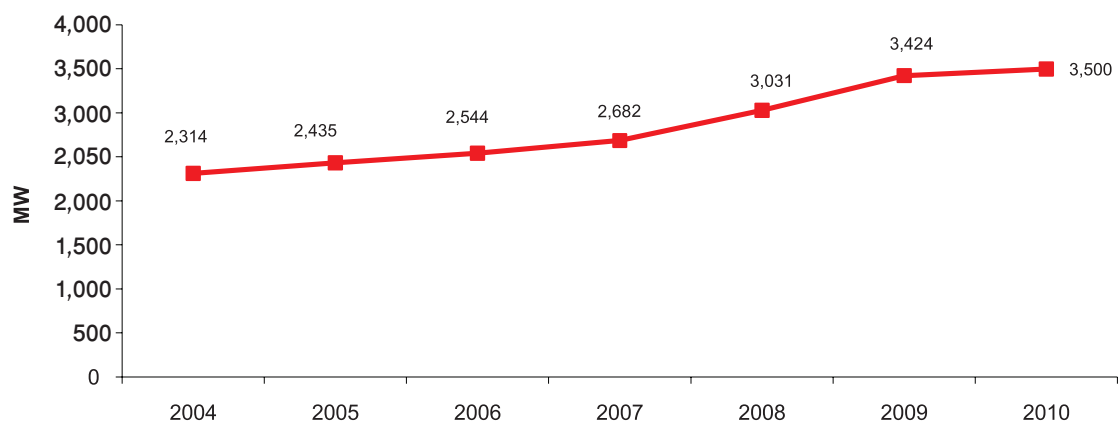


Figure 7: Shows power peak demand in the MIS for the years 2004-2010. The power peak demand in the MIS has increased from 2,314 MW in 2004 to 3,500 MW in 2010 with average annual growth rate of about 7.1%. The low rate of growth in 2010 (2.2%) was largely attributable to unusual weather conditions.

Power Peak Demand in Salalah (2004-2010)

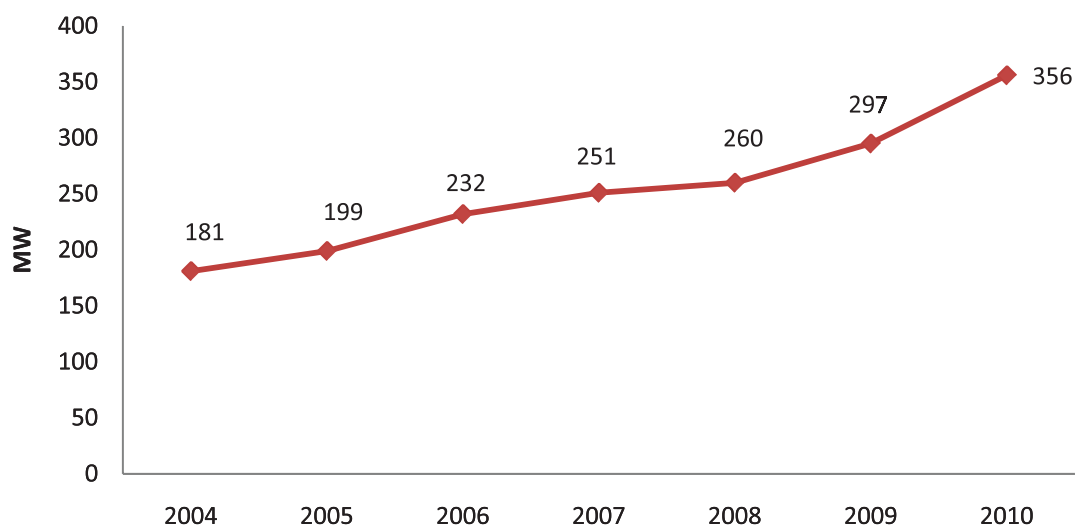


Figure 8: Shows power peak demand in Salalah Power System for the years 2004-2010. The power peak demand in Salalah Power System has increased from 181 MW in 2004 to 356 MW in 2010 with average annual growth rate of about 12%.



Quantities of Electricity Supplied to Disco. in GWh

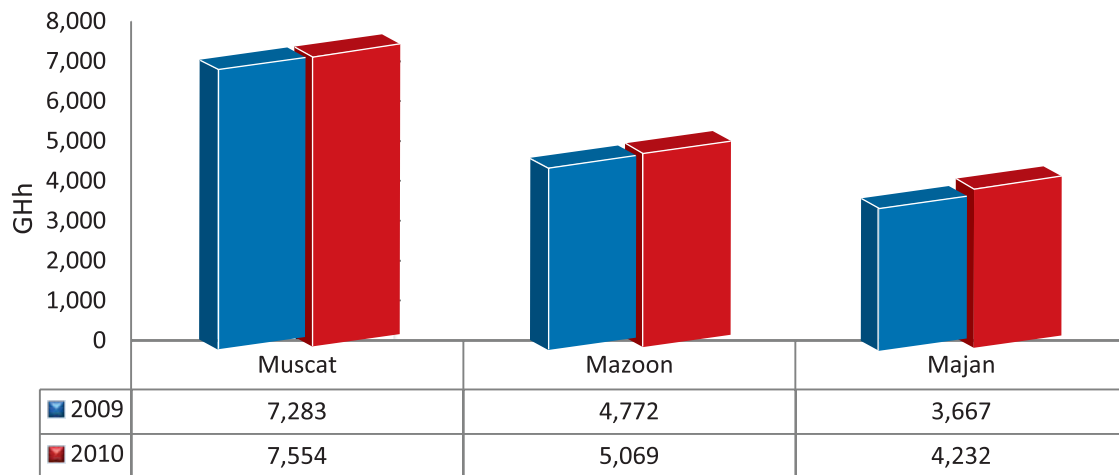


Figure 9: Shows the annual quantities of electricity supplied to Distribution Companies (Muscat, Majan and Mazoon) in GWh. The total annual quantities of electricity supplied to Distribution Companies have reached 16,855 GWh in 2010 reflecting growth of 7.2% over 2009.

Electricity Bulk Supply Charges in Million. RO

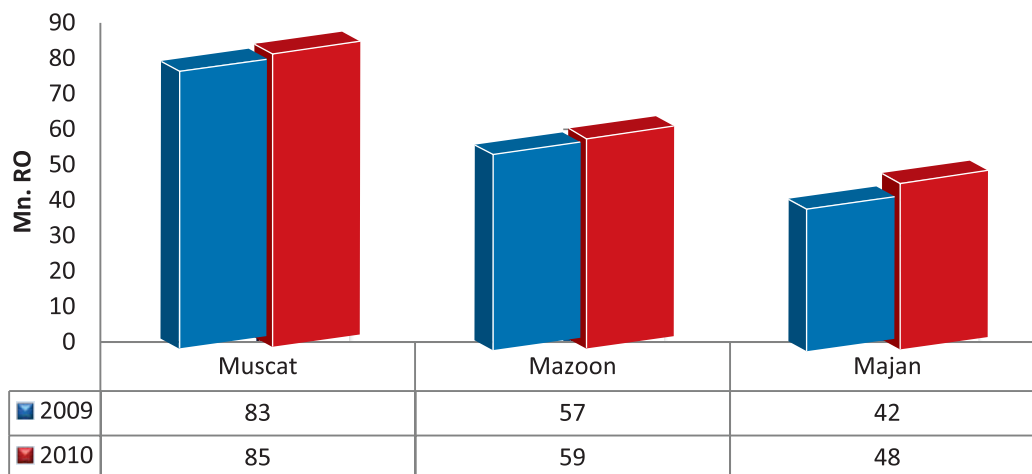


Figure 10: Shows the annual electricity bulk supply charges classified by Distribution Companies in Mn. R.O. The total annual charges for electricity supplied to Distribution Companies reached around 192 Million Rial Omani in 2010. Muscat Electricity Distribution Co. (MEDC) is the largest electricity distributor in the Sultanate.



Monthly Electricity Bulk Supply and Charges

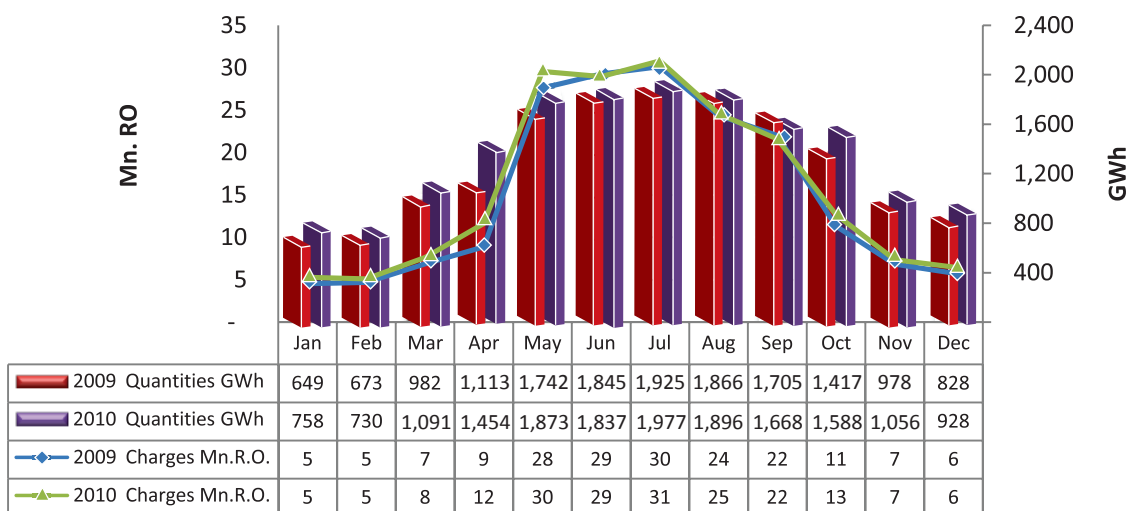


Figure 11: Shows the monthly electricity bulk supply charges and quantities. The maximum monthly quantity of electricity supplied to Distribution Companies was in July.

Average Monthly Electricity Bulk Supply Tariff

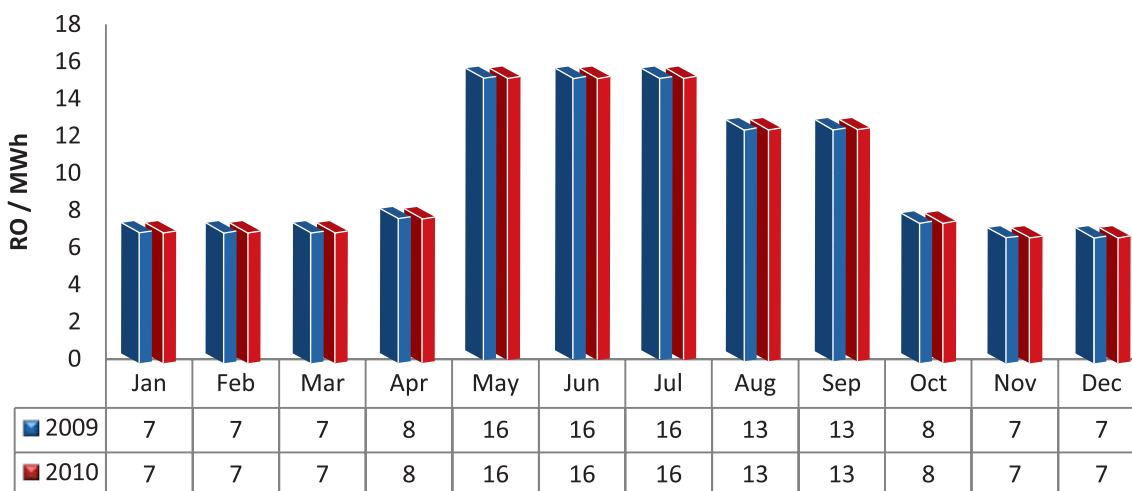


Figure 12: Shows the average monthly electricity bulk supply tariff which have been kept constant compared to 2009.



Desalination Plants Capacities (Cu. M/hr)

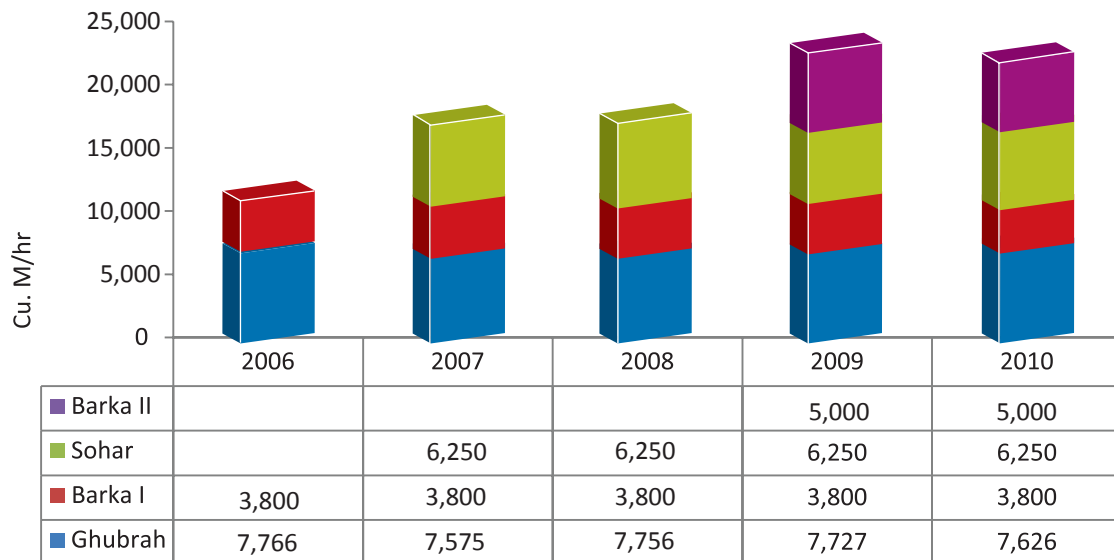


Figure 13: Shows desalination plants capacities (Cubic Meter/hr) connected to the MIS. The decline in Ghubrah reflects the older units coming to the end of their contracted period.

Desalination Plants Utilization

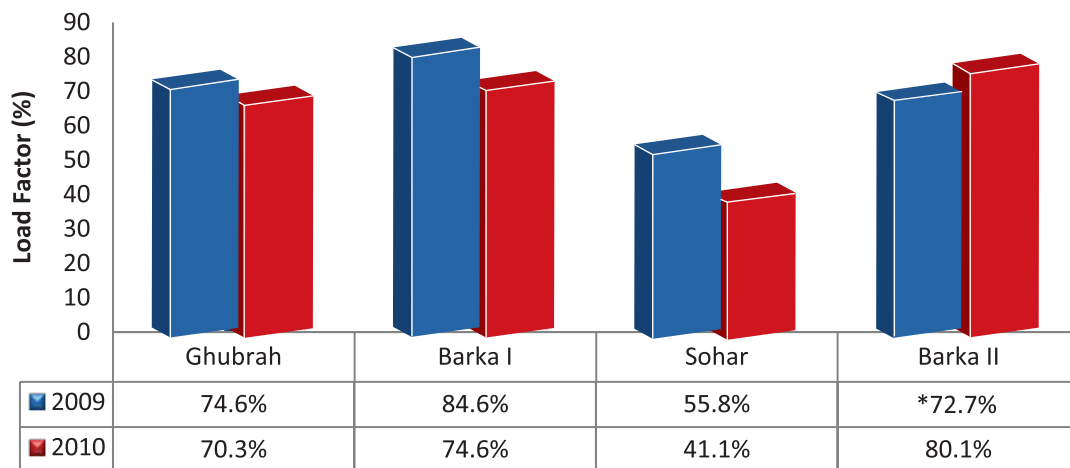


Figure 14: Shows desalination plants utilization. The utilization of Barka I and Sohar water plants are lower due to Barka II plant being available for all of 2010 following commissioning in late 2009.

*Note: Plant operational only for the months of November and December 2009.



Water output Delivered in Million Cubic Meter

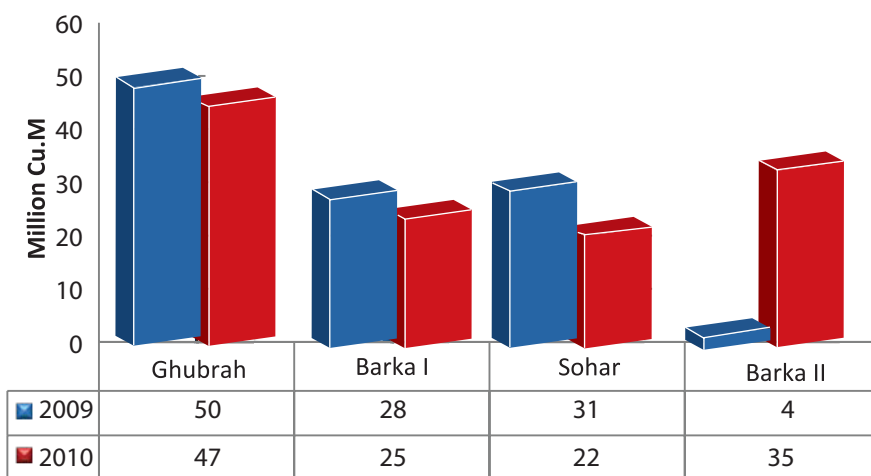


Figure 15: Shows water output purchased. The total annual purchase reached 129.38 million cubic meters as compared to about 113.29 million cubic meters in 2009. Barka II Power and Desalination plant was commissioned in late 2009.

Monthly Potable Water Exports in 2010 (Million Cubic Meter)

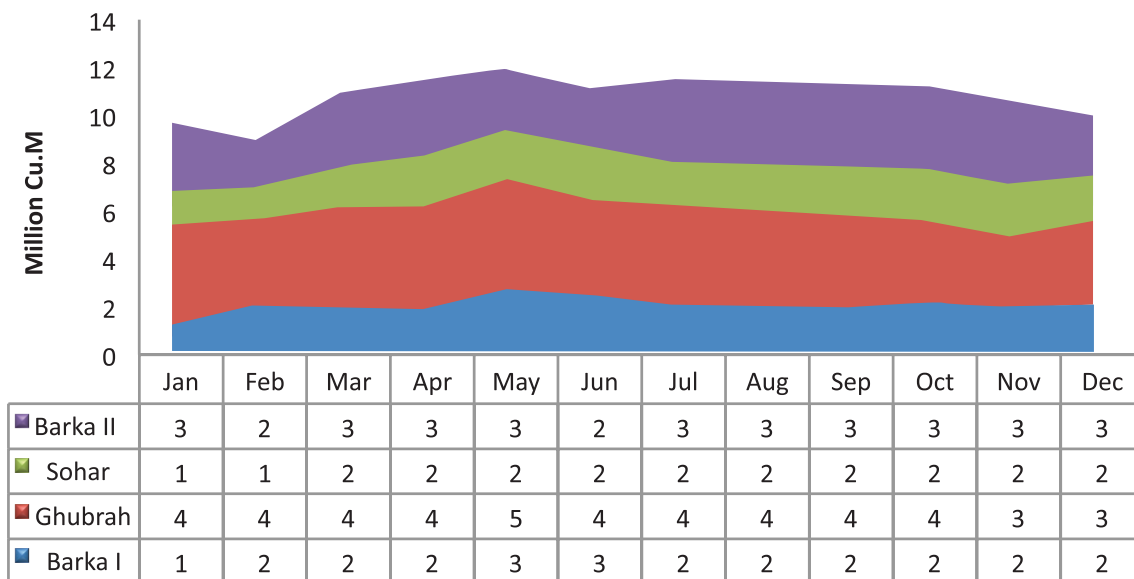


Figure 16: Shows monthly related desalinated water sold to PAEW in 2010.



Potable Water Export (2004-2010)

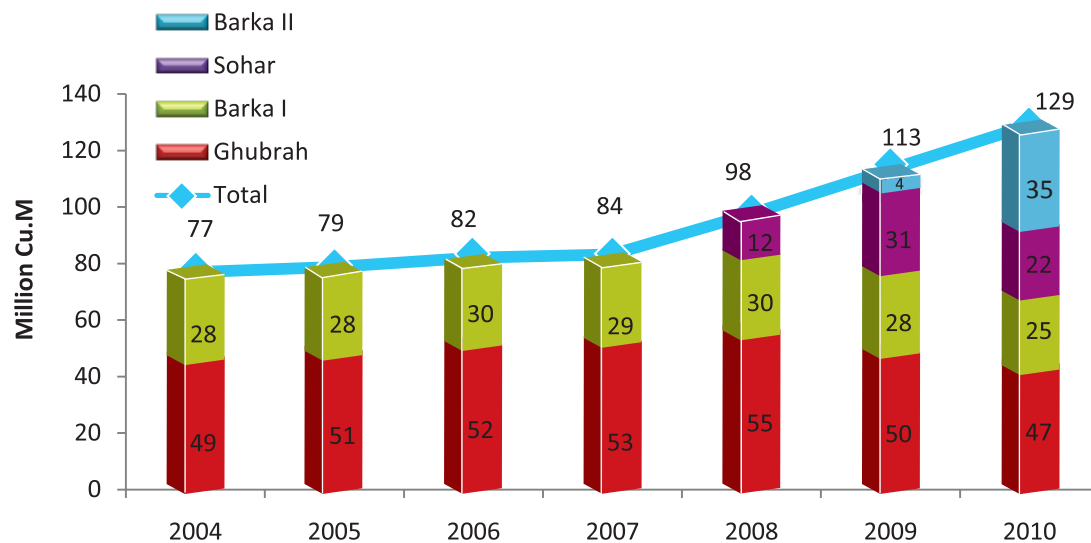


Figure 17: Shows water output exported to PAEW for the years 2004-2010 and an indication of yearly water demand growth. The total annual quantity of water output exported to the PAEW has reached 129 million cubic meters in 2010. Al Ghubra desalination plant is the largest desalination plant in the Sultanate, where water output reached about 47 million cubic meters accounting for 36.4 % of the total output. Barkall was commissioned in late 2009.



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:

1.The Audit Committee:

The Committee observe and study all aspects related to appointment of External and Internal Auditors, review the Audit plan and results of the audit, check for financial fraud, oversee all aspects related to preparation of financial statement with particular reference to review of annual and quarterly financial statements before issue and review issues raised by the external auditors on the draft financial statements.

2.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 executive management positions.

3.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.

Board Remuneration

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 executive 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 Co	Audit Committee	Board sitting fees	Committee meetings fees	Remuneration
		Number of Members Meeting						
		7	8	4	6	RO	RO	RO
1	H.E Saud Bin Nasser Al Shukaily	6(7)	6(8)	-	-	2,200	800	8,000
2	Mr.Qais Bin Mohammed Al Yousef	5(7)	-	-	4(5)	2,000	1,000	5,500
3	Eng. Abdulrahman bin Barham Ba Omar	4(7)	-	4(4)	4(6)	1,500	1,500	5,500
4	Mr. Tahir Bin Salim Al-Amry (Former member)	5(5)	5(5)	-	5(5)	2,000	1,000	4,125
5	Mr. Hamdan bin Ali Al Hinai	1(1)	-	-	-	500	-	1,400
6	Mr.Clive Dalton (Former member)	4(4)	-	-	1(1)	2,000	400	1,867
7	Mr. Abdullah bin Salim al Harthi	1(1)	1(1)	-	-	500	300	1,400
8	Mr. Saleh bin Ali Harthi	1(1)	2(2)	1(1)	1(1)	-	-	1,375
	Total					10,700	5,000	29,167

() numbers in brackets represent meetings the member was authorised to attend. The total remuneration including the sitting fees is RO 44,867.



Internal Audit

The Internal Audit function provides an independent and objective opinion on the adequacy and effectiveness of the Company's systems for risk management, internal control, and governance together with recommendations to improve those systems. Ernst & Young has been appointed to carry out the internal audit function for the year 2010.

The function operates independently of management, under a mandate approved by the Audit Committee. A risk based approach is used to identify, prioritize and focus on internal audit activities. The annual audit plan is presented to the Audit committee for approval. The Audit Committee meets the internal auditors to discuss the results of the quarterly internal audit.



FINANCIAL PERFORMANCE

The Financial Statements of the Company for the year ending 31st December 2010 and the Report of the Company's External Auditor Price WaterHouseCoopers is attached herewith.



Oman Power and Water Procurement Company SAOC

Financial Statemets for the year ended 31st December 2010

Pricipal Place of Business:

Second Floor, Building No. 187
Al Ma'arud Street, Ghala
Sultanate of Oman

Registered Address:

PO Box 1388 Ruwi
PC 112
Sultanante of Oman



Oman Power and Water Procurement Company SAOC

Financial Statemets for the year ended 31st December 2010

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AUDIT REPORT AND FINANCIAL STATEMENTS

PRICEWATERHOUSECOOPERS 

PricewaterhouseCoopers LLP

P.O Box 3075, Ruwi 112
Suites 204-210 Hatat House
Wadi Adai, Muscat
Sultanate of Oman
Telephone +(968) 2455 9110
Facsimile +(968) 2456 4408

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

We have audited the accompanying financial statements of **Oman Power and Water Procurement Company SAOC** (the company) which comprise the balance sheet as at 31 December 2010 and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

The directors of the company are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the Commercial Companies Law of 1974, as amended, and for such internal control as the management determine is necessary to enable the preparation of financial statements that are free of material misstatement, whether due to fraud or error.

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 of 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 judgement 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.

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the company as of 31 December 2010 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Commercial Companies Law of 1974, as amended.

PricewaterhouseCoopers LLP

**7 March 2011
Muscat, Sultanate of Oman**



OMAN POWER AND WATER PROCUREMENT COMPANY SAOC

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	2010 RO '000	2009 RO '000
Revenue	5	311,474	264,205
Operating costs	6	(287,932)	(233,730)
Gross profit		23,542	30,475
General and administrative expenses	7	(4,786)	(7,368)
Other income	8	<u>1</u>	<u>599</u>
Profit from operations		18,757	23,706
Finance income	9	128	191
Finance costs	10	(22,108)	(24,456)
Loss before tax		(3,223)	(559)
Taxation	11	<u>393</u>	<u>70</u>
Loss and total comprehensive income for the year		(2,830)	(489)

The notes on pages 6 to 21 form an integral part of these financial statements.

Report of the Auditors - page 1.





OMAN POWER AND WATER PROCUREMENT COMPANY SAOC


BALANCE SHEET AS AT 31 DECEMBER 2010

	Notes	2010 RO '000	2009 RO '000
ASSETS			
Non-current assets			
Property, plant and equipment	12	156,749	176,729
Advance payments	13	18,408	18,733
Total non-current assets		<u>175,157</u>	<u>195,462</u>
Current assets			
Inventories		567	567
Trade and other receivables	14	48,385	31,172
Bank deposits		-	7,000
Cash and cash equivalents	15	2,659	18,217
Total current assets		<u>51,611</u>	<u>56,956</u>
Total assets		<u>226,768</u>	<u>252,418</u>
EQUITY			
Share capital	16	500	500
Legal reserve	17	167	167
General reserve	18	250	250
Accumulated losses		(13,218)	(10,388)
Shareholder's funds	19	19,879	19,879
Total equity		<u>7,578</u>	<u>10,408</u>
LIABILITIES			
Non-current liabilities			
Finance lease liabilities	20	148,983	164,556
Provisions	21	119	105
Deferred tax liability	22	606	1,119
Total non-current liabilities		<u>149,708</u>	<u>165,780</u>
Current liabilities			
Trade and other payables	23	47,678	59,434
Finance lease liabilities	20	15,573	16,481
Loan from holding company		6,000	-
Provision for current tax	11	120	219
Provisions	21	111	96
Total current liabilities		<u>69,482</u>	<u>76,230</u>
Total liabilities		<u>219,190</u>	<u>242,010</u>
Total equity and liabilities		<u>226,768</u>	<u>252,418</u>

The financial statements on pages 2 to 21 were approved by the Board of Directors on 22 February 2011 and were signed on their behalf by:


Saud Bin Nasser Al Shukaily
Chairman


Hamdan Bin Ali Al Hinai
Member


Bob Whitelaw
Chief Executive Officer



OMAN POWER AND WATER PROCUREMENT COMPANY SAOC

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2010

	Share capital RO '000	Legal reserve RO '000	General reserve RO '000	Accumulated losses RO '000	Shareholders' funds RO '000	Total equity RO '000
At 1 January 2009	500	167	250	(8,828)	19,879	11,968
Comprehensive income:						
Loss for the year	-	-	-	(489)	-	(489)
Transactions with owners:						
Dividend paid	-	-	-	(1,071)	-	(1,071)
At 31 December 2009	<u>500</u>	<u>167</u>	<u>250</u>	<u>(10,388)</u>	<u>19,879</u>	<u>10,408</u>
At 1 January 2010	500	167	250	(10,388)	19,879	10,408
Comprehensive income:						
Loss for the year	-	-	-	(2,830)	-	(2,830)
At 31 December 2010	<u>500</u>	<u>167</u>	<u>250</u>	<u>(13,218)</u>	<u>19,879</u>	<u>7,578</u>

The notes on pages 6 to 21 form an integral part of these financial statements.

Report of the Auditors - page 1.



OMAN POWER AND WATER PROCUREMENT COMPANY SAOC

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2010

	2010 RO '000	2009 RO '000
Cash flows from operating activities		
Loss before tax	(3,223)	(559)
Adjustments for:		
Depreciation on property, plant and equipment	20,002	19,983
Gain on sale of property, plant and equipment	-	(2)
Interest expense	49	93
Interest on finance leases	22,059	24,363
Advance payments amortised	325	15
Write back of prior period accruals	-	(585)
Write off of property, plant and equipment	11	-
Provision for employee benefits expense	60	98
Operating cash flows before payment of provision for employee benefits and working capital changes	39,283	43,406
Payment of employee benefits	(31)	(16)
Working capital changes:		
Trade and other receivables	(17,213)	16,569
Trade and other payables	(11,756)	11,569
Cash generated from operations	10,283	71,528
Income tax paid	(219)	(142)
Net cash generated from operating activities	10,064	71,386
Cash flows from investing activities		
Purchase of property, plant and equipment	(45)	(175)
Proceeds on disposal of property, plant and equipment	12	2
Bank deposits	7,000	(7,000)
Net cash used in investing activities	6,967	(7,173)
Cash flows from financing activities		
Interest paid	(22,108)	(24,456)
Short term loan from holding company received / (repaid)	6,000	(4,000)
Dividend paid	-	(1,071)
Lease liabilities	(16,481)	(18,187)
Net cash used in financing activities	(32,589)	(47,714)
Net change in cash and cash equivalents	(15,558)	16,499
Cash and cash equivalents at the beginning of the year	18,217	1,718
Cash and cash equivalents at the end of the year	2,659	18,217

The notes on pages 6 to 21 form an integral part of these financial statements.

Report of the Auditors - page 1.



OMAN POWER AND WATER PROCUREMENT COMPANY SAOC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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 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 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 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 Electricity Holding Company SAOC (Holding company/Parent company).

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated

2.1 Basis of preparation

a) The financial statements are prepared on the historical cost basis and in accordance with International Financial Reporting Standards (IFRS).

b) The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

c) As at 31 December 2010, the company's current liabilities exceeded its current assets by RO 17,871,000 (2009 - RO 19,274,000). The Parent company have confirmed that they will provide the necessary financial support to enable the company to continue to operate as a going concern for the foreseeable future and to discharge its liabilities to other parties, as they fall due. Accordingly, these financial statements are prepared on a going concern basis.

d) Standards and amendments effective in 2010 and relevant for the company's operations:

For the period ended 31 December 2010, the company has adopted all of the new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the IFRS Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for periods beginning on 1 January 2010.

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



OMAN POWER AND WATER PROCUREMENT COMPANY SAOC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)

2 Summary of significant accounting policies (continued)

2.2 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 the licensing 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.

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

2.3 Foreign currency

Items included in the company's financial statements are measured using Rial Omani which is the currency of the Sultanate of Oman, being the economic environment in which the company operates (the functional currency). The financial statements are prepared in Rial Omani, rounded to the nearest thousand.

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 from foreign currency transactions are dealt with, in the statement of comprehensive income.

2.4 Property, plant and equipment

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

Subsequent expenditure

Expenditure incurred to replace a component of an item of property, plant and equipment is capitalised if it is probable that the future economic benefits embodied within the part will flow to the company, and its cost can be measured reliably. All other maintenance expenditure is recognised in the statement of comprehensive income as an expense as and when incurred.

Depreciation

Depreciation is recognised in the statement of comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The principal estimated useful lives used for this purpose are:

Assets	Years
Finance lease assets	13 - 20
Furniture and equipment	5
Motor vehicles	7

Work-in-progress

Work in progress is stated at cost. When the underlying asset is ready for use in its intended condition and location, work-in-progress is transferred to the appropriate property, plant and equipment category and depreciated in accordance with the depreciation policies of the company.



OMAN POWER AND WATER PROCUREMENT COMPANY SAOC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)

2 Summary of significant accounting policies (continued)

2.5 Financial instruments

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

Non-derivative financial instruments

Non-derivative financial instruments comprise, trade and other receivables, receivables from related parties, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs.

Subsequent to initial recognition, non-derivative financial instruments are measured at amortised cost using the effective interest rate method, less any impairment losses.

2.6 Impairment

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;
- default or delinquency in payments; or
- it becomes probable that the borrower will enter bankruptcy or financial reorganisation.

For certain categories of financial assets, 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 credit period 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 directly written off after appropriate approvals. Subsequent recoveries of amounts previously written off are credited to the statement of comprehensive income.

Non-financial assets

The carrying amounts of the company's non-financial assets other than inventories are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indications exist then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or cash generating unit exceeds its value in use and its fair value less costs to sell. In assessing the 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 risks specified to the asset. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in estimates used to determine the recoverable amount.



OMAN POWER AND WATER PROCUREMENT COMPANY SAOC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)

2 Summary of significant accounting policies (continued)

2.6 Impairment (continued)

Non-financial assets (continued)

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.7 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs comprise purchase cost and where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated principally using the weighted average method.

2.8 Trade receivables

Trade and other receivables are stated at their fair value. Trade debtors are initially recognised at fair value and subsequently are stated at amortised cost using the effective interest method less impairment losses. A provision for impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the statement of comprehensive income within 'general and administrative expenses'.

2.9 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits. 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.

2.10 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Liabilities are recognised for amounts to be paid for goods and services received, whether or not billed to the company.

2.11 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as that the assets are substantially ready for their intended use. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the statement of comprehensive income in the year in which they are incurred.



OMAN POWER AND WATER PROCUREMENT COMPANY SAOC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)

2 Summary of significant accounting policies (continued)

2.12 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 enacted or substantially at the reporting date, and any adjustment to income tax payable in respect of previous years.

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 reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off.

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

2.13 Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages, salaries and annual 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 employee benefits is accrued having regard to the requirements of the Oman Labour Law 2003 as amended or in accordance with the terms and conditions of the employment contract with the employees, whichever is higher. Employee entitlements to annual leave are recognised when they accrue to employees and an accrual is made for the estimated liability arising as a result of services rendered by employees up to the balance sheet date. These accruals are included in current liabilities, while that relating to end of service benefits is disclosed as a non-current liability.

End of service benefit for Omani employees are contributed in accordance with the terms of the Social Securities Law 1991 and Civil Service Employees Pension Fund Law.

2.14 Leases

Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

Finance lease

Leases of property, plant and equipment, where the company has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. The related property, plant and equipment is capitalised and depreciated in accordance with the applicable accounting policies of the company.



OMAN POWER AND WATER PROCUREMENT COMPANY SAOC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)

2 Summary of significant accounting policies (continued)

2.14 Leases (continued)

Finance lease (continued)

Each lease payment is allocated between the liability and finance charges. The interest element of the finance cost is charged to the statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

3 Financial risk management

The company's activities expose it to a variety of financial risks (including market risk, liquidity and credit risk). However, 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 under policies approved by the Board of Directors whereas liquidity and market risk management is carried out by the holding company's treasury department. 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.

3.1 Financial risk factors

(a) Market risk

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 Authority for Electricity Regulation, Oman (AER). The company determines bulk supply tariffs according to the cost-plus method following the principles as per its licence. Hence, the company is not subject to significant price risk.

Foreign currency risk

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. The company is exposed to foreign exchange risk arising from currency exposures primarily with respect to the US Dollar. The Rial Omani is pegged to the US Dollar. Since most of the company's foreign currency transactions are in US Dollars or other currencies linked to the US Dollar management believes that exchange rate fluctuations would have an insignificant impact on the company's pre-tax profit.

Interest rate risk

The company has deposits which are interest bearing and are exposed to changes in market interest rates. The company carries out periodic analysis and monitors the market interest rates fluctuations taking into consideration the company's needs. The company's borrowings are short term in nature and subject to current market rates of interest. The company is not significantly exposed to interest rate fluctuations as the interest rate on the overdraft facility is at fixed rate and is renewed every year.

(b) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding from an adequate amount of committed credit facilities. The management maintains flexibility in funding by maintaining availability under committed credit lines. The management monitors the company's liquidity by forecasting the expected cash flows.



OMAN POWER AND WATER PROCUREMENT COMPANY SAOC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Liquidity risk (continued)

The table below analyses the company's financial liabilities that will be settled on a net basis into relevant maturity grouping based on the remaining period at the balance sheet date to the contractual maturities date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within twelve months equal their carrying balances, as the impact of discounting is not significant.

The following are contractual undiscounted cash flows associated with financial liabilities.

31 December 2010

	Total 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
Interest bearing						
Finance lease liabilities	267,792	2,966	5,932	26,696	158,769	73,429
Non-interest bearing						
Trade and other payables	31,571	-	31,571	-	-	-
Suppliers and contractors payables	18	18	-	-	-	-
Total	299,381	2,984	37,503	26,696	158,769	73,429

31 December 2009

	Total 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
Interest bearing						
Finance lease liabilities	306,332	3,212	6,423	28,905	164,200	103,592
Non-interest bearing						
Trade and other payables	36,476	-	36,476	-	-	-
Suppliers and contractors payables	11,907	11,835	72	-	-	-
Total	354,715	15,047	42,971	28,905	164,200	103,592

(c) 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. The credit risk of the company is primarily attributable to trade and other receivables, bank deposits 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 primarily represent amounts due from distribution companies and related parties. The company does not consider this as an undue exposure since obligation of distribution companies and water departments is considered fully recoverable.



OMAN POWER AND WATER PROCUREMENT COMPANY SAOC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)

3 Financial risk management (continued)

3.2 Financial risk factors (continued)

(c) Credit risk (continued)

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

	2010 RO '000	2009 RO '000
Trade receivable from related parties	14,209	9,417
Trade receivable - water sales	23,305	15,496
Other receivables from related parties	-	68
	<u>37,514</u>	<u>24,981</u>

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

	31 December 2010			31 December 2009		
	Gross RO '000	Impaired RO '000	Past Due but not impaired RO '000	Gross RO '000	Impaired RO '000	Past Due but not impaired RO '000
Not past due	32,589	-	-	19,315	-	-
1 month to 3 months	4,898	-	4,898	5,413	-	5,413
3 months to 1 year	27	-	27	185	-	185
	<u>37,514</u>	<u>-</u>	<u>4,925</u>	<u>24,913</u>	<u>-</u>	<u>5,598</u>

Trade receivables are due one month from date of invoicing.

Investment in bank deposits and bank balances

The company's banks accounts are placed with financial institutions with a minimum credit rating of P-1 (Moody's Investors Services).

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

	2010 RO '000	2009 RO '000
Assets as per balance sheet		
Trade receivables	37,514	24,913
Other receivables	8,024	4,044
Cash and cash equivalents	2,659	18,217
Short-term deposit	-	7,000
	<u>48,197</u>	<u>54,174</u>

3.2 Capital risk management

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern and to provide an adequate return to shareholders.

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 shareholders' funds. The company is not subject to any externally imposed capital requirements.

The company sets the amount of capital in proportion to risk. The company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets.

3.3 Fair value estimation

The carrying amounts of financial assets and liabilities with a maturity of less than one year are assumed to approximate to their fair values.



OMAN POWER AND WATER PROCUREMENT COMPANY SAOC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)

4 Critical accounting estimates

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the company's accounting policies. The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas requiring a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are set out below:

Depreciation

Depreciation is charged so as to write off the cost of assets over their estimated useful lives. The assets held under finance leases which will be legally transferred to the company at the end of the lease term is depreciated over the useful life for the company, which is the lease term, as management believes that at the end of the lease term the assets will not remain with the company. Assets held under finance leases which will not transfer to the company at the end of the lease term are depreciated over the term of the lease.

Deferred Taxation

The company makes provision for deferred tax liability during the term of the power purchase agreement, arising primarily from accelerated tax depreciation.

The official executive regulation for the treatment of finance leases is yet to be announced by the Oman taxation authorities. Pending such decision, the management is still continuing the tax treatment previously used for property, plant and equipment after the adoption of IFRIC 4 and IAS 17. The outcome of the final regulation could have a significant financial impact on the current and deferred tax liability carried out in the books and consequently on the profit for the year in which such decision is made.

5 Revenue

	2010 RO '000	2009 RO '000
Bulk supply revenue for electricity	191,834	182,326
Bulk supply revenue for water	77,862	64,387
Net funding from MOF	33,780	20,861
Recharge of interconnection and transmission facilities	<u>1,803</u>	<u>2,096</u>
	305,279	269,670
Add/(less): previous year revenue in excess/(less than) of maximum allowed as per price control formula, reversed	3,379	(2,046)
Add/(less): previous year interest on revenue in excess/(less than) of maximum allowed as per price control formula, reversed	81	(40)
Add/(less): revenue less than/(in excess of) the maximum allowed as per price control formula added/(deferred to next year)	<u>2,735</u>	<u>(3,379)</u>
	<u>311,474</u>	<u>264,205</u>

6 Operating costs

	2010 RO '000	2009 RO '000
Electricity capacity and output purchase costs	169,367	140,599
Desalinated water capacity and output purchase costs	76,851	63,599
Depreciation on finance lease assets	19,918	19,918
Cost sharing charge to Dhofar Power Company SAOG	<u>21,796</u>	<u>9,614</u>
	<u>287,932</u>	<u>233,730</u>



OMAN POWER AND WATER PROCUREMENT COMPANY SAOC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)

7 General and administrative expenses

	2010 RO '000	2009 RO '000
Employee benefit expenses	1,808	1,510
License fee to Authority for Electricity Regulation	329	548
Service expenses	2,225	4,952
Directors remuneration and sitting fees	44	50
Depreciation	84	65
Other expenses	<u>296</u>	<u>243</u>
	<u>4,786</u>	<u>7,368</u>

Included within employee benefit expenses is an amount of RO 60,045 (2009: RO 97,788) relating to post employment benefit expenses.

8 Other income

	2010 RO '000	2009 RO '000
Prior period accruals written back	-	585
Other income	<u>1</u>	<u>14</u>
	<u>1</u>	<u>599</u>

9 Finance income

	2010 RO '000	2009 RO '000
Interest on the revenue recovered less than the maximum allowed as per price control formula	55	-
Interest on bank account	<u>73</u>	<u>191</u>
	<u>128</u>	<u>191</u>

10 Finance costs

	2010 RO '000	2009 RO '000
Interest on bank overdraft	49	12
Interest on obligations under finance leases	22,059	24,363
Interest on excess revenue billed over maximum allowed revenue under the price control formula	-	81
	<u>22,108</u>	<u>24,456</u>

11 Taxation

Income tax is provided as per the provisions of the "Law of Income Tax on Companies" in Oman after adjusting for items which are not taxable or disallowed. The tax rate applicable to the company is 12%. The deferred tax on all temporary differences have been calculated and dealt with in the statement of comprehensive income.

	2010 RO '000	2009 RO '000
Current tax	120	219
Deferred tax	<u>(513)</u>	<u>(289)</u>
	<u>(393)</u>	<u>(70)</u>



OMAN POWER AND WATER PROCUREMENT COMPANY SAOC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)

11 Taxation (continued)

The company is liable to income tax in accordance with the income tax law of the Sultanate of Oman at the enacted tax rate of 12% on taxable income in excess of RO 30,000.

The following is a reconciliation of income taxes calculated on accounting profits in excess of their exemption limit of RO 30,000 at the applicable tax rate of 12% with the taxation amount in the statement of comprehensive income:

	2010 RO '000	2009 RO '000
Accounting loss as per statement of comprehensive income	(3,223)	(559)
Tax on accounting loss	-	-
Add/(less) tax effect of:		
Effect of loss for the current year	(387)	(67)
Other items	(6)	(3)
Tax income for the year	(393)	(70)

Taxation has been agreed with the Oman taxation authorities for all periods up to 31 December 2005.

Movement in current tax provision is as under:

	2010 RO '000	2009 RO '000
Tax payable at beginning of the year	219	142
Current tax charge for the year	120	219
Tax paid during the year	(219)	(142)
Tax payable at end of the year	120	219

12 Property, plant and equipment

	Finance lease assets RO '000	Furniture and equipment RO '000	Motor vehicles RO '000	Work-in- progress RO '000	Total RO '000
Cost					
1 January 2010	269,342	380	89	14	269,825
Additions	-	29	16	-	45
Disposals	-	(1)	(29)	-	(30)
31 December 2010	269,342	408	76	14	269,840
Depreciation					
1 January 2010	92,952	112	32	-	93,096
Charge for the year	19,918	72	12	-	20,002
Disposals	-	(1)	(6)	-	(7)
31 December 2010	112,870	183	38	-	113,091
Net book value					
31 December 2010	156,472	225	38	14	156,749



OMAN POWER AND WATER PROCUREMENT COMPANY SAOC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)

12 Property, plant and equipment (continued)

	Finance lease assets RO '000	Furniture and equipment RO '000	Motor vehicles RO '000	Work-in- progress RO '000	Total RO '000
Cost					
1 January 2009	269,342	121	60	128	269,651
Additions	-	146	29	-	175
Transfers	-	114	-	(114)	-
Disposals	-	(1)	-	-	(1)
31 December 2009	<u>269,342</u>	<u>380</u>	<u>89</u>	<u>14</u>	<u>269,825</u>
Depreciation					
1 January 2009	73,034	60	20	-	73,114
Charge for the year	19,918	53	12	-	19,983
Disposals	-	(1)	-	-	(1)
31 December 2009	<u>92,952</u>	<u>112</u>	<u>32</u>	<u>-</u>	<u>93,096</u>
Net book value					
31 December 2009	<u>176,390</u>	<u>268</u>	<u>57</u>	<u>14</u>	<u>176,729</u>

13 Advance payments

Advance payments pertain to fixed capacity payments made in respect of power and water purchases and represent total cumulative payments made to date reduced by the total cumulative charges to date recognised in the statement of comprehensive income.

14 Trade and other receivables

	2010 RO '000	2009 RO '000
Trade receivable from related parties	14,209	9,417
Trade receivables - water sales	23,305	15,496
Other receivables from related parties	-	68
Prepayments	57	71
Other receivables	8,024	3,976
Revenue recovered less than the maximum allowed as per price control formula	2,735	-
Interest on the revenue recovered less than the maximum allowed as per price control formula	55	-
Deferred cost for water	-	2,144
	<u>48,385</u>	<u>31,172</u>

As at 31 December 2010 no amounts are impaired (2009 - no amounts were impaired).

15 Cash and cash equivalents

	2010 RO '000	2009 RO '000
Cash at bank	2,656	18,214
Cash on hand	3	3
	<u>2,659</u>	<u>18,217</u>



OMAN POWER AND WATER PROCUREMENT COMPANY SAOC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)

16 Share capital

The company's authorised, 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 issued	2010 RO	2009 RO
Electricity Holding Company SAOC	99.99%	499,950	499,950	499,950
Ministry of Finance	0.01%	50	50	50
		<u>500,000</u>	<u>500,000</u>	<u>500,000</u>

17 Legal reserve

In accordance with the Commercial Companies Law of Oman 1974, this reserve is equal to one third of the company's share capital and is not available for distribution.

18 General reserve

In accordance with the company's policy, an amount not exceeding 20% of the profit after transfer to legal reserve should be transferred to a general reserve until the balance of the general reserve reaches one half of the share capital, which has been achieved. This reserve is available for distribution to shareholders.

19 Shareholder's Funds

Following the implementation of a decision of the Sector Law and in accordance with the transfer scheme, Electricity Holding Company SAOC received certain assets and liabilities from the Ministry of Housing, Electricity and Water (MHEW) on the transfer date (1 May 2005).

Subsequently, part of the assets and liabilities were transferred to the company. The value of the net assets transferred is represented in the books as shareholder's funds and there is no contractual obligation to repay this amount and there are no fixed repayment terms.

20 Finance lease liabilities

Amounts payable under finance leases are as follows:

	2010 RO '000	2009 RO '000
Gross finance lease liabilities - minimum lease payments		
Not later than 1 year	35,594	38,540
Later than 1 year and not later than 5 years	158,769	164,200
Later than 5 years	<u>73,429</u>	<u>103,592</u>
	267,792	306,332
Less: future finance charges on lease liabilities	<u>(103,236)</u>	<u>(125,295)</u>
Present value of finance lease liabilities	<u>164,556</u>	<u>181,037</u>

At the commencement of each lease, the company has recognised assets and liabilities to an amount equal to the estimated fair value of the finance leased asset. The finance expense on the lease liability is determined based on net investment method.

The present value of finance lease liabilities is as follows:

	2010 RO '000	2009 RO '000
Not later than 1 year	15,573	16,481
Later than 1 year and not later than 5 years	89,831	84,338
Later than 5 years	<u>59,152</u>	<u>80,218</u>
	<u>164,556</u>	<u>181,037</u>



OMAN POWER AND WATER PROCUREMENT COMPANY SAOC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)

21 Provisions

Balance relates to provision for employee benefits.

	2010 RO '000	2009 RO '000
Non-current	119	105
Current	<u>111</u>	<u>96</u>
	<u>230</u>	<u>201</u>

Movement in provisions

	2010 RO '000	2009 RO '000
At beginning of the year	201	119
Charge during the year	60	98
Payments during the year	<u>(31)</u>	<u>(16)</u>
At end of the year	<u>230</u>	<u>201</u>

22 Deferred tax liability

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

2010	1 January 2010 RO '000	(Credit)/charge for the year RO '000	31 December 2010 RO '000
Liability			
Accelerated tax depreciation	5	1	6
Finance leases	(557)	(413)	(970)
Deferred revenue	(576)	(62)	(638)
Advance payments	<u>2,247</u>	<u>(39)</u>	<u>2,208</u>
	<u>1,119</u>	<u>(513)</u>	<u>606</u>
2009	1 January 2009 RO '000	(Credit)/charge for the year RO '000	31 December 2009 RO '000
Liability			
Accelerated tax depreciation	2	3	5
Finance leases	(349)	(208)	(557)
Deferred revenue	(494)	(82)	(576)
Advance payments	<u>2,249</u>	<u>(2)</u>	<u>2,247</u>
	<u>1,408</u>	<u>(289)</u>	<u>1,119</u>

23 Trade and other payables

	2010 RO '000	2009 RO '000
Trade payables to related parties	9,306	13,483
Accruals and other expenses	22,265	22,993
Suppliers and contractors payables	18	11,907
Deferred revenue	5,314	4,805
Due to Ministry of Finance for excess funding received	10,775	2,786
Revenue in excess of maximum allowed as per price control formula, deferred to next year	-	3,379
Interest on revenue in excess of maximum allowed as per price control formula	-	81
	<u>47,678</u>	<u>59,434</u>



OMAN POWER AND WATER PROCUREMENT COMPANY SAOC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)

24 Related parties

Related parties comprise shareholders, directors, key management personnel and business entities which have the ability to control or exercise significant influence in financial and operating decisions. For the purpose of IAS 24, 'Related party disclosures', 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. Outstanding balances at year end are unsecured and settlement occurs in cash.

No expenses have been recognised in the year (2009: RO Nil) for bad or doubtful debts in respect of amounts owed by related parties.

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

	2010 RO '000	2009 RO '000
Revenue		
Bulk supply tariff for electricity to Muscat Electricity Distribution Company SAOC	84,991	83,093
Bulk supply tariff for electricity to Mazoon Electricity Company SAOC	59,194	56,785
Bulk supply tariff for electricity to Majan Electricity Company SAOC	47,649	42,447
Recharge of interconnection and transmission facilities to Oman Electricity Transmission Company SAOC	<u>1,803</u>	<u>2,096</u>
	193,637	184,421
Expenses		
Electricity capacity and output purchases from Al Ghubrah Power and Desalination Company SAOC	22,012	25,439
Electricity capacity and output purchases from Wadi Al Jizzi Power Company SAOC	14,413	13,083
Electricity capacity and output purchases from Rural Areas Electricity Company SAOC	9,582	6,194
Desalinated water capacity and output purchases from Al Ghubrah Power and Desalination Company SAOC	28,755	28,844
Cost sharing charges to Dhofar Power Company SAOG	21,796	9,614
Accounting service charges from Electricity Holding Company SAOC	<u>250</u>	<u>344</u>
	96,808	83,518
	2010 RO '000	2009 RO '000
Intercompany receivables		
Muscat Electricity Distribution Company SAOC	6,102	5,818
Mazoon Electricity Company SAOC	3,683	2,120
Majan Electricity Company SAOC	4,424	1,257
Oman Electricity Transmission Company SAOC	-	222
Electricity Holding Company SAOC	<u>-</u>	<u>68</u>
	14,209	9,485
Intercompany payables		
	2010 RO '000	2009 RO '000
Al Ghubrah Power and Desalination Company SAOC	3,780	7,633
Wadi Al Jizzi Power and Desalination Company SAOC	887	1,540
Rural Areas Electricity Company SAOC	1,272	2,670
Oman Electricity Transmission Company SAOC	87	3
Electricity Holding Company SAOC	67	19
Dhofar Power Company SAOG	<u>3,213</u>	<u>1,618</u>
	9,306	13,483



OMAN POWER AND WATER PROCUREMENT COMPANY SAOC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)

24 Related parties (continued)

	2010 RO '000	2009 RO '000
Loan from holding company	<u>6,000</u>	<u>-</u>

Loan from holding company represent interest free loans provided to the company. The loans do not have fixed repayment terms and are unsecured.

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:

	2010 RO '000	2009 RO '000
Short-term employee benefits	1,053	658
Post employment benefits	178	132
Directors remuneration and sitting fees	<u>44</u>	<u>50</u>
	<u>1,275</u>	<u>840</u>

25 Contingencies and operational commitments

	2010 RO '000	2009 RO '000
Commitments		
Operating lease commitments		
Not more than 1 year	70,490	70,696
More than 1 year but not more than 5 years	347,157	279,657
More than 5 years	<u>306,934</u>	<u>444,924</u>
	<u>724,581</u>	<u>795,277</u>

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