

## 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 Twenty First Annual Report of the Company for the year ended 31 December 2015.

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. While the Power Generating Plant will be transferred to the Government in 2020, the Interconnection and Transmission Facilities will be transferred in 2016. All power produced is sold to Oman Power and Water Procurement Company SAOC under long term Power Purchase Agreements, 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.

Safety in all aspects of operation is the top priority of the Company. The Company is actively involved in the safety activities of its Operator and participates regularly in their safety walks and safety committee meetings. It gives me a great pleasure to announce that the Manah Power Plant achieved 7000 LTI free days, which translates to 19 years since starting of commercial operations of the plant in 1996. Not only is this a unique achievement in the energy sector in Oman, but this record stands out among few companies in the world. To show appreciation to the staff of our operators, we organized a celebrity event which was also attended by key executives of Authority of Electricity Regulators and Oman Power and Water Procurement Company. This was widely covered in local press.





The Company recorded in 2015, a net profit of OMR 1.071 million. The underlying revenues and costs are in line with the plan and the variations in revenue reflect the agreed tariff structure in PPA of generation and transmission facilities for Phase 1. The detailed explanations of the variations are contained in the section “Management Discussion and Analysis Report” of the Annual Report. The Directors of the Company have recommended a final ordinary dividend of OMR 1.000 million, which represents 50% of the current share capital of the Company (500 baiza per share).

The Company also carried out a final capital reduction of OMR 3.000 Million 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. The current capital after the reduction is OMR 2.000 Million. The remaining capital will be distributed to the shareholders as and when the Company is liquidated as a consequence of handing over the Plant to the Government in the year 2020, to comply with the terms of the Power Purchase Agreement. Moreover, in September 2015 excess legal reserve of OMR 1.000 million was distributed as Interim Dividend for the year 2015.

Due to the definitive life of the project and its purpose, it is the policy of the company to maximize distributing its available profits to the shareholders. 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.

Except for the retirement of our Chief Financial Officer, Mr. S.M. Tariq, there has been no change in the personnel of the Company during the year. Subsequent to the year-end Mr. Mirdas Al Rawahi has been appointed to perform the role of the Chief Financial Officer.

On 31<sup>st</sup> December 2015, we were greatly saddened by the news of passing away of our colleague in the Board, Colonel Sultan Sulaiman Salim Al Mahrooqi. We pray that his soul rest in peace.

The Company is a responsible corporate citizen and supports wide range of Manah community matters with greater emphasis on education and health issues of school going children.

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