



الشركة العمانية لشراء الطاقة والمياه (ش.م.ع.م)  
OMAN POWER AND WATER PROCUREMENT CO. (SAOC)

إحدى شركات مجموعة نماء  
Member of Nama Group





His Majesty Sultan Qaboos Bin Said



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## GLOSSARY

AER	Authority for Electricity Regulation, Oman
BSR	Bulk Supply Revenue
BST	Bulk Supply Tariff
COD	Commercial Operation Date
DGC	Dhofar Generating Company
DGW	Directorate General of Water (in the Office of the Minister of State and Governor of Dhofar)
DPC	Dhofar Power Company (SAOC)
DPS	Dhofar Power System
EHC	Electricity Holding Company
GCCIA	Gulf Cooperation Council Interconnection Authority
GWh	GigaWatt Hour (1,000 MegaWatt Hours)
GPDC	Al Ghubrah Power and Desalination Company (SAOC)
IAS	International Accounting Standard
IPP	Independent Power Project
IWP	Independent Water Project
IWPP	Independent Water and Power Project
kWh	Kilowatt Hour(s)
m <sup>3</sup>	Cubic Metre(s)
MCM	Million Cubic Metre
MEDC	Muscat Electricity Distribution Company (SAOC)
MIGD	Million Imperial Gallons per day
MIS	Main Interconnected System
MISC	Majis Industrial Services Company (SAOC)
MJEC	Majan Electricity Company (SAOC)
MOG	Ministry of Oil and Gas
MWh	Megawatt Hour
MZEC	Mazoon Electricity Company (SAOC)
NGSA	Natural Gas Supply Agreement
OCGT	Open-Cycle Gas Turbine
OETC	Oman Electricity Transmission Company (SAOC)
OOCEP	Oman Oil Company Exploration & Procedure
OMR	Omani Rial
OPWP	Oman Power and Water Procurement Company (SAOC)
PAEW	Public Authority for Electricity and Water
PDO	Petroleum Development Oman (LLC)
PPA	Power Purchase Agreement
TWh	Terawatt-hour
QHSE	Quality, Health, Safety and Environment
PWPA	Power and Water Purchase Agreement
RAEC	Rural Areas Electricity Company (SAOC)
RFP	Request for Proposal
RO	Reverse Osmosis (Desalination Technology)
RE	Renewable Energy
SSPWC	Sembcorp Salalah Power and Water Company



## 1. ABOUT US

### 1.1 BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

#### BOARD OF DIRECTORS



**Mr. Hamdan Bin Ali Al Hinai**

Chairman of the Board

Other position: Director General of Purchasing & Contracts,  
Ministry of Defence



**Eng. Saleh Bin Nasser Al-Rumhi**

Deputy Chairman of the Board

Other position: General Manager for Policy & Strategy  
Studies, Public Authority for Electricity & Water



**Mr. Saleh Bin Ali Al Harthy**

Member of the Board

Other position: Director of Gas Revenue,  
Ministry of Finance



**Mr. Sean O'Hare**

Member of the Board

Other position: Founder of Boardroom Dialogue Ltd,  
focused on Board Effectiveness Reviews, Business  
Coaching, and Leadership and Personal Development



**Mr. S. Vishwanath**

Member of the Board

Other position: Chief Financial Officer,  
Electricity Holding Company

#### EXECUTIVE MANAGEMENT



**Eng. Ahmed Bin Saleh Al Jahdhami**

Chief Executive Officer



**Eng. Yaqoob Bin Saif Al  
Kiyumi**

Chief Operating Officer





## 1.2 CHAIRMAN'S FOREWORD

### Dear Shareholders,

On behalf of the members of the Board, I have the pleasure in presenting the Annual Report of Oman Power and Water Procurement Company SAOC for the year 2015.

### 2015 Achievements

The year 2015 was another challenging but successful year for OPWP with the company accomplishing a number of major initiatives, including:

- Signed the WPA for the Qurayyat IWP (44 MIGD) with a planned COD in May 2017.
- Signed the WPA for the Barka I Phase II Expansion (12.5 MIGD) with a planned COD in Jan 2016.
- Signed the PPA for the Musandam IPP (120 MW) with a planned COD in Feb 2017.
- Signed PPA for the Salalah II IPP (445 MW) with a planned COD for January 2018.
- Awarded the PPA for the Ibri/ Sohar III IPPs (combined contracted capacity around 3,200 MW) with early power in April 2018 for Ibri IPP and full capacity in January 2019 for Sohar III and April 2019 for Ibri.
- Awarded WPA for the Sohar II / Barka IV IWPs (55 MIGD and 61.8 MIGD respectively) with a planned COD in April 2018.
- Awarded WPA for temporary water projects in Qurayyat and Aseelah (1.8 and 2.2 MIGD respectively) with a planned COD in June 2016 and July 2016 respectively.
- Signed a Power Sales and Purchase Agreement with PDO for the Harweel – Thumrait interconnection project.
- Commissioned 10 MIGD of water capacity at Barka I Phase II expansion.
- Signed extension of PWPA with Al Ghubrah Power & Desalination Company, and extension of PPA with Wadi Al Jizzi Power Company to 2018 in both cases.
- Signed extension of PPA with Sohar Aluminium Company to 2018.
- OPWP and OETC achieved 8% reduction in the average amount of gas required for each unit of electricity generated compared to 2014.

### Financial Highlights

OPWP's earnings before tax as per the Regulatory framework stood at OMR 1.138 million. However, financial accounts continue to be 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. OPWP has booked a net loss before tax of OMR 1.628 million. Since the company continues to have a negative equity, a dividend is not proposed.

### Corporate Governance

It is very important to highlight the fact that the Board is committed to the highest standards of corporate governance. In order to facilitate efficient and effective management, the Audit Committee oversees the internal controls and risk management with the help of independent internal auditors.

I can confirm that there are adequate internal control systems in place within the company to protect the interest of the shareholders and other stakeholders.

### 2016 Key Priorities

OPWP looks forward to 2016 with a number of key priorities and projects which include the following:

- Ensure the successful implementation of new projects according to project timelines.
- Sign PPA with RAECO for the Dhofar Wind Power project (50MW) with a planned COD in 2017.
- Sign and award WPAs for Salalah and Sharqiyah IWPs (22 MIGD and 17.6 MIGD respectively).
- Continue improvement of gas utilization in electricity generation, in collaboration with OETC
- Develop demand management initiatives with large industrial customers.
- Finalize agreements for GCCIA power trading, and execute one trade in 2016.
- Work with OETC and PDO to evaluate costs and benefits of the proposed 400 kV interconnection from Nizwa to Duqm, PDO, and the Dhofar Power System.
- Initiate procurement of 800 MW new power capacity in MIS for COD in 2021.
- Tender for Duqm IWP (13 MIGD) with a planned COD in late 2019.
- Tender for Khasab IWP (3.5 MIGD) with a planned COD in late 2019.
- Complete development of detailed market rules for the Electricity Spot Market.
- Improve the Quality, Health & Safety and Environment function within the Company.





- Pro-active adoption of the group rebranding initiative (the NAMA initiative).
- Advance a procurement process for renewable energy projects in cooperation with AER.
- Build a sustainable Omani led organisation by implementing Succession Plans, Personal Development Plans and Graduate Development Program.

### General

During 2015, Standard and Poor's (S&P) revised their outlook on OPWP to 'BBB+' from 'A-'. This was due to the sharp drop in oil prices which has a negative impact on the assessment of Oman's fiscal and external positions. Such review followed in line with the review of the outlook for Oman nationally and does not represent any OPWP specific issue.

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 yet another successful year. I am confident that their relentless hard work will continue to drive success for the year 2016. I would also like to thank the Electricity Holding Company, Public Authority for Electricity and Water, Authority for Electricity Regulation and other affiliated Government agencies and sector companies for their on-going support. I would like to extend my appreciation to our generators and customers for their contribution to our accomplishments this year.

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.

**Hamdan Bin Ali Al Hinai**  
Chairman



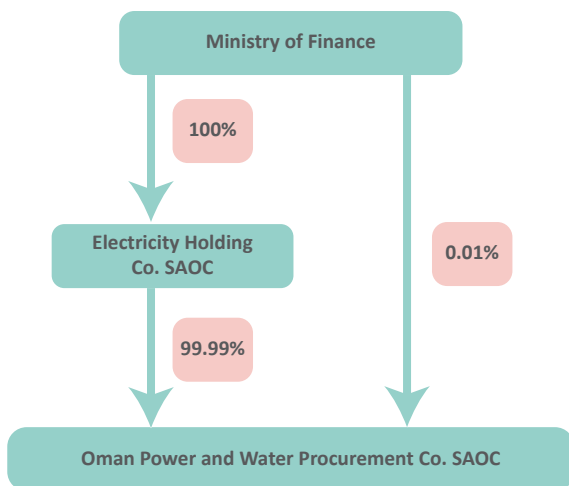
## 1.3 COMPANY PROFILE

### 1.3.1 Shareholders' Structure

Oman Power and Water Procurement Company SAOC (member of Nama Group) was established as a closed joint stock company (SAOC) in 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 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 OMR 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.

Figure 1: Shareholder's Structure



### 1.3.2 Licenced Activities

The Company is carrying out the following activities as stated in its licence and in accordance with the Sector Law promulgated by Royal Decree 78/2004 as amended by Royal Decree 59/2009 and Royal Decree 47/2013:

- to secure New Capacity and Output to enable it to comply with its duties under the Sector Law and its Licence;
- to contract for production Capacity and Output to enable it to comply with its obligations under the Sector Law and its Licence;
- to purchase and procure water Desalination Production Capacity and Output in accordance with Articles (74) to (81) of the Sector Law and its Licence;
- to forecast demand for electricity within the Sultanate of Oman in accordance with the Sector Law and its Licence;
- to the extent that it is permitted to do so by the Sector Law and its Licence, to Import electricity;
- to the extent that it is permitted to do so by the Sector Law and its Licence, to Export electricity;
- to Bulk Supply electricity to Licensed Suppliers and to charge a Bulk Supply Tariff for such Bulk Supply;
- to Bulk Supply Desalinated water from Production Facilities which are subject to a contract with it to Water Departments and to charge a Bulk Supply Tariff for such Bulk Supply;
- to sell demineralised water to Persons other than Water Departments;
- to procure Ancillary Services as required by the Sector Law and its Licence;
- to purchase and procure supplies of fuel for delivery to Licence Holders; and
- to carry out any other function assigned to it by the Sector Law.



## 1.4 COMPANY'S STRATEGY

### 1.4.1 Nama Group Business Strategy and Shared Values

The Company Business strategy is aligned with the Nama Group Business Strategy, which focuses on five key elements as illustrated below. Similarly, the Company embraces the shared values of Nama Group.

Figure 2: Nama Group Business Strategy

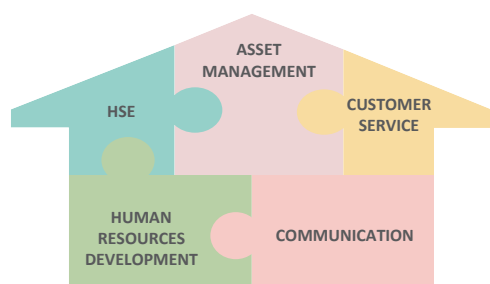
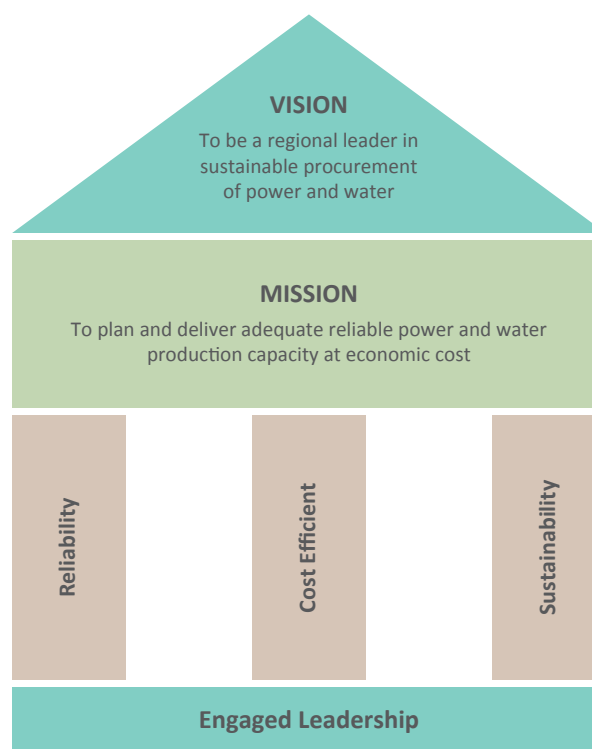


Figure 3: Nama Group Shared Values



### 1.4.2 Vision and Mission Statements

Figure 4: Vision & Mission Statements



### 1.4.3 Strategic Themes and Business Objectives

#### Reliability:

- Adequate and reliable Power Capacity
- Adequate and reliable Desalinated Water Capacity
- Diversity of Resources

#### Cost Efficiency:

- Reduce cost of Power
- Reduce cost of Water

#### Sustainability:

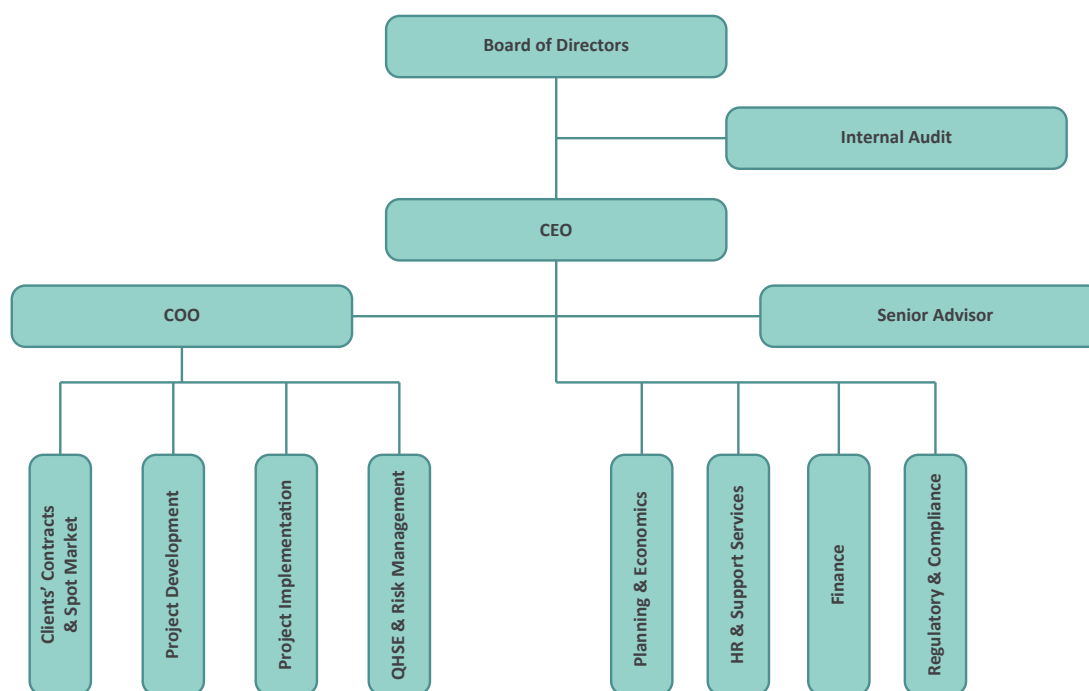
- Curtail growth in power demand
- Develop and maintain pool of competent Omanis
- Improve Quality, Health and Safety



## 1.5 ORGANIZATION STRUCTURE & FUNCTIONS

### 1.5.1 Organization Structure

Figure 5: OPWP's Organization Structure



### 1.5.2 Core Functions

- 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, forecasting gas requirements, as well as determining and publishing the Bulk Supply Tariffs for Electricity and Water. The department conducts strategic studies to provide guidance to PAEW and also provides support on National Energy Strategy and other policy matters.
- 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 COD. This involves managing the P(W)PAs during their initial phase of project build and ensuring that key milestones are achieved.
- Clients' Contracts & Spot Market:** The CCI department manages all P(W)PAs and serves as the main contact point for all existing generators. It is responsible for maintaining business relationships with all our key suppliers and clients. In addition, it has the responsibility for ensuring that monthly invoices submitted to the company are in accordance with the P(W)PAs and managing Oman-UAE 220 KV Interconnector commercial transactions in accordance with PSPA. The spot market section will ring-fenced until the market is operational. The spot market section will be responsible to implement an electricity spot market for MIS.



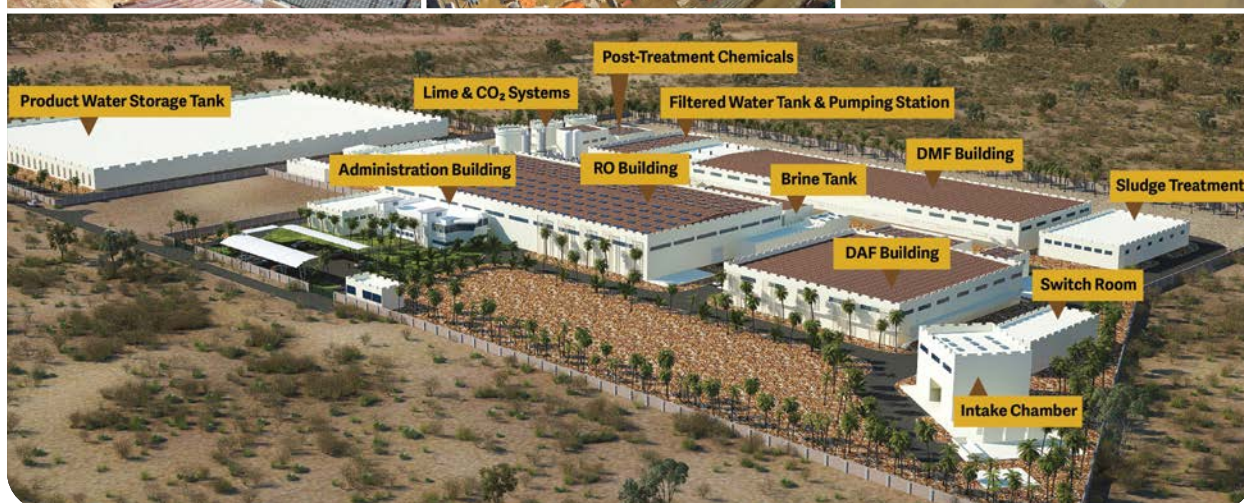


### 1.5.3 Support Functions

- **Finance & Accounting:** The Finance department oversees the accounting and finance functions of the company. It is responsible for ensuring that the company maintains adequate cash-flows to meet its obligations under the contracts. It is responsible for business planning, price control, budgeting and management reporting. It produces statutory accounts, regulatory accounts to meet its legal and licence requirements.
- **Regulatory and Compliance:** Regulatory and Compliance support ensures that the company is fully compliant with licensing conditions and all legal requirements of the business. In addition, the department also manages any legal matters related to P(W)PAs as well as resolving the pending disputes arising out of the P(W)PAs and/or NGSA with the counterparties, and other disputes.
- **Human Resources & Support Services:** The HR Department's key responsibility is to focus on HR

issues such as recruitment, training & development, Omanization policy and initiatives, payroll and employee performance. In addition, the department is also responsible for administration, document control and IT function.

- **QHSE & Risk Management:** The scope of QHSE function will extend to projects under construction and existing generators with respect to HSE. The department's role, in coordination with relevant entities, is to review and update HSE policies and procedures, develop HSE audit plan, arrange/conduct audits, identify improvement opportunities and report to the Management. With respect to quality, ensure that the Quality Management System is effectively implemented in the company complying with ISO 9001:2008. The department would also be responsible for managing the Enterprise Risk Management process by reviewing it on a periodic basis and reporting it to the Audit Committee.



## 2. BUSINESS REVIEW

### 2.1 Significant Achievements of the Year 2015

During 2015, the Company was engaged in a number of key projects and strategic initiatives, of which the significant achievements are summarized below.

- **Ibri IPP:** Awarded in December 2015 to Ad Dhahirah Generation Company, the plant is under construction and scheduled to deliver early power capacity of 977 MW from April to October 2018 and full power capacity of 1509 MW from 1st April 2019.
- **Sohar III IPP:** Awarded in December 2015 to Shinas Power Company, the plant is under construction and scheduled to deliver full power capacity of 1710 MW from 1st January 2019.
- **Salalah 2 IPP:** Awarded and signed the contract with Dhofar Generation Company (DGC). The plant will operate under a PPA with OPWP when it is completed in January 2018. It is located at Raysut, at a site adjacent to the Raysut NPS, and is contracted to provide capacity of 445 MW.
- **Qurayyat IWP:** Signed the contract for Qurayyat Desalination Plant, will be operated under a WPA with OPWP with contracted capacity of 200,000 m<sup>3</sup>/d (44 MIGD), using RO technology, with scheduled commercial operation to begin in May 2017.
- **Barka III IWP:** Awarded in November 2015 to Barka Desalination Company, will be operated under a WPA with OPWP with contracted capacity of 281,000 m<sup>3</sup>/d (62 MIGD), using RO technology, with scheduled commercial operation to begin in May 2018.
- **Sohar II IWP:** Awarded in November 2015 to Myah Gulf Desalination Company, will be operated under a WPA with OPWP with contracted capacity of 250,000 m<sup>3</sup>/d (55 MIGD), using RO technology, with scheduled commercial operation to begin in May 2018.
- **Temporary Water Projects in Qurayyat and Aseelah:** In response to a PAEW, OPWP contracted for temporary supply at Qurayyat and Aseelah to address the deficit beginning in 2016. The contract awarded in 2015 for temporary water projects in Qurayyat and Aseelah (1.8 and 2.2 MIGD respectively) with a planned COD in June 2016 and July 2016 respectively.
- **Barka I Expansion Project:** The commissioned 10 MIGD of water capacity at Barka I Phase II expansion.
- **Contract Extensions:** In 2015, OPWP extended contracts for the Ghubrah and Wadi Jizzi plants up to 2018.
- **Gas Utilization Improvement:** Considering national priorities to manage the use of natural gas resources and

the growing cost of energy subsidies, OPWP launched a joint initiative with OETC to make further improvements in gas utilization by the power and water plants. In 2015, OPWP and OETC achieved 8% reduction in the average amount of gas required for each unit of electricity generated.

### 2.2 2016 Key Priorities

#### 2.2.1 Strategic Initiatives

- **Contract Extensions:** OPWP expects to complete negotiations with owners of Barka I and Al Kamil plants in 2016, with respect to the proposed extension of power and water purchase contracts that would otherwise expire in the next few years.
- **Electricity Spot Market:** OPWP is currently developing the detailed market rules for a wholesale electricity spot market. The market is scheduled to begin operational trials in 2019 and commercial operation in 2020. The spot market for electricity will operate alongside the existing system of long-term PPAs and PWPAs. The market rules will be generally modelled on those that have been developed in other countries with certain modifications relevant to Oman.
- **Secure GCCIA Member Benefits:** OPWP plans to participate in pilot electricity trading activities with another GCCIA member state in order to test and establish the necessary arrangements for firm capacity transactions. This would create an alternative option for short-term contingent capacity, for which OPWP has previously procured rental diesel generators when required. OPWP also plans to establish the contribution of the GCCIA interconnection benefits to requirements for both operating reserves and generation adequacy, in cooperation with OETC and the AER.
- **PDO Interconnection:** OPWP has entered on MoU with OETC and PDO to evaluate costs and benefits of the proposed 400 kV interconnection from Nizwa to Duqm, PDO, and the Dhofar Power System.
- **Demand Response:** OPWP completed a preliminary assessment of Demand Response (DR) in 2015, focusing on large industrial customers. Proof-of-concept trials are planned for 2016, to evaluate potential contracting and scheduling mechanisms. This program aims to yield dispatch-able peak demand reduction on a contractual basis from 2017 onwards.
- **New Procurement Methodology:** OPWP plans to develop a new procurement methodology for long-term contracts for electricity supply. The new methodology will allow plants with expiring P(W)PA contracts to compete with bidders for new capacity for long-term supply agreements.



## 2.2.2 Projects under Implementation

- **Thumrait to Harweel PDO Interconnection:** In June 2015 OPWP signed a Power Sales and Purchase Agreement with PDO to facilitate the exchange of energy between the Dhofar Power System and PDO's network. This exchange is made possible via a 132kV connection that was constructed between the two systems.
- **Al Ghubrah IWP:** Al Ghubrah IWP is owned by Muscat City Desalination Company and is currently under construction. The plant has contracted desalination capacity of 42 MIGD using RO technology. Commercial Operation is expected to be achieved in early 2016. Under the changes to the Sector law (RD 47/2013) this project is the first to be classified as a project of "Special Nature" and will be fully regulated as a licensed entity by the Authority of Electricity Regulation (AER).
- **Barka I Phase II Expansion:** A second capacity expansion project is in progress by ACWA Power Barka, with a total capacity of 12.5 MIGD, at a site adjacent to the Barka I plant. The first phase of the project provided 7.5 MIGD in October 2015 with a second phase providing an additional 2.5 MIGD in November 2015. The project is expected to achieve full commercial operation of 12.5 MIGD during the first quarter of 2016.
- **Sur IWP Expansion:** The expansion project at the Sur Desalination plant by Sharqiyah Desalination Company is currently under construction. The project will add capacity of 12.5 MIGD to the existing capacity of 19 MIGD, for delivery in September 2016.
- **Qurayyat IWP:** Awarded in December 2014 to the Qurayyat Desalination Plant, will be operated under a WPA with OPWP with contracted capacity of 200,000 m<sup>3</sup>/d (44 MIGD), using RO technology, with scheduled commercial operation to begin in May 2017.
- **Musandam IPP:** This project, a 120 MW power plant, is being developed by Oman Oil Company and LG for commercial operation in December 2016. The PPA between OPWP and the developer has been signed in April 2015.
- **Salalah II IPP:** Owned by Dhofar Generation Company (DGC), and currently under construction. The plant will operate under a PPA with OPWP when it is completed in January 2018. It is located at Raysut, at a site adjacent to the Raysut NPS, and is contracted to provide capacity of 445 MW.

## 2.2.3 Projects under Development

- **Salalah IWP:** OPWP initiated procurement of the Salalah IWP in 2015 for capacity of 100,000 m<sup>3</sup>/d, and planned COD in January 2019. The Plant location will be adjacent to the existing Salalah IWPP near Mirbat.
- **Sharqiyah IWP:** With capacity of 80,000 m<sup>3</sup>/d (17.6 MIGD) at Ashkarah using RO technology, with COD planned for Q2 2020.
- **2021 IPP:** Site evaluation are in progress toward procurement of a new IPP for the MIS with COD in January 2021. The request of qualification is expected to be released in Q4 2016.
- **Duqm IWP:** With capacity of 60,000 m<sup>3</sup>/d (13.2 MIGD) using RO technology. The RFQ was released in December 2015, and the RFP is expected to be issued in 2016, pending final site approval by Special Economic Zone Authority of Duqm (SEZAD). The project is expected to reach COD in the fourth quarter of 2019.
- **Khasab IWP:** With capacity of 16,000 m<sup>3</sup>/d (3 MIGD) using RO technology, with anticipated COD in the fourth quarter of 2019. The procurement process is expected to begin in 2016, pending final site approvals.
- **Renewable Energy Projects:** OPWP expects solar energy projects, wind farms, and potentially other renewable energy (RE) projects to complement gas-fired generation in the Sultanate in the near future. Although OPWP has no current commitments to RE project development in the MIS, a methodology is under development with the AER that would allow RE projects to compete with conventional generation projects at economic prices.





### 3. FINANCIAL HIGHLIGHTS

#### Regulatory framework

Table 1: Where money comes from

OMR '000	2015	2014
Bulk Supply Revenue (Power)	581,738	377,354
Bulk Supply Revenue (Water)	131,117	94,919
Other Revenues*	1,891	1,193
<b>Total</b>	<b>714,746</b>	<b>473,466</b>

\*Other Revenues include ITF revenue, and recovery of Ghubrah IWP cost.

Table 2: Where money goes

OMR '000	2015	2014
Power Purchase cost	576,804	371,650
Water Purchase cost	128,281	93,779
Other cost	2,915	2,304
OPEX	5,608	4,615
<b>Total</b>	<b>713,608</b>	<b>472,348</b>
Profit/loss before Tax - Regulatory framework	1,138	1,127
Profit/loss before Tax - IFRS	(1,627)	(2,123)

OPWP is counterparty to various long-term take-or-pay power and water purchase agreements. Under the IFRS, these long term contracts are treated as leases and require recognising the cost based on the lease classification – finance or operating – as per IAS17. The regulatory framework recognises the contractual payment obligations under PPA/PWPA's as cost and allows for its recovery under the price control.

In the financial statements, OPWP recognises the revenue as per the price control which is based on the payment obligations

Figure 6: Source of Cash

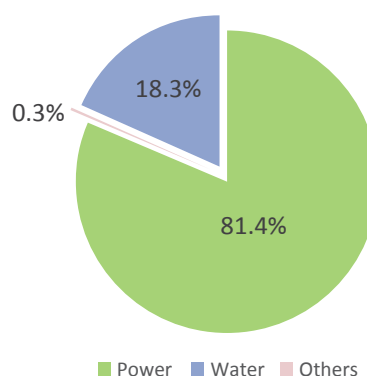
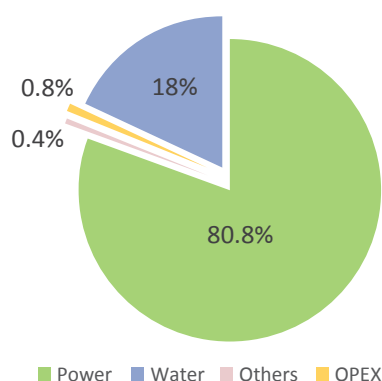


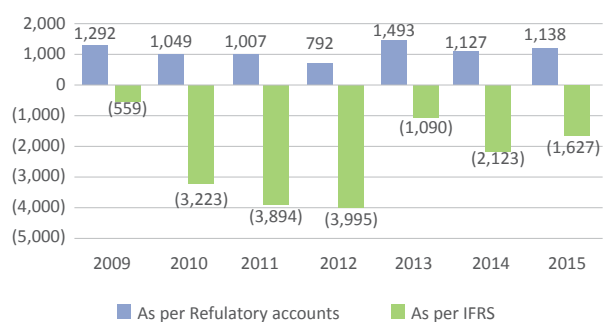
Figure 7: Application of Cash



approach and recognises the cost based on lease accounting. The loss in the income statement and accumulated losses in the balance sheet is purely due to the mismatch in the basis of accounting revenues and costs. The below chart reflects the profitability position measured on the basis of the two framework over last seven years. In 2015, the company made a net profit before tax of OMR 1.138 Million when accounted under the regulation accounting. However, under the IFRS framework, the statutory financial statements reflect a net loss before tax of RO 1.627 M.



Figure 8: Profit before Tax (OMR '000)



### Credit ratings

Due to the sharp drop in oil prices which has a negative impact on the assessment of Oman's fiscal and external positions, Standard and Poor's (S&P) revised their outlook on OPWP to 'BBB+' from 'A-'. Such review followed in line with the review of the outlook for Oman nationally and does not represent any OPWP specific issue.

The credit ratings of OPWP, as rated by the two leading rating agencies in 2015, are:

- Standard and Poor's Ratings Services 'BBB+'
- 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. The credit rating reports are available on OPWP's website.



## 4. OPERATIONAL HIGHLIGHTS (AS PER REGULATORY FRAMEWORK)

### 4.1 MIS – Electricity

Table 3: MIS- Electricity

Particular	Units	2015	2014	Variance
Units Purchased	GWh	28,354	24,981	14%
Total Cost	OMR' 000	492,889	306,659	61%
Average Cost per MWh	OMR	17.4	12.3	42%
Power Revenue (Net)	OMR' 000	498,374	339,688	47%
Power Revenue per MWh	OMR	17.6	13.6	29%

Higher consumer demand has led to 14% increase in the number of units purchased. This increase in demand was recorded across all the supply businesses Muscat (15%), Mazoon (13%) and Majan (13%). The revenue of OPWP is regulated and determined based on cost plus formula, the increase in the average cost per MWh resulted in increase in power revenue per MWh. The doubling of gas price (from US\$1.5 to US\$3) in 2015 has significantly increased the revenue and cost of sales.

### 4.2 Dhofar Power System - Electricity

Table 4: Dhofar Power System (DPS) - Electricity

Particular	Units	2015	2014	Variance
Units Purchased	GWh	2,941	2,651	11%
Total Cost	OMR' 000	83,062	64,055	30%
Average Cost per MWh	OMR	28.2	24.2	17%
Power Revenue (Net)	OMR' 000	52,942	37,665	41%
Power Revenue per MWh	OMR	18.0	14.2	27%

The consumer demand for Dhofar region was higher by 11% over 2014. Doubling gas prices in 2015 and increase in energy delivered have resulted in power purchase cost increase by 30%, increase in average cost per MWh by 17%, increase in annual power revenue by 41%, and increase in power revenue per MWh by 27%.

### 4.3 Water Purchase

Table 5: Water - MIS & DPS

Particular	Units	2015	2014	Variance
Water purchased	000 m <sup>3</sup>	243,830	207,399	18%
Total Cost	OMR' 000	128,281	93,779	37%
Average Cost per m <sup>3</sup>	OMR	0.526	0.452	16%
Water Revenue (Net)	OMR' 000	135,101	94,919	42%
Water Revenue per m <sup>3</sup>	OMR	0.554	0.457	26%

Higher consumer demand led to 18% increase in water purchased. The key drivers for the increase in water revenue and water cost are the increase in water delivered, and increase in cost at combined water and power plants due to the increase in gas price from US\$1.5 to US\$3.



## 5. OPERATIONAL PERFORMANCE

### 5.1 Procurement and Bulk Supply Arrangements

OPWP purchases electricity and desalinated water in accordance with the Power Purchase Agreements (PPAs), Power and Water Purchase Agreements (PWPAs) and Water Purchase Agreements (WPAs) with various generators and desalination companies. These agreements are generally for a period of 15 years (except for IWP which is for 20 years.)

Table 6: Long Term Power & Water Purchase Agreements

Plant	Type	Status	Contract Start	Contract Expiry	Power Capacity (net MW)	Water Capacity (MIGD)
Al Ghubrah Power and Desalination Co.	PWPA	Operational	2005	2018	253	31 to 36.8
Rusail Power Co.	PPA	Operational	2005	2022	665	
Wadi Al-Jizzi Power Co.	PPA	Operational	2005	2018	245	
United Power Co. (Manah)	PPA	Operational	1996	2020	273	
Al Kamil Power Co.	PPA	Operational	2002	2017	281	
ACWA Power Barka (Barka I)	PWPA	Operational	2003	2018	435	50
Sohar Power Co.	PWPA	Operational	2007	2022	585	33
SMN Barka Power Co. (Barka II)	PWPA	Operational	2009	2024	674	26.4
Al Batinah Power Co. (Sohar II)	PPA	Operational	2013	2028	744	
Al Suwadi Power Co. (Barka III)	PPA	Operational	2013	2028	741	
Phoenix Power Co. (Sur IPP)	PPA	Operational	2014	2029	2,000	
Muscat City Desalination Plant (Ghubrah IWP)	WPA	Under Construction	2014	2034		42
Al Sharqia Desalination (Sur IWP)		Operational				18.4
Sur IWP expansion	WPA	Under Construction	2014	2036		10.6
Sembcorp Salalah Power and Water Co.	PWPA	Operational	2012	2027	445	15
Dhofar Generation Company	PPA	Operational	2014	2034	273	
Salalah II IPP	PPA	Under Construction	2014	2034	445	
Qurayyat IWP	WPA	Under Construction	2015	2035		44
Musandam IPP	PPA	Under Construction	2015	2030	120	

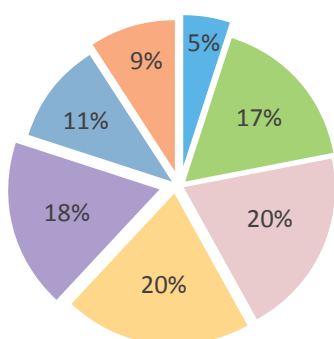


Table 7: Key Operational Parameters - 2015

Plant Owner	Power <sup>1</sup> (GWh)	Annual Utilisation Factor (Power) %	Water (MCM)	Annual Utilisation Factor (Water) %	Gas Qty (MSCM)
Al Ghubrah Power and Desalination Co. (Ghubrah IWPP)	1,791	93%	42.1	82%	769.2
Rusail Power Co.	3,654	64%			1,198.6
Wadi Al-Jizzi Power Co.	424	23%			143.6
United Power Co. (Manah Plant)	1,291	58%			429.2
Al Kamil Power Co.	578	24%			186.1
ACWA Power Barka (Barka I +Barka I ext. RO+ Barka I ext. II)	3,093	83%	48.3	94%	1,045.9
Sohar Power Co. (Sohar I)	3,346	65%	47.9	88%	892.0
SMN Barka Power Co. (Barka II)	1,151	20%	43.1	98%	411.9
Al Batinah Power Co. (Sohar II)	4,142	64%			695.3
Al Suwadi Power Co. (Barka III)	3,834	59%			685.4
Phoenix Power Co. (Sur IPP)	4,390	25%			884.6
Al Sharqia Desalination (Sur IWP)			27.5	90%	48.235
Sembcorp Salalah (Salalah I IWPP)	1,873	48%	21.8	88%	488.1
Dhofar Generating Company	1,066	44%			354.4
Muscat City Desalination Company (Ghubrah IWP)			11.6		
Others	660	25%			
<b>Total</b>	<b>31,293</b>		<b>242.3</b>		<b>8,232.4</b>

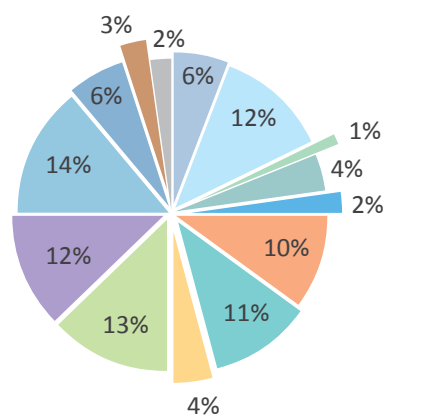
<sup>1</sup> The utilization of plant capacity is generally lower due seasonal demand pattern which results in idle capacity during winter months. The Dispatch is managed by OETC based on economic merit order / efficiency subject to technical constraints such as transmission constraints, and must run plants to meet water demand and security of the system.

Water Utilization



■ Ghubrah ■ Barka I ■ Sohar I ■ Barka II  
 ■ Sur IWP ■ Salalah I ■ Ghubrah IWP

Power Utilization



■ Ghubrah ■ Rusail Power ■ Wadi Al-Jizzi Power ■ Manah  
 ■ Al Kamil Power ■ Barka 1 ■ Sohar I ■ Barka II  
 ■ Sohar II ■ Barka III ■ Sur IPP ■ Salalah I  
 ■ DPC ■ Others



## 5.2 Purchase and Sale of Power and Water during 2015

Figure 9: MIS - Purchase and Sale of Electricity and water during 2015

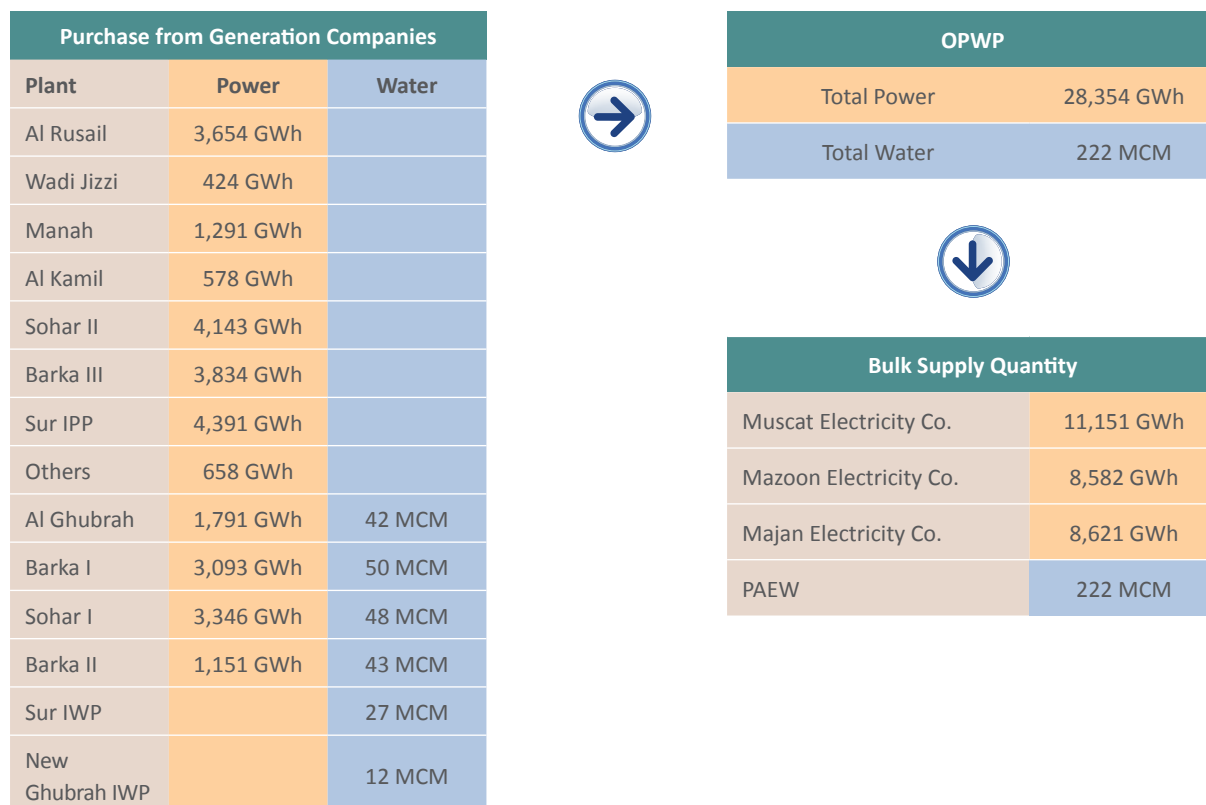
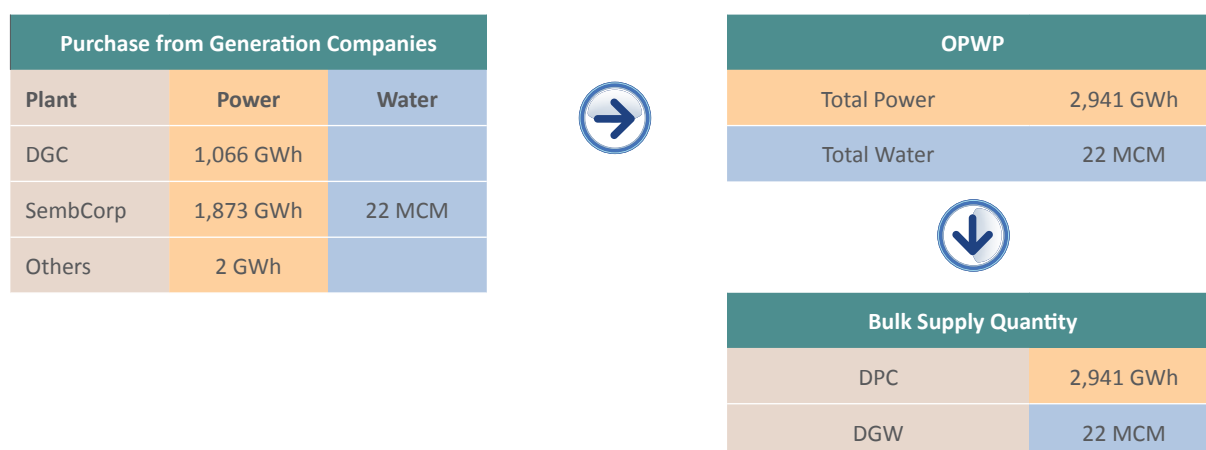
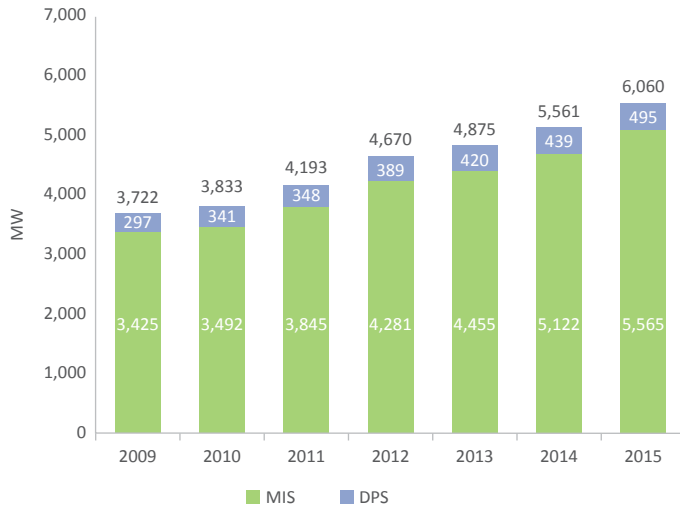


Figure 10: Dhofar Power System - Procurement and Sale of Electricity and Water during 2015



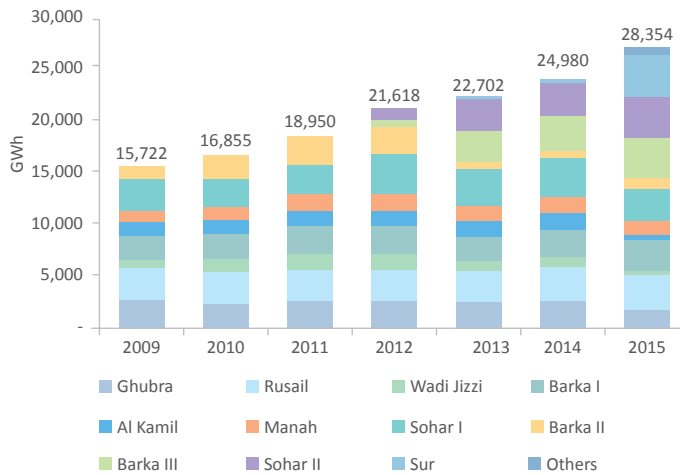
### 5.3 Electricity Demand and Generation Resources (2009-2015)

Figure 11: Power Peak Demand in MIS and DPS (2009-2015)



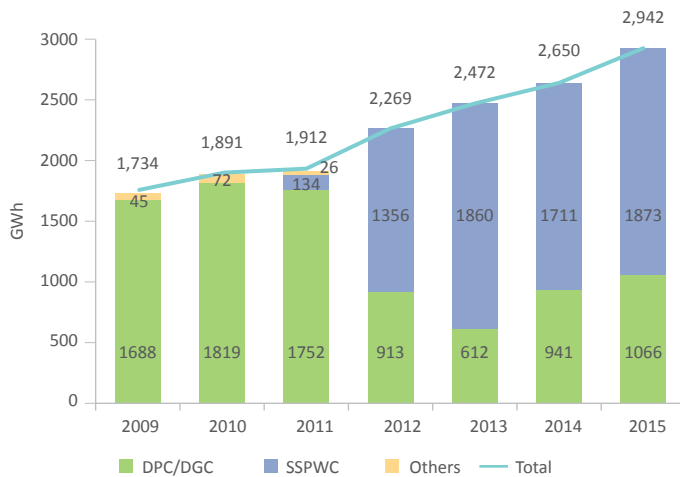
The Peak demand in the MIS has increased from 3,425 MW in 2009 to 5,565 MW in 2015 at an average annual growth rate of about 8.4%, for MIS (with an increase of 9% in 2015 compared to 2014). DPS also increased at an average annual growth rate of 8.9% (with an increase of 13% in 2015 compared to 2014).

Figure 12: Electrical Energy Delivered in MIS (2009-2015)



The figure shows an increase in electrical energy at an average annual growth rate of 10% during 2009-2015 (with an increase of 14% in 2015 compared to 2014). The key growth drivers include population growth, household formation, general economic development and infrastructure expansion.

Figure 13: Electrical Energy Delivered to Dhofar Power System (2009-2015)



The figure shows an increase in electrical energy at an average annual growth rate of 9% during 2009-2015 (with an increase of 11% in 2015 compared to 2014).





### 5.4 Fuel Efficiency

The primary fuel resource for power generation and associated water production in the MIS is natural gas, supplied by the Ministry of Oil & Gas. Through the introduction of new more efficient power plants, OPWP has steadily improved system efficiency and the utilization of gas.

Total gas consumption in the MIS in 2015 was about 7.4 billion Sm<sup>3</sup>, compared to 7.1 billion Sm<sup>3</sup> in 2014 with an increase of 4% compared to the 14% increase in energy delivered during this period. Over the past six years, while annual energy delivered has increased by 10% per year, fuel efficiency improvement has limited gas consumption increased to 6% per year.

Figure 14: Yearly Gas Consumption (MIS & DPS)

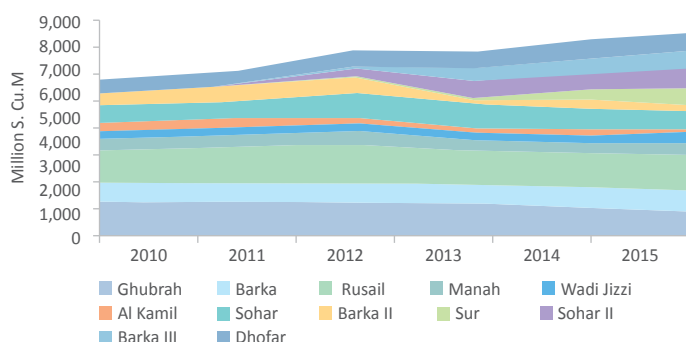
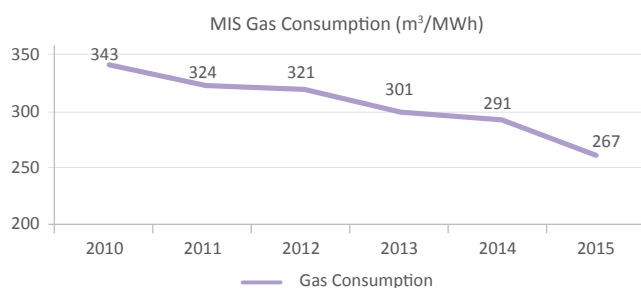


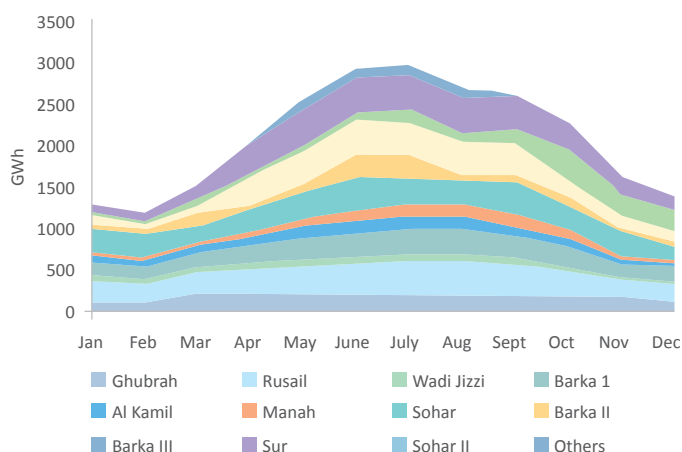
Figure 15: Gas Consumption from 2010-2015



The figure above shows that gas consumptions per unit of power generation has fallen by 29% since 2009, and by 8 % from 2014 to 2015.

### 5.5 Year over Year Performance of Power Generation Resources

Figure 16: Energy Demand Profile – 2015 (MIS)

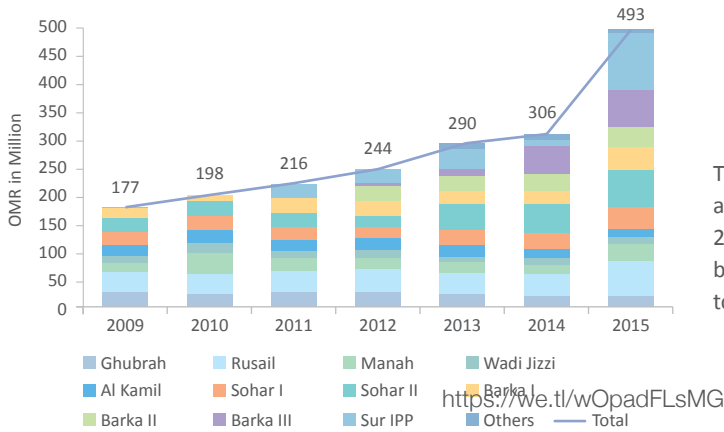


The electricity demand is seasonal in nature and peak requirement in July is more than twice the energy required in January.



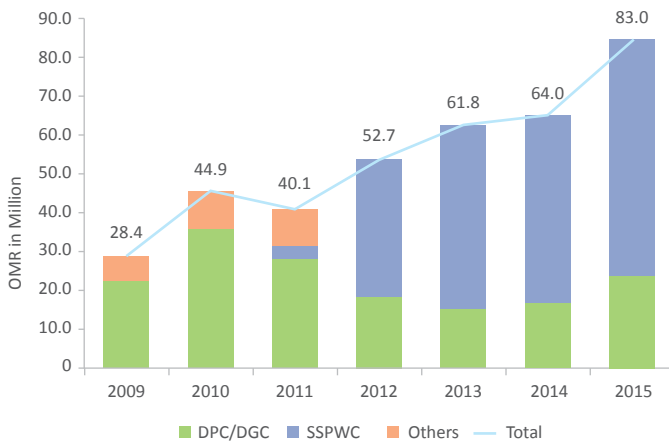
## 5.6 Power Purchase Cost

Figure 17: Power Purchase Cost-MIS



The cost of total energy purchased has increased at an average annual rate of about 12% from 2009 to 2014. In 2015, the cost of energy purchased increased by 61% due to the doubling of gas price (from US\$1.5 to US\$3).

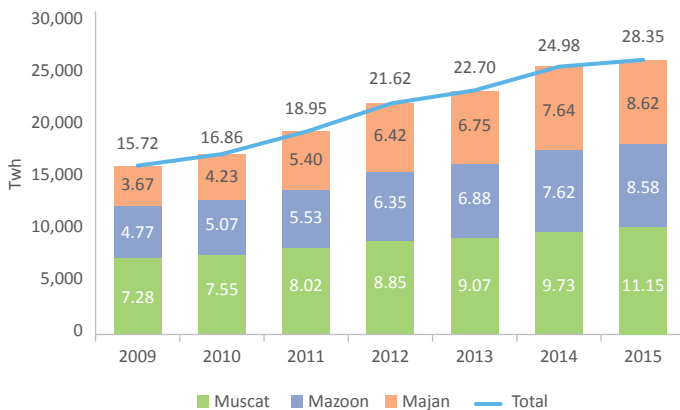
Figure 18: Power Purchase Cost - DPS



The cost of total energy purchased has increased at an average annual rate of 19% from 2009 to 2014. In 2015, the cost of energy purchased increased by 30% due to the doubling of gas price (from US\$1.5 to US\$3).

## 5.7 Electricity Bulk Supply Statistics

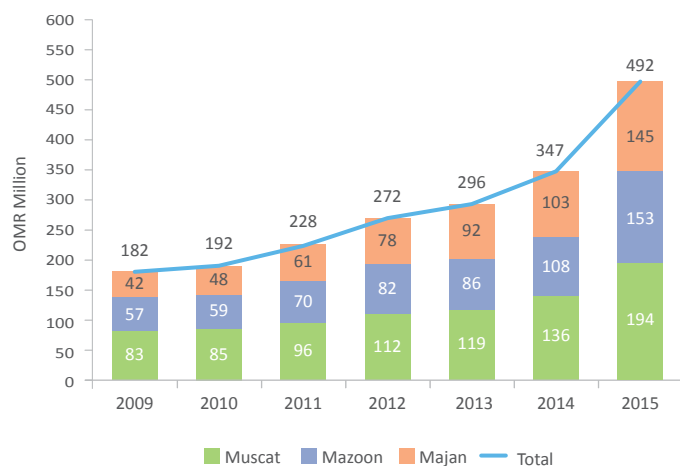
Figure 19: Yearly Electricity Bulk Supply Quantity-MIS



The Chart shows quantity increase in energy used by Majan, Mazoon and Muscat distribution companies over 7 years. The bulk supply quantity increased by 10% annually.

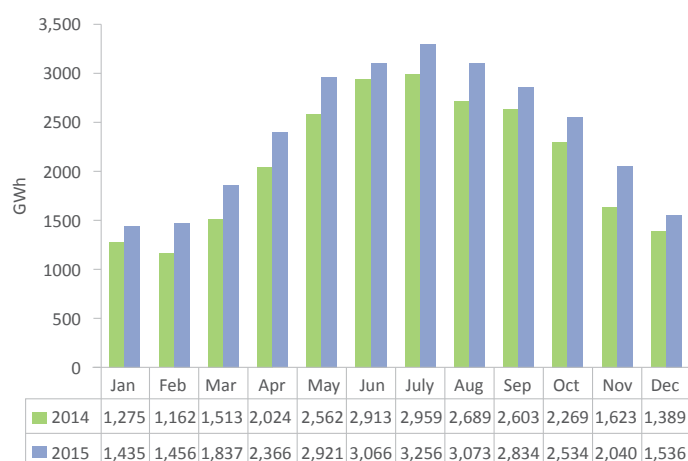


Figure 20: Yearly Electricity Bulk Supply Charges-MIS



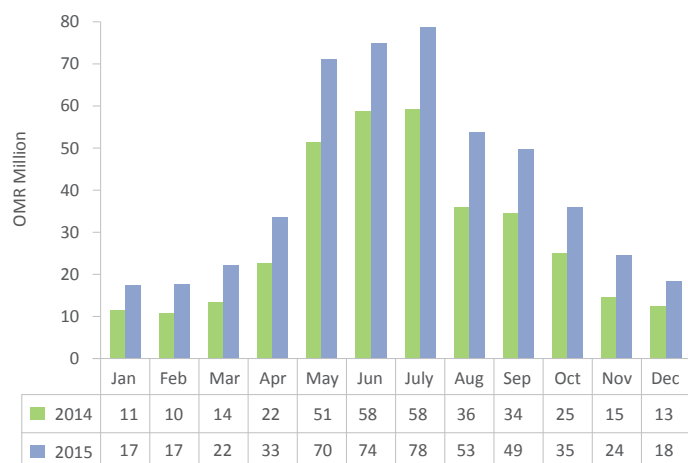
The average annual growth in bulk supply charge is 14% from 2009 - 2014 (With increase of 42% in 2015 compared to 2014 due to the doubling of gas price).

Figure 21: Monthly Electricity Bulk Supply Quantities-MIS



The chart reflects demand profile of the system with demand in winter significantly lower than summer.

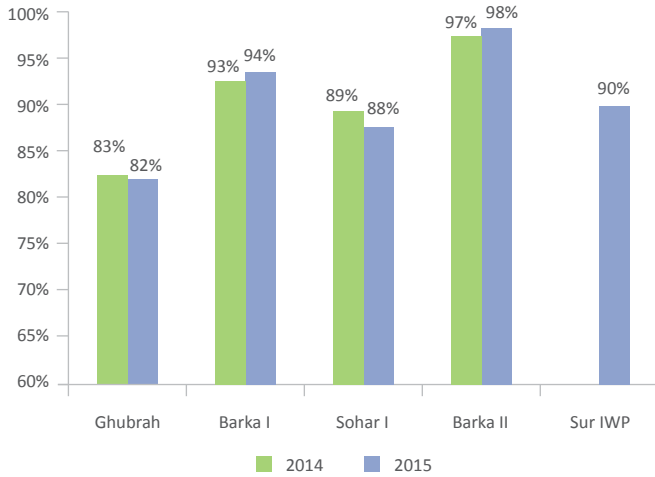
Figure 22: Monthly Electricity Bulk Supply Revenue-MIS



The maximum monthly charge of electricity supplied was in July this year. The bulk supply revenue profile follows demand pattern along with seasonal tariff which is higher in summer and lower in winter.

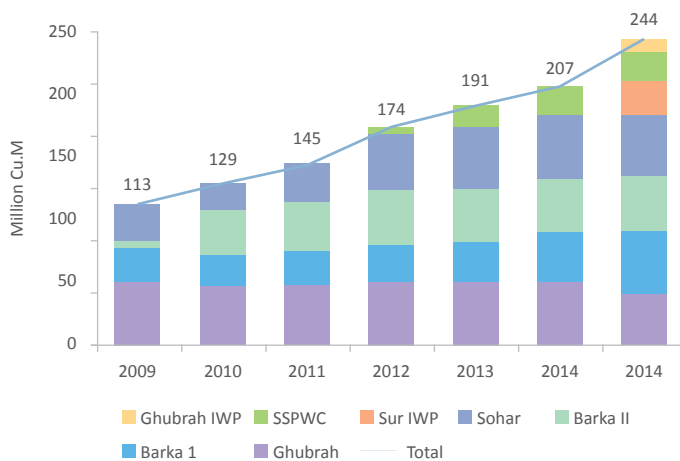


Figure 23: Plant Utilization-Water



The utilization of water capacity at Ghubrah IWPP and Sohar I are marginally lower in 2015 due to plant outages.

Figure 24: Potable Water Purchased (2009-2015)-MIS & DPS



The water delivered to the PAEW has increased on an average annual growth rate of 12% during 2009-2015 (with an increase of 21% in 2015 compared to 2014).



## 6. HUMAN RESOURCES

### 6.1 Key Human Resources Initiatives in 2015

OPWP has completed various HR initiatives such as implementing Group Integrated Competency Framework model for all jobs in senior Grades, and development of Succession plan by identifying a Talent Pool for critical roles.

OPWP invests significant resources on training and development of human resources. In 2015, the Company invested about 7% of staff cost on the training and development.

The company recruited 6 employees during 2015, and the total number of employees at the end of the year reached 63 employees. During the year, the company achieved 82% Omanization level .

#### Nama Group Celebrates 10th Anniversary

Nama Group marked its 10th Anniversary on 1 May 2015 with the start of a host of commemorative activities and events across its eleven subsidiaries in the electricity sector. The spirit of the celebrations linked to the success achieved in all areas of its operations; generation, transmission, distribution and supply of electricity in Oman.

## 7. QUALITY, HEALTH, SAFETY & ENVIRONMENT

During 2015 OPWP continued its sustained program to entrench the Quality and HSE culture across the organization and plant construction sites. This was rewarded by continuing a clean LTI free record for 2015.

To provide for continuous internal quality assurance OPWP obtained the necessary ISO re-certification for QMS 9001. Going forward OPWP will continue to focus its efforts upon enacting the necessary improvement initiatives to continuously enhance its HSE performance to meet and where possible exceed the level of the expectation of its different stakeholders.

OPWP will continue to pursue Goal Zero, which involves doing no harm to people; safeguarding the environment; assuring compliance with the laws and regulations; delivering a quality service; influencing internal culture through hearts and minds; and endorsing its role as a responsible partner in the sector through finding means of adopting, adapting and sharing good practices with others.

## 8. CORPORATE GOVERNANCE REPORT

### 8.1 Corporate Governance

Good governance is fundamental to OPWP being able to deliver water and electricity for Oman that serves the short

and long term interests of its shareholders, the nation and the ultimate consumers. OPWP strives to incorporate good governance in its decision making and business practices. It means OPWP is structured to make timely, evidence based, independent decisions under the auspices of its regulatory framework. It also serves to ensure that OPWP can manage risks appropriately, act with transparency and integrity and engage effectively with its stakeholders.

The role of the Board of OPWP is to approve the strategic direction of OPWP, to guide and monitor the management of OPWP and its businesses in achieving its strategic plans, and to oversee good governance practice. The Board aims to protect and enhance the interests of its shareholders, while taking into account the interests of other stakeholders, including employees, customers, counter-parties, suppliers, its regulator and the wider community. In performing its role, the Board is committed to a high standard of corporate governance practice and fostering a culture of compliance which values ethical behaviour, personal and corporate integrity, transparency, fairness, accountability and respect for others.

The OPWP Chief Executive Officer has responsibility for the day-to-day management of OPWP and its businesses, and is supported in this function by the OPWP senior management team. The Board maintains ultimate responsibility for strategy and control of OPWP and its businesses.

In pursuit of its aims in respect to good corporate governance, the Board has adopted manuals and policies approved by Nama Group, which are the Group Board Manual, the Group Operating Manual, the Group HR Manual, the Group Compliance Manual, the Group Treasury Policy, the CEO Remuneration and Benefits Policy, the Company Secretary Procedures Manual, the Sector's Policy Statement on Fraud Deterrence, the Sector's Policy Statement on Conflict of Interest, and the Code of Ethics and Business Conduct. The Board has also responded to the change in the jurisdiction of the Tender Board by commissioning, reviewing and adopting a Procurement Process Map which comprehensively establishes and governs, in conjunction with the applicable laws of Oman, the procurement process for the Company.

The Group Manuals and Policies govern the relation between EHC and the Subsidiaries, as well as setting forth the procedures of the Board clearly so as to avoid ambiguity in the governance of the Company.



The Code of Ethics and Business Conduct is a Nama Group initiative in the area of corporate governance which applies to all directors of EHC and its Subsidiaries and which serves to emphasise the Company's commitment to ethics and compliance with the law, set forth standards of ethical and legal behaviour, provide reporting mechanisms for known or suspected ethical or legal violations, and help prevent and detect wrongdoing.

The Sector's Policy Statement on Conflict of Interest serves to establish clear guidelines on the identification and management of conflicts of interest. At Board level a "conflict of interest" occurs when the private interests of a member of the Board of Directors interferes in any way with the interests of EHC or its Subsidiaries. In addition to avoiding conflicts of interest, member of the Board should also avoid the appearance of a conflict of interest.

The Sector's Policy Statement on Fraud Deterrence introduced across the Nama Group serves as the final component of the corporate governance framework to safeguard the financial viability of the Group and transactions within the Group.

In addition, the Company periodically reports its compliance with all statutory obligations to the Board and to its primary shareholder, EHC.

## 8.2 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. The function operates independently of management, under a mandate approved by, and kept under review by, the Audit Committee. A risk based approach is used to identify, prioritise 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. Mr Sean O'Hare, an independent Director with considerable experience in Board supervisory and enhancement roles, was the 2015 Chairman of the Board's Internal Audit Committee.

Table 8: Board and Board Committees

	Members - 2015	Number of Meetings in 2015
Board of Directors	Hamdan Al Hinai (Chairman) Saleh Al Rumhi (Deputy Chairman) Saleh Al Harthy (MOF representative) Sean O'Hare S. Vishwanath (EHC representative)	4 Meetings
Audit Committee	Sean O'Hare (Chairman) Saleh Al Rumhi S. Vishwanath	4 Meetings
Human Resource Committee	Saleh Al Rumhi (Chairman) Saleh Al Harthy Sean O'Hare	4 Meetings
Internal Tender Committee	Hamdan Al Hinai (Chairman) Saleh Al Rumhi (Deputy Chairman) S. Vishwanath Ahmed Al Jahdhami (CEO) Bob Whitelaw (Senior Advisor)	11 Meetings

## 8.3 Risk Management

To secure the Company's operations and achieve key objectives, OPWP has developed enterprise risk management framework to identify and manage the risks effectively. OPWP manages the risks associated with its operations by identifying; measuring and preventing key uncertainties. Risks are assessed in terms of likelihood as well as financial impact.



#### 8.4 Board Meetings and Sitting Fees

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:

Table 9: Board meeting and sitting fees

Board Members		Board Meeting	Internal Tender Committee	HR Committee	Audit Committee	Board sitting fees	Committee meeting fees
Mr. Hamdan Bin Ali Al Hinai	Chairman	4(4)	10(11)			2,600	3,400
Eng. Saleh Bin Nasser Al-Rumhi	Deputy Chairman	4(4)	9(11)	4(4)	3(4)	1,800	4,200
Mr. Saleh Bin Ali Al Harthy	Board Member	4(4)		4(4)		2,000	1,200
Mr. S. Vishwanath	Board Member	4(4)	8(11)		4(4)	2,000	3,600
Mr. Sean O'Hare	Board Member	4(4)		4(4)	4(4)	2,000	2,800
<b>Total</b>						<b>10,400</b>	<b>15,200</b>

( ) numbers in brackets represent meetings held during the year. The total sitting fees is OMR 25,600





# AUDIT REPORT & FINANCIAL STATEMENTS



# OMAN POWER AND WATER PROCUREMENT COMPANY SAOC

## Report and financial statements for the year ended 31 December 2015

	<b>Pages</b>
<b>Independent auditor's report</b>	<b>30 - 31</b>
<b>Statement of financial position</b>	<b>32</b>
<b>Statement of profit or loss and other comprehensive income</b>	<b>33</b>
<b>Statement of changes in equity</b>	<b>34</b>
<b>Statement of cash flows</b>	<b>35</b>
<b>Notes to the financial statements</b>	<b>36 - 64</b>



## **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** (the "Company") which comprise the statement of financial position as at 31 December 2015, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 36 to 64.

### **Board's responsibility for the financial statements**

The Board of Directors (the "Board") is 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 they determine necessary to enable the preparation of financial statements that are free from 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 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 Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company'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 the **Oman Power and Water Procurement Company SAOC** as of 31 December 2015 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

### Report on other legal and regulatory requirements

Also, in our opinion, the financial statements comply, in all material aspects, with the relevant disclosure requirements of the Commercial Companies Law of 1974, as amended.

### Other matters

Without modifying our opinion, we draw attention to note 3 which explains that as at 31 December 2015 the total liabilities of the Company exceeded the total assets by RO 6,205 million (2014: RO 4,776 million) and current liabilities of the Company exceeded its current assets by RO 16.810 million (2014: RO 16.162 million). Management believes that the negative net equity arises only from the accounting for leases and the company is solvent under the regulatory framework in which it operates.

Deloitte



Deloitte & Touche (M.E.) & Co. LLC  
Muscat, Sultanate of Oman  
1 March 2016

# OMAN POWER AND WATER PROCUREMENT COMPANY SAOC

## Statement of financial position at 31 December 2015

	Notes	2015 RO '000	2014 RO '000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6	155,470	179,801
Finance lease receivables	7	-	401
Deferred tax assets	17	1,936	1,601
Advance payments	8	12,289	14,099
<b>Total non-current assets</b>		<b>169,695</b>	<b>195,902</b>
<b>Current assets</b>			
Inventories		567	567
Trade and other receivables	9	154,729	66,983
Finance lease receivables	7	401	540
Cash and cash equivalents	10	11,838	6,009
<b>Total current assets</b>		<b>167,535</b>	<b>74,099</b>
<b>Total assets</b>		<b>337,230</b>	<b>270,001</b>
<b>EQUITY</b>			
<b>Capital and reserves</b>			
Share capital	11	500	500
Legal reserve	12	167	167
General reserve	13	250	250
Accumulated losses		(24,063)	(22,634)
Shareholder's funds	14	16,941	16,941
<b>Total equity</b>		<b>(6,205)</b>	<b>(4,776)</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Finance lease liabilities	15	158,572	183,947
Provisions	16	518	569
<b>Total non-current liabilities</b>		<b>159,090</b>	<b>184,516</b>
<b>Current liabilities</b>			
Trade and other payables	18	67,640	52,070
Finance lease liabilities	15	25,498	23,944
Provisions	16	73	117
Provision for current tax	25	134	130
Short term loan	19	91,000	14,000
<b>Total current liabilities</b>		<b>184,345</b>	<b>90,261</b>
<b>Total liabilities</b>		<b>343,435</b>	<b>274,777</b>
<b>Total equity and liabilities</b>		<b>337,230</b>	<b>270,001</b>



**Hamdan Bin Ali Al Hinai**  
Chairman



**Saleh Bin Nasser Al Rumhi**  
Member



**Ahmed Bin Saleh Al Jahadhami**  
Chief Executive Officer

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



## OMAN POWER AND WATER PROCUREMENT COMPANY SAOC

### Statement of profit or loss and other comprehensive income for the year ended 31 December 2015

	Notes	2015 RO'000	2014 RO'000
<b>Income</b>			
Revenue	20	713,555	472,691
Operating costs	21	(688,976)	(452,385)
		<hr/>	<hr/>
<b>Gross profit</b>		24,579	20,306
General and administrative expenses	22	(4,770)	(4,229)
Other income		13	-
		<hr/>	<hr/>
<b>Profit from operations</b>		19,822	16,077
Finance income	23	638	210
Finance costs	24	(22,087)	(18,410)
		<hr/>	<hr/>
<b>Loss before tax</b>		(1,627)	(2,123)
Taxation	25	198	258
		<hr/>	<hr/>
<b>Loss for the year and total comprehensive loss</b>		<u>(1,429)</u>	<u>(1,865)</u>

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



## OMAN POWER AND WATER PROCUREMENT COMPANY SAOC

### Statement of changes in equity for the year ended 31 December 2015

	Share capital RO'000	Legal reserve RO'000	General reserve RO'000	Accumulated losses RO'000	Share holder's funds RO'000	Total RO'000
At 1 January 2014	500	167	250	(20,769)	16,941	(2,911)
Loss for the year and total comprehensive loss	-	-	-	(1,865)	-	(1,865)
At 1 January 2015	500	167	250	(22,634)	16,941	(4,776)
Loss for the year and total comprehensive loss	-	-	-	(1,429)	-	(1,429)
At 31 December 2015	500	167	250	(24,063)	16,941	(6,205)

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





# OMAN POWER AND WATER PROCUREMENT COMPANY SAOC

## Statement of cash flows for the year ended 31 December 2015

	2015 RO'000	2014 RO'000
<b>Cash flows from operating activities</b>		
Loss before tax	(1,627)	(2,123)
<b>Adjustments for:</b>		
Depreciation on property, plant and equipment	24,369	20,715
Interest expense	838	382
Interest on finance leases	21,249	18,028
Advance payments amortised	1,810	1,569
Provision for employee benefits expense	102	120
<b>Operating cash flows before working capital changes</b>	<b>46,741</b>	<b>38,691</b>
<b>Working capital changes:</b>		
Trade and other receivables	(87,746)	(18,170)
Receipt of finance lease rental	541	565
Trade and other payables	15,570	5,097
<b>Cash (used in) / generated from operating activities</b>	<b>(24,894)</b>	<b>26,184</b>
Payment of employee benefits	(198)	(129)
Income tax paid	(132)	(174)
<b>Net cash (used in) / from operating activities</b>	<b>(25,224)</b>	<b>25,881</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(38)	(85)
<b>Net cash used in investing activities</b>	<b>(38)</b>	<b>(85)</b>
<b>Cash flows from financing activities</b>		
Interest paid	(22,087)	(18,410)
Repayment of lease liabilities	(23,822)	(19,475)
Short term loan	77,000	14,000
<b>Net cash from / (used in) financing activities</b>	<b>31,091</b>	<b>(23,885)</b>
<b>Net increase in cash and cash equivalents</b>	<b>5,829</b>	<b>1,911</b>
Cash and cash equivalents at the beginning of the year	6,009	4,098
<b>Cash and cash equivalents at the end of the year (Note 10)</b>	<b>11,838</b>	<b>6,009</b>

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



# OMAN POWER AND WATER PROCUREMENT COMPANY SAOC

## Notes to the financial statements for the year ended 31 December 2015

### 1. General

**Oman Power and Water Procurement Company SAOC** (the “Company”) is a closely held 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 and amended by Royal Decree 59/2009.

The Company is primarily undertaking procurement activities pertaining to electricity and desalinated water.

The Company commenced its operations 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. Adoption of new and revised International Financial Reporting Standards (IFRS)

#### **New and revised IFRSs applied with no material effect on the financial statements**

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2015, have been adopted in these financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- Annual Improvements to IFRSs 2010 - 2012 Cycle that includes amendments to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38.
- Annual Improvements to IFRSs 2011 - 2013 Cycle that includes amendments to IFRS 1, IFRS 3, IFRS 13 and IAS 40.
- Amendments to IAS 19 *Employee Benefits* to clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service.



# OMAN POWER AND WATER PROCUREMENT COMPANY SAOC

## Notes to the financial statements for the year ended 31 December 2015 (continued)

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

#### New and revised IFRSs in issue but not yet effective and not early adopted

The Company has not yet applied the following new and revised IFRSs that have been issued but are not yet effective:

New and revised IFRSs	Effective for annual periods beginning on or after
IFRS 14 Regulatory Deferral Accounts	1 January 2016
Amendments to IAS 1 <i>Presentation of Financial Statements</i> relating to Disclosure initiative	1 January 2016
Amendments to IFRS 11 <i>Joint arrangements</i> relating to accounting for acquisitions of interests in joint operations	1 January 2016
Amendments to IAS 16 <i>Property, Plant and Equipment</i> and IAS 38 <i>Intangible Assets</i> relating to clarification of acceptable methods of depreciation and amortisation	1 January 2016
Amendments to IAS 16 <i>Property, Plant and Equipment</i> and IAS 41 <i>Agriculture</i> relating to bearer plants	1 January 2016
Amendments to IAS 27 <i>Separate Financial Statements</i> relating to accounting investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements	1 January 2016
Amendments to IFRS 10 <i>Consolidated Financial Statements</i> , IFRS 12 <i>Disclosure of Interests in Other Entities</i> and IAS 28 <i>Investment in Associates and Joint Ventures</i> relating to applying the consolidation exception for investment entities	1 January 2016
Annual Improvements to IFRSs 2012 - 2014 Cycle covering amendments to IFRS 5, IFRS 7, IAS 19 and IAS 34	1 January 2016



# OMAN POWER AND WATER PROCUREMENT COMPANY SAOC

## Notes to the financial statements for the year ended 31 December 2015 (continued)

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

#### New and revised IFRSs in issue but not yet effective and not early adopted (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
IFRS 9 Financial Instruments (revised versions in 2009, 2010, 2011 and 2014)	1 January 2018
<p>IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include</p> <ul style="list-style-type: none"><li>a) impairment requirements for financial assets and</li><li>b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.</li></ul> <p>A finalised version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 Financial Instruments: Recognition and Measurement. The standard contains requirements in the following areas:</p> <ul style="list-style-type: none"><li>• <b>Classification and measurement:</b> Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.</li><li>• <b>Impairment:</b> The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised</li><li>• <b>Hedge accounting:</b> Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.</li><li>• <b>Derecognition:</b> The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.</li></ul>	

Amendments to IFRS 7 *Financial Instruments: Disclosures* relating to disclosures about the initial application of IFRS 9

When IFRS 9 is first applied



# OMAN POWER AND WATER PROCUREMENT COMPANY SAOC

## Notes to the financial statements for the year ended 31 December 2015 (continued)

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

#### New and revised IFRSs in issue but not yet effective and not early adopted (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
IFRS 7 <i>Financial Instruments: Disclosures</i> relating to the additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9	When IFRS 9 is first applied
IFRS 15 <i>Revenue from Contracts with Customers</i>	1 January 2018

In May 2014, IFRS 15 was issued which established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.



# OMAN POWER AND WATER PROCUREMENT COMPANY SAOC

## Notes to the financial statements for the year ended 31 December 2015 (continued)

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

#### New and revised IFRSs in issue but not yet effective and not early adopted (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
IFRS 16 <i>Leases</i>	1 January 2019
IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.	
Amendments to IFRS 10 <i>Consolidated Financial Statements</i> and IAS 28 <i>Investments in Associates and Joint Ventures</i> (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture	Effective date deferred indefinitely

The Board anticipates that these new and revised standards, interpretations and amendments will be adopted in the Company's financial statements for the year beginning 1 January 2016 or as and when they are applicable and adoption of these new standards, interpretations and amendments, except for IFRS 9, IFRS 15 and IFRS 16, may have no material impact on the financial statements of the Company in the period of initial application.

The Board anticipates that IFRS 15 and IFRS 9 will be adopted in the Company's financial statements for the annual year beginning 1 January 2018 and IFRS 16 will be adopted annual year beginning 1 January 2019. The application of IFRS 15, IFRS 9 and IFRS 16 may have significant impact on amounts reported and disclosures made in the Company's financial statements in respect of revenue from contracts with customers and the Company's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of effects of the application of these standards until the Company performs a detailed review.





# OMAN POWER AND WATER PROCUREMENT COMPANY SAOC

## Notes to the financial statements for the year ended 31 December 2015 (continued)

### 3. Summary of significant accounting policies

#### Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards, (IFRS) Oman and the requirements of the Commercial Companies Law of 1974 as amended.

#### Basis of preparation

The financial statements have been prepared on the historical cost basis except the finance lease payable and receivable which are valued at amortised cost and certain financial instruments initially measured at fair value.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for leasing transactions that are within the scope of IAS 17.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

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 areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.



# OMAN POWER AND WATER PROCUREMENT COMPANY SAOC

## Notes to the financial statements for the year ended 31 December 2015 (continued)

### 3. Summary of significant accounting policies (continued)

#### Basis of preparation (continued)

As at 31 December 2015 the total liabilities of the Company exceeded the total assets by RO 6.205 million (2014: RO 4.776 million) and current liabilities of the Company exceeded its current assets by RO 16.810 million (2014: RO 16.162 million). Management believes that the negative net equity arises only from the accounting for leases and the company is solvent under the regulatory framework in which it operates. The Parent company has confirmed that it 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.

The principal accounting policies are set out below.

#### Foreign currency translation

Items included in the Company's financial statements are measured and presented using Rials 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 Rials Omani, rounded to the nearest thousand.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the transaction date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss as they arise.

#### Property, plant and equipment

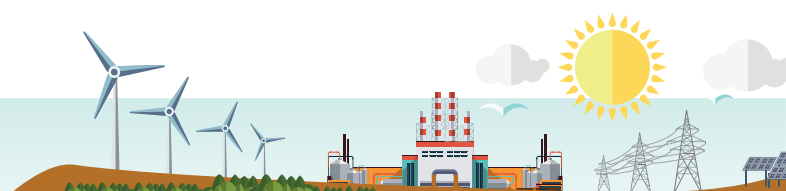
Property, plant and equipment are stated at cost less accumulated depreciation and any identified impairment loss. Borrowing costs which are directly attributable to the acquisition of items of property, plant and equipment, are capitalised.

#### *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 profit or loss as an expense as and when incurred.

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at the end of each reporting period. In accordance with its policy, the Company reviews the estimated useful lives of its property and equipment on an ongoing basis.

Gains and losses on disposals of property, plant and equipment are determined by reference to their carrying amounts and are taken into account in determining operating profit.



# OMAN POWER AND WATER PROCUREMENT COMPANY SAOC

## Notes to the financial statements for the year ended 31 December 2015 (continued)

### 3. Summary of significant accounting policies (continued)

#### Property, plant and equipment (continued)

##### *Depreciation*

Depreciation is recognised in the profit or loss 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:

<b>Assets</b>	<b>Years</b>
Finance lease assets	13 - 20
Furniture and equipment	2- 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 policy of the Company.

#### **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.

#### **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.



# OMAN POWER AND WATER PROCUREMENT COMPANY SAOC

## Notes to the financial statements for the year ended 31 December 2015 (continued)

### 3. Summary of significant accounting policies (continued)

#### Impairment (continued)

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 defaults 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 an allowance account.

When a trade receivable is considered uncollectible, it is directly written off after obtaining appropriate approvals. Subsequent recoveries of amounts previously written off are credited to the profit or loss.

#### *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 specific 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.

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.



# OMAN POWER AND WATER PROCUREMENT COMPANY SAOC

## Notes to the financial statements for the year ended 31 December 2015 (continued)

### 3. Summary of significant accounting policies (continued)

#### 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.

#### Trade and other receivables

Trade and other receivables are stated at their fair value. Trade receivables are initially recognised at fair value and subsequently are stated at amortised cost using the effective interest rate 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 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 profit or loss within 'general and administration expenses'.

#### 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 placement.

#### 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.

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





# OMAN POWER AND WATER PROCUREMENT COMPANY SAOC

## Notes to the financial statements for the year ended 31 December 2015 (continued)

### 3. Summary of significant accounting policies (continued)

#### Taxation (continued)

Deferred tax is provided using the 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 profit or loss and other comprehensive income except when they relate to items credited or debited directly to equity, in which case the tax is recognised directly in equity.

#### 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 reporting 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. Gratuity for Omani employees who transferred from the Ministry of Housing, Electricity and Water on 1 May 2005 is calculated based on the terms expected to be agreed between the Holding Company and the Government. An accrual has been made and is classified as a non-current liability in the statement of financial position.





# OMAN POWER AND WATER PROCUREMENT COMPANY SAOC

## Notes to the financial statements for the year ended 31 December 2015 (continued)

### 3. Summary of significant accounting policies (continued)

#### Leases

##### Company as a lessee

###### *Operating leases*

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 are charged to the profit or loss on a straight-line basis over the period of the lease.

###### *Finance leases*

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.

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

##### Company as a lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of the leases.

#### Revenue

Revenue is recognised to the extent of maximum allowed revenue (MAR) by the regulatory formula in accordance with the Company's 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. Conversely, any deficit is recognised in the year and is shown under trade and other receivables.

#### Finance costs

Finance costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective asset. All other finance costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that the Company incurs in connection with the borrowing of funds.



# OMAN POWER AND WATER PROCUREMENT COMPANY SAOC

## Notes to the financial statements for the year ended 31 December 2015 (continued)

### 4. Significant accounting estimates and judgment

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 judgments 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 judgment 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 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 due to timing difference between the cost as per regulatory framework based on which revenue is determined and the lease cost as per IAS 17.

#### *Lease classification*

The Company has entered into the agreements with the Power Generation and Water Desalination Companies. In accordance with the criteria provided in IFRIC 4, "Determining Whether an Arrangement Contains a Lease" ("IFRIC 4"), the Company assesses whether an agreement conveys a right to use an asset meets the definition of a lease. The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception date or when there is a change in the arrangement. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement. Based on the assessment the agreement is classified either as finance leases or operating leases. Leases are classified according to the arrangement and to the underlying risks and rewards specified therein in line with IAS 17.

### 5 Financial risk management

The Company's activities expose it to a variety of financial risks: market risk (including price risk, foreign currency risk and interest rate risk), liquidity risk 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, liquidity risk and market risk management is carried out by the Company under policies approved by the Board of Directors. The Board provides principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.



# OMAN POWER AND WATER PROCUREMENT COMPANY SAOC

## Notes to the financial statements for the year ended 31 December 2015 (continued)

### 5 Financial risk management (continued)

#### Financial risk factors

##### 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 Company'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 due for renewal in September 2016.

##### 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.

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 reporting 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.



# OMAN POWER AND WATER PROCUREMENT COMPANY SAOC

## Notes to the financial statements for the year ended 31 December 2015 (continued)

### 5 Financial risk management (continued)

#### Financial risk factors (continued)

#### Liquidity risk (continued)

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

31 December 2015	Total RO'000	Less than 1 month RO'000	1 - 3 months RO'000	3 months to 1 year RO'000	1 - 5 years RO'000	More than 5 years RO'000
<b>Interest bearing</b>						
Finance lease liabilities	305,314	3,732	7,463	33,585	139,144	121,390
Short term loan	91,000	-	91,000	-	-	-
<b>Non-interest bearing</b>						
Trade and other payables	63,404	63,090	-	314	-	-
Suppliers and contractors payables	1,323	-	1,321	2	-	-
	<b>461,041</b>	<b>66,822</b>	<b>99,784</b>	<b>33,901</b>	<b>139,144</b>	<b>121,390</b>
31 December 2014						
<b>Interest bearing</b>						
Finance lease liabilities	322,359	3,685	7,371	33,168	158,915	119,220
Short term loan	14,000	-	14,000	-	-	-
<b>Non-interest bearing</b>						
Trade and other payables	36,529	36,044	-	485	-	-
Suppliers and contractors payables	87	55	32	-	-	-
	<b>372,975</b>	<b>39,784</b>	<b>21,403</b>	<b>33,653</b>	<b>158,915</b>	<b>119,220</b>

#### 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, finance lease receivable, 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 amount due from licensed suppliers and Public Authority for Electricity and Water (PAEW) which are related parties and other water departments. The Company does not consider this as an undue exposure since obligation of licensed suppliers, Public Authority for Electricity and Water (PAEW) and distribution companies water department is considered fully recoverable.



# OMAN POWER AND WATER PROCUREMENT COMPANY SAOC

## Notes to the financial statements for the year ended 31 December 2015 (continued)

### 5 Financial risk management (continued)

#### Financial risk factors (continued)

#### Credit risk (continued)

#### Trade and other receivables (continued)

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

	2015 RO'000	2014 RO'000
Trade receivables from related parties	105,349	37,170
Trade receivables – water sales	11,102	25,603
Finance lease receivables from a related party	401	941
	<u>116,852</u>	<u>63,714</u>

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

	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	92,074	-	-	39,755	-	-
1 - 3 months	16,625	-	16,625	3,387	-	3,387
3 months to 1 year	450	-	450	4,241	-	4,241
More than a year	7,302	-	7,302	15,388	-	15,388
	<u>116,451</u>	<u>-</u>	<u>24,377</u>	<u>62,773</u>	<u>-</u>	<u>23,016</u>

Trade receivables are due within one month from the date of invoicing.



# OMAN POWER AND WATER PROCUREMENT COMPANY SAOC

## Notes to the financial statements for the year ended 31 December 2015 (continued)

### 5 Financial risk management (continued)

#### Financial risk factors (continued)

#### Credit risk (continued)

##### *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 Service).

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

	2015 RO'000	2014 RO'000
<b>Loans and receivable</b>		
Assets as per statement of financial position		
Finance lease receivables	401	941
Trade receivables	116,451	62,773
Other receivables	204	54
Cash at bank	11,836	6,009
	<u>128,892</u>	<u>69,777</u>

#### Categories of financial instruments

##### Financial assets

##### Loans and receivable

Trade receivables	116,451	62,773
Cash at bank and in hand	11,836	6,009
Finance lease receivables from a related party	401	941
Other receivables	204	54
	<u>128,892</u>	<u>69,777</u>

##### Financial Liabilities

##### Financial liabilities held at amortised cost

Finance lease payable	184,070	207,891
Short term loan	91,000	14,000
Trade and other payables	63,404	36,529
	<u>338,474</u>	<u>258,420</u>

#### Fair value estimation

The fair values of the financial assets and liabilities are not materially different from their carrying values.





# OMAN POWER AND WATER PROCUREMENT COMPANY SAOC

## Notes to the financial statements for the year ended 31 December 2015 (continued)

### 5 Financial risk management (continued)

#### 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, accumulated losses and shareholders' funds. The Company is not subject to external imposed capital requirements other than the requirements of the Commercial Companies Law of 1974, as amended.

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. There were no changes in the Company's approach to capital management during the year.

### 6 Property, plant and equipment

	Finance lease assets RO '000	Furniture and equipment RO '000	Motor vehicles RO '000	Total RO '000
<b>Cost</b>				
1 January 2014	240,804	626	99	241,529
Additions	110,147	85	-	110,232
1 January 2015	<b>350,951</b>	<b>711</b>	<b>99</b>	<b>351,761</b>
Additions	51,285	38	-	51,323
Disposals	(55,947)	(10)	-	(55,957)
<b>31 December 2015</b>	<b>346,289</b>	<b>739</b>	<b>99</b>	<b>347,127</b>
<b>Depreciation</b>				
1 January 2015	150,962	224	59	151,245
Charge for the year	20,587	116	12	20,715
1 January 2015	<b>171,549</b>	<b>340</b>	<b>71</b>	<b>171,960</b>
Charge for the year	24,238	120	11	24,369
Disposals	(4,662)	(10)	-	(4,672)
<b>31 December 2015</b>	<b>191,125</b>	<b>450</b>	<b>82</b>	<b>191,657</b>
<b>Net book value</b>				
<b>31 December 2015</b>	<b>155,164</b>	<b>289</b>	<b>17</b>	<b>155,470</b>
31 December 2014	179,402	371	28	179,801



# OMAN POWER AND WATER PROCUREMENT COMPANY SAOC

## Notes to the financial statements for the year ended 31 December 2015 (continued)

### 7 Finance lease receivable

The finance lease receivable represents lease receivable from Oman Electricity Transmission Company SAOC (OETC) in respect of transmission assets relating to Manah Interconnection Transmission Facilities (ITF) assets. The power purchase agreement is a part of a BOOT arrangement with United Power Company scheduled to expire in 2016. As per the agreement the ownership of transmission assets will be transferred to OETC at the end of the term. Accordingly the lease has been classified as finance lease. The effect of this arrangement has the following effect on the financial statements:

#### Finance lease receivable as at 31 December 2015

	2015 RO	2014 RO
Current finance lease receivables	401	540
Non-current finance lease receivables	-	401
	<u>401</u>	<u>941</u>
<b>Represented by:</b>		
Gross finance lease receivables	420	1040
Less: unearned finance lease interest	(19)	(99)
	<u>401</u>	<u>941</u>
Net investment in finance lease	<u>401</u>	<u>941</u>

The following table shows the maturity analysis of finance lease receivables:

	Less than 1 year RO'000	Between 1 and 2 years RO'000	Total RO'000
<b>At 31 December 2015</b>			
Gross finance lease receivables	420	-	420
Less: unearned finance income	(19)	-	(19)
	<u>401</u>	<u>-</u>	<u>401</u>
<b>At 31 December 2014</b>			
Gross finance lease receivables	620	420	1040
Less: unearned finance income	(79)	(20)	(99)
	<u>541</u>	<u>400</u>	<u>941</u>

The finance lease receivables at the end of the year are neither past due nor impaired.



# OMAN POWER AND WATER PROCUREMENT COMPANY SAOC

## Notes to the financial statements for the year ended 31 December 2015 (continued)

### 8 Advance payments

Advance payments pertain to fixed capacity payments made in respect of power and water purchases under operating lease arrangement and represent total cumulative payments made to date reduced by the total cumulative charges to date recognised in the profit or loss.

### 9 Trade and other receivables

	2015 RO'000	2014 RO'000
Trade receivable from related parties (Note 26)	105,349	37,170
Trade receivables - water sales	11,102	25,603
Prepayments	121	130
Other receivables	204	54
Revenue recovered less than the maximum allowed as per price control formula (Power)	24,569	-
Interest on the revenue recovered less than the maximum allowed as per price control formula (Power)	224	-
Revenue recovered less than the maximum allowed as per price control formula (Water)	13,041	3,984
Interest on the revenue recovered less than the maximum allowed as per price control formula (water)	119	42
	<u>154,729</u>	<u>66,983</u>

As at 31 December 2015 no amounts are impaired (2014 - no amounts were impaired).

### 10 Cash and cash equivalents

	2015 RO '000	2014 RO '000
Cash at bank	11,836	6,009
Cash on hand	2	-
	<u>11,838</u>	<u>6,009</u>



# OMAN POWER AND WATER PROCUREMENT COMPANY SAOC

## Notes to the financial statements for the year ended 31 December 2015 (continued)

### 11 Share capital

The Company's authorised, issued and paid-up share 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	2015 RO	2014 RO
Electricity Holding Company SAOC	99.99%	499,950	499,950	499,950
Ministry of Finance	0.01%	50	50	50
	<b>100%</b>	<b>500,000</b>	<b>500,000</b>	<b>500,000</b>

### 12 Legal reserve

The legal reserve, which is not available for distribution is accumulated in accordance with Article 154 of the Commercial Companies Law 1974, as amended. The annual appropriation must be 10% of the net profit for each year after taxes, until such time as the reserve amounts to at least one third of the share capital. No portion from the profit has been made during the year as the Company has already achieved this minimum amount required in the legal reserve. This reserve is not available for distribution.

### 13 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.

### 14 Shareholder's funds

Following the implementation of a decision of the Sector Law and in accordance with the transfer scheme, the Electricity Holding Company SAOC (holding company) 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.



# OMAN POWER AND WATER PROCUREMENT COMPANY SAOC

## Notes to the financial statements for the year ended 31 December 2015 (continued)

### 15 Finance lease liabilities

Amounts payable under finance leases are as follows:

	2015 RO '000	2014 RO '000
Gross finance lease liabilities - minimum lease payments		
Not later than 1 year	44,780	44,224
Later than 1 year and not later than 5 years	139,144	158,915
Later than 5 years	121,390	119,220
	<u>305,314</u>	<u>322,359</u>
Less: future finance charges on lease liabilities	(121,244)	(114,468)
	<u>184,070</u>	<u>207,891</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 assets. The finance expense on the lease liability is determined based on the effective interest method.

The present value of finance lease liabilities is as follows:

	2015 RO '000	2014 RO '000
Not later than 1 year	25,498	23,944
Later than 1 year and not later than 5 years	80,622	99,402
Later than 5 years	77,950	84,545
	<u>184,070</u>	<u>207,891</u>

### 16 Provisions

Non-current	518	569
Current	73	117
	<u>591</u>	<u>686</u>

*Movement in provision for employee benefits*

At 1 January	686	695
Charge for the year	102	120
Payments made during the year	(197)	(129)
	<u>591</u>	<u>686</u>
At 31 December	<u>591</u>	<u>686</u>



# OMAN POWER AND WATER PROCUREMENT COMPANY SAOC

## Notes to the financial statements for the year ended 31 December 2015 (continued)

### 17 Deferred tax asset / (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 asset in the statement of financial position and the net deferred tax charge in the statement of profit or loss and other comprehensive income are attributable to the following items:

	At 1 January RO '000	Charge / (credit) for the year RO '000	At 31 December RO '000
<b>2015</b>			
<b>Assets</b>			
Accelerated tax depreciation	(12)	2	(10)
Finance lease	3,305	115	3,421
Advance payment	(1,692)	217	(1,475)
Tax losses	-	-	-
	<u>1,601</u>	<u>334</u>	<u>1,936</u>
<b>2014</b>			
<b>Assets</b>			
Accelerated tax depreciation	(10)	(2)	(12)
Finance lease	3,104	201	3,305
Advance payment	(1,880)	188	(1,692)
Tax losses	-	-	-
	<u>1,214</u>	<u>387</u>	<u>1,601</u>

### 18 Trade and other payables

	2015 RO '000	2014 RO '000
Revenue in excess of maximum allowed as per price control formula, deferred to next year (electricity)	-	12,105
Accruals and other expenses	55,950	32,127
Trade payables to related parties (note 26)	5,784	4,402
Due to Ministry of Finance for excess funding received	2,913	3,219
Interest on revenue in excess of maximum allowed as per price control formula (electricity)	-	129
Suppliers and contractors payables	2,993	88
	<u>67,640</u>	<u>52,070</u>



# OMAN POWER AND WATER PROCUREMENT COMPANY SAOC

## Notes to the financial statements for the year ended 31 December 2015 (continued)

### 19 Short-term borrowings

	2015 RO '000	2014 RO '000
Borrowings	<u>91,000</u>	<u>14,000</u>

The Company has a short term bridge loan facility of RO 150 million. The loan carries a rate of interest in the range of 1.75% to 2.6% (2014: 1.75% to 2.6%) per annum on commercial terms and is repayable in ninety days. The Company is not required to pay any arrangement or commitment fees. Borrowings are secured by letter of comfort given by the holding company.

### 20 Revenue

	2015 RO'000	2014 RO'000
Bulk supply revenue for electricity (note 26)	544,977	384,370
Bulk supply revenue for water	122,059	90,935
Recharge of interconnection and transmission facilities (note 26)	232	229
Other revenue	468	189
	<u>667,736</u>	<u>475,723</u>
Add: previous year revenue in excess of maximum allowed as per price control formula, reversed (electricity)	12,105	5,026
Less: previous year revenue less than maximum allowed as per price control formula, reversed (Water)	(3,984)	-
Add : previous year interest on revenue in excess of maximum allowed as per price control formula, reversed (electricity)	87	63
Add: revenue in excess of the maximum allowed as per price control formula deferred to next year (electricity)	24,569	(12,105)
Add: revenue less than the maximum allowed as per price control formula added (water)	<u>13,042</u>	<u>3,984</u>
	<u>713,555</u>	<u>472,691</u>

### 21 Operating costs

Electricity capacity and output purchase costs	533,543	335,716
Desalinated water capacity and output purchase costs	128,281	93,779
Depreciation on finance lease assets	24,237	20,587
Other direct costs	2,915	2,304
	<u>688,976</u>	<u>452,385</u>





# OMAN POWER AND WATER PROCUREMENT COMPANY SAOC

## Notes to the financial statements for the year ended 31 December 2015 (continued)

### 22 General and administrative expenses

	2015 RO'000	2014 RO'000
Employee benefit expenses	2,976	2,685
License fee to the Authority for Electricity Regulation	357	284
Service expenses	755	570
Directors' sitting fees	26	26
Depreciation	131	128
Other expenses	525	536
	<u>4,770</u>	<u>4,229</u>

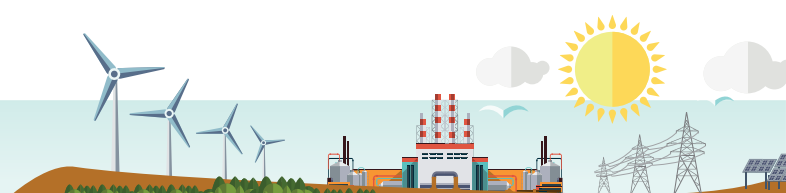
Included within employee benefit expenses is an amount of RO 205,000 (2014 - RO 171,000) relating to post employment benefit expenses.

### 23 Finance income

	2015 RO'000	2014 RO'000
Interest on finance lease (note 26)	79	143
Interest on bank account	74	25
Interest on the revenue recovered less than the maximum allowed as per price control formula (power and water)	344	42
Other interest	141	-
	<u>638</u>	<u>210</u>

### 24 Finance costs

Interest on obligations under finance leases	21,249	18,028
Interest on excess revenue billed over maximum allowed revenue under the price control formula (electricity)	-	129
Interest on bank overdrafts	838	253
	<u>22,087</u>	<u>18,410</u>



# OMAN POWER AND WATER PROCUREMENT COMPANY SAOC

## Notes to the financial statements for the year ended 31 December 2015 (continued)

### 25 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 % (2014- 12%). The deferred tax on all temporary differences have been calculated and dealt with in the statement of profit or loss and other comprehensive income.

	2015 RO'000	2014 RO'000
Current tax	(136)	(129)
Deferred tax (Note 17)	334	387
	<u>198</u>	<u>258</u>

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 % (2014 - 12%) on taxable income in excess of RO 30,000. The following is a reconciliation of income taxes calculated on accounting profits at the applicable tax rate with the income tax expense for the year:

	2015 RO'000	2014 RO'000
Accounting loss before tax	(1,627)	(2,123)
Tax credit on accounting loss	(198)	(258)
Short provision of prior year tax	-	-
Adjustment on deferred tax liability for prior years	-	-
Other items	-	-
<b>Tax expense for the year</b>	<u>(198)</u>	<u>(258)</u>

Taxation has been agreed with the Oman taxation authorities for all year up to 31 December 2008. The Company’s income tax assessment for year 2009 to 2014 has not yet been finalised. The management considers that the amount of additional taxes, if any, that may become payable on finalisation of the open tax years would not be material to the Company’s financial position as at 31 December 2015.

Movement in current tax provision is as under:

	2015 RO'000	2014 RO'000
Tax payable at beginning of the year	130	174
Current tax charge for the year	136	130
Tax paid during the year	(132)	(174)
<b>Tax payable at end of the year</b>	<u>134</u>	<u>130</u>



# OMAN POWER AND WATER PROCUREMENT COMPANY SAOC

## Notes to the financial statements for the year ended 31 December 2015 (continued)

### 26 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.

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 are approved by the management.

No expenses have been recognised in the year (2014 - 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:

Revenue	2015 RO '000	2014 RO '000
Bulk supply revenue for electricity to Muscat Electricity Distribution Company SAOC	194,030	135,529
Bulk supply revenue for electricity to Mazoon Electricity Company SAOC	152,902	108,081
Bulk supply revenue for electricity to Majan Electricity Company SAOC	145,103	103,094
Bulk supply revenue for electricity to Dhofar Power Company SAOC	52,942	37,666
	<u>544,977</u>	<u>384,370</u>
Bulk supply revenue for water to Public Authority for Electricity and Water	110,377	80,710
	<u>232</u>	<u>229</u>
Recharge of interconnection and transmission facilities to Oman Electricity Transmission Company SAOC	232	229



# OMAN POWER AND WATER PROCUREMENT COMPANY SAOC

## Notes to the financial statements for the year ended 31 December 2015 (continued)

### 26 Related parties (continued)

Expenses	2015 RO '000	2014 RO '000
Interest on finance lease to Al Ghubrah Power and Desalination Company SAOC	4,933	6,293
Electricity and water output purchases from Al Ghubrah Power and Desalination Company SAOC	37,006	28,423
Interest on finance lease to Wadi Al Jizzi Power Company SAOC	815	1,031
Electricity output purchases from Wadi Al Jizzi Power Company SAOC	9,862	8,184
Interest on finance lease to Dhofar Generating Company SAOC	1,935	3,988
Electricity output purchases from Dhofar Generating Company SAOC	9,209	10,999
Accounting service charges from Electricity Holding Company SAOC	41	32
	<b>63,801</b>	<b>58,950</b>
<b>Related party receivables</b>		
Muscat Electricity Distribution Company SAOC	13,398	10,112
Mazoon Electricity Company SAOC	37,799	4,099
Majan Electricity Company SAOC	24,818	8,715
Public Authority for Electricity and Water	23,768	12,343
Dhofar Power Company SAOC	5,499	1,827
Oman Electricity Transmission Company SAOC	67	74
	<b>105,349</b>	<b>37,170</b>
Finance lease receivables	401	941
<b>Related party payables</b>		
Dhofar Generating Company SAOC	-	1,127
Al Ghubrah Power and Desalination Company SAOC	4,675	2,911
Wadi Al Jizzi Power Company SAOC	1,048	311
Electricity Holding Company SAOC	61	53
	<b>5,784</b>	<b>4,402</b>



# OMAN POWER AND WATER PROCUREMENT COMPANY SAOC

## Notes to the financial statements for the year ended 31 December 2015 (continued)

### 26 Related parties (continued)

	2015 RO '000	2014 RO '000
<b>Related party payables</b>		
Finance lease payable to Dhofar Generating Company SAOC	-	54,373
Finance lease payable to Al Ghubrah Power and Desalination Company SAOC	34,053	45,973
Finance lease payable to Wadi Al Jizzi Power Company SAOC	7,159	9,048
	<u>41,212</u>	<u>109,394</u>

#### *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:

	2015 RO '000	2014 RO '000
Short-term employee benefits	964	1,184
Post-employment benefits	43	63
Directors sitting fees	26	26
	<u>1,033</u>	<u>1,273</u>

### 27 Contingencies and operational liabilities

#### **Operating lease commitments**

Not more than 1 year	240,528	231,640
More than 1 year but not more than 5 years	1,196,450	892,987
More than 5 years	1,425,417	1,481,335
	<u>2,862,395</u>	<u>2,605,962</u>

### 28 Approval of financial statements

The financial statements were approved by the Board and authorised for issue on 1 March 2016.

