



## BOARD OF DIRECTORS' REPORT

**Dear Shareholders,**

On behalf of the Board of Directors of United Power Company SAOG ("UPC" or the "Company"), I am glad to present you with the Sixteenth Annual Report of the Company for the year ended 31 December 2010.

The Company owns the Power Generating Station of Manah under a BOOT (build, own, operate and transfer) scheme, and Interconnection and Transmission Facilities under a BOT (build own and transfer) scheme, for a term of twenty years. All power produced is sold to Oman Power and Water Procurement Company SAOC under a long term Power Purchase Agreement, with guaranteed off-take. As such, the Company is not subject to market competition or fluctuation.

The Manah Power Plant has been running smoothly and efficiently, and there is no particular event worthwhile to mention. The 5 generator sets of the project showed an exceptional reliability, and the performances expected for such high-technology machines.

The Company recorded in 2010, a net profit of Rials Omani 2.070 million. The underlying revenues and costs are in line with the plan and the variation in revenue reflects the agreed tariff structure in PPA of generation and transmission facilities for Phase 1. The Directors of the Company have recommended a final ordinary dividend of Rials Omani 1.961 million, which represents the ordinary final dividend for the year to 12.5% of the current share capital of the Company. This is in addition to the interim dividend of 7.5% paid in November 2010.

The Company also carried out in December 2010, capital reduction of 10% of the original capital as a consequence to the structured plan of capital reduction approved by the market regulators and the shareholders in the EGM of 2006.

Pursuant to the approval of the shareholders in EGM held in March 2010, and after completing legal procedures, the legal reserve in excess of 1/3<sup>rd</sup> of the capital at 31 December 2010 was transferred to the Retained Earnings.

The Company intends to seek shareholder's approval of distribution of the share premium reserve, as per the plan approved by the CMA, in the extra-ordinary general meeting scheduled to be held on 21<sup>st</sup> March 2011. Actual distribution will commence once Company has completed all legal formalities.

Due to the definitive life of the project and its purpose, it is the policy of the company to maximize distributing its available profits and in the years where profits are low, it distributes its funds not required for operations by way of well structured plan of capital reduction. Past five years' distribution to shareholders, are disclosed separately under 'Management Discussion and Analysis Report'.

UPC complies and maintains high standards to the Code of Corporate Governance implemented by the Capital Market Authority as described in the related attached section of this report. In this respect, the Company complies with the guidelines on dividend policy and we are committed to the objectives underlying such guidelines.



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In December 2010, three founding shareholders of the Company, mainly National Trading Company LLC, W J Towell & Co LLC, and The Zubair Corporation LLC, divested its shareholding in favour of MGEC (Oman) Holdings Limited. The divestment will not result in changes to the personnel or operation of the Company.

There has been no change in the personnel of the Company during the year.

The Company is a responsible corporate citizen and contributes to the activities of local municipalities and communities. During the year, the company made the following contributions:

	<u>OMR</u>
• Community welfare projects of Manah Municipality	5,000
• Charity events and donations for Al Noor and Down Syndromes	2,663
• Event for the benefit of flood victims	1,000

I would like to thank all the personnel associated with the operation of our Manah Power Plant and staff of the Company for their dedication and hard work.

On behalf of the Board of Directors, I would also like to take this opportunity to extend our gratitude to His Majesty Sultan Qaboos Bin Said and His Government for their continued support and encouragement to the private sector. May Allah protect them for all of us.

**Murtadha Ahmed Sultan**  
Chairman of the Board