



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 Eighth Annual Report of the Company, for the year ended 31 December 2002.

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 were operated without problem and showed the reliability expected for such high-technology machines. The Plant's operation and maintenance was efficiently performed by our contractor 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 2002, a net profit of Rials Omani 7.313 million. The underlying revenues and costs are in line with the plan. The Directors of the Company have, therefore, recommended a final ordinary dividend of Rials Omani 2.942 million, which brings the total ordinary dividend for the year to 17% of the current share capital of the Company.

Recently, the Company's share value in the Muscat Stock Market had fallen. This may have been caused due to reliance on some publications and analysis made by third parties. The Company gave clarifications about the situation to the Capital Market Authority. The salient clarifications are reproduced here in my report;

The Company confirmed to CMA that there were no operational or technical issues

connected to the Company and therefore were not aware of any reason for fall in price. The falling price is purely on account of the market forces, which the Company had no control. There had been no unusual, extra ordinary incidents or transactions affecting the results of the Company, and therefore the results of the Company continued to reflect as envisaged in the project and financing agreements and all related documents. There had been no revisions to the project or finance agreements envisaged at any stage, with the Ministry of Housing, Electricity & Water and continued to operate the plant in accordance with the objectives set forth from the beginning and also in line with the initial prospectus issued in 1994 and also the prospectus for rights issue issued in 1999. The company also confirmed that there were no issues which may impair the cash flow or its ability to service Company's long term loans.

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



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