

▶ 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 Eighteenth Annual Report of the Company for the year ended 31 December 2012.

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 2012, a net profit of Rials Omani 0.584 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 1.743 million, which represents 20% (200 baiza per share) of the current share capital of the Company. This is in addition to interim ordinary dividend of Rials Omani 1.220 million paid in November 2012, which represented 10% of the capital existed at the time of distribution.

The Company also carried out in December 2012, 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 held during the year.

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.

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:

– Manah School Projects	OMR 3,667
– Manah Municipality support	5,000
– Al Bashaier Sports Club in Manah	1,000
– Support to Manah participation in Muscat Festival	500
– Dar-Al-Atta charity sponsorship	204

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