



## BOARD OF DIRECTORS' REPORT

Dear Shareholders,

On behalf of the Board of Directors of United Power Company SAOG (UPC), I am glad to present you with the Thirteenth Annual Report of the Company for the year ended 31 December 2007.

Under the Power Purchase Agreements (PPA) with Oman Power and Water Procurement Company SAOC (sole customer) the company owns the Power Generating Station under BOOT (build, own, operate and transfer) and Interconnection and Transmission Facilities under BOT (build, own and transfer) for the term of twenty years. The Company, therefore, is not subject to market competition.

Manah Power Plant (MPP) has been running smoothly and efficiently, and there is no particular event worthwhile to mention.

The 5 generator sets of the project were operated without problem and showed the reliability and performances expected for such high-technology machines.

The Plant's operation and maintenance was efficiently performed by our contractors, Sogex (Oman) the long-term service agreement signed with General Electric (GE), the supplier of all our gas turbines, showed also to be efficient and cost-effective.

The Company recorded in 2007, a net profit of Rials Omani 2.327 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 2.092 million, which represents the total ordinary dividend for the year to 8% of the current share capital of the Company.

The Company also carried out in December 2007, capital reduction of 5% of the original capital as a consequence to the structured plan of capital reduction approved by the market regulators and the shareholders in the last annual general meetings.

Due to the definitive life of the project and its purpose, it is the policy of the company to maximize distribution of its available profits and in the years where profits are low, distribution of 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 'Financial Highlights' section of the Annual Report.

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

The Government had indicated in early 2005 to UPC that the unbundling phase would be an opportunity to transfer UPC ITF assets to the Licensed Transmission System Operator owned by them. As a consequence, UPC submitted a proposal to the Government. No negotiations have taken place subsequently. In case of favorable outcome of the discussions with Government, as and when that happens, UPC will submit the transaction to its shareholders.

There have been no changes in the management of the company in the past year.

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

- Manah Municipal Committee OMR 5,000
- Rehabilitation contribution due to unusual weather condition OMR 2,000

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