

LAMAR FUNDING LIMITED

(an exempted company incorporated in the Cayman Islands with limited liability)

U.S.\$1,000,000,000 3.958% Guaranteed Notes due 2025

Guaranteed by

OMAN ELECTRICITY TRANSMISSION COMPANY S.A.O.C

(incorporated in the Sultanate of Oman)

Issue Price: 100.000%

Lamar Funding Limited (the “**Issuer**”) is offering (the “**Offering**”) its U.S.\$1,000,000,000 3.958% Guaranteed Notes due 2025 (the “**Notes**”), with the benefit of the unconditional and irrevocable guarantee (the “**Guarantee**”) of Oman Electricity Transmission Company S.A.O.C (the “**Guarantor**”), on the terms and conditions contained in the Deed of Guarantee dated 7 May 2015 (the “**Deed of Guarantee**”), as more particularly described in “*Terms and Conditions of the Notes—3. Status and Guarantee*”. In consideration for the giving of the Guarantee, the Issuer will apply the gross proceeds of the Notes to fund a loan (the “**Loan**”) to the Guarantor pursuant to an agreement dated 7 May 2015 (the “**Loan Agreement**”), as more particularly described in “*Use of Proceeds*” and “*Description of the Offering*”.

Subject to their earlier redemption under certain circumstances, the Notes will mature on 7 May 2025 at their principal amount, together with any accrued but unpaid interest. The Notes are subject to early redemption at their principal amount, together with any accrued but unpaid interest thereon (i) at the option of Noteholders upon a Change of Control Event (each, as defined in “*Terms and Conditions of the Notes*”); and (ii) at the option of the Issuer at any time in the event of certain changes affecting taxes in the Cayman Islands or the Sultanate of Oman (“**Oman**”).

The issue price of the Notes is 100.000% of the principal amount thereof (the “**Issue Price**”). Interest will accrue on the outstanding principal amount of the Notes at the rate of 3.958% per annum, from and including 7 May 2015 (the “**Issue Date**”) to but excluding the repayment in full thereof, and will be payable semi-annually in arrears on 7 November and 7 May in each year, commencing on 7 November 2015. Payments on the Notes will be made without deduction for or on account of taxes in the Cayman Islands or Oman, unless such withholding or deduction is required by law. In that event and subject to certain exceptions, the Issuer or, as the case may be, the Guarantor shall pay such Additional Amounts (as defined in “*Terms and Conditions of the Notes*”) as will result in the receipt by the Noteholders of such amounts as would have been received by them if no such withholding or deduction had been required. See “*Terms and Conditions of the Notes—9. Taxation*”.

**AN INVESTMENT IN THE NOTES INVOLVES A HIGH DEGREE OF RISK.
PROSPECTIVE INVESTORS SHOULD CONSIDER THE FACTORS DESCRIBED UNDER THE SECTION HEADED “RISK FACTORS”
IN THIS PROSPECTUS,
AS WELL AS ALL OTHER INFORMATION SET FORTH HEREIN.**

Neither the Notes nor the Guarantee contained in the Deed of Guarantee has been or will be registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”), or with any securities regulatory authority of any state or other jurisdiction of the United States, and the Notes may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The Notes will be offered and sold outside the United States in reliance on Regulation S under the Securities Act (“**Regulation S**”) and within the United States only to “qualified institutional buyers” (as defined in Rule 144A under the Securities Act (“**Rule 144A**”), collectively, “**QIBs**” and, each, a “**QIB**”), in reliance on Rule 144A. Prospective purchasers are hereby notified that sellers of Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. There will be no public offering of the Notes in the United States or elsewhere.

The Notes will be offered and sold in registered form in denominations of U.S.\$200,000 or any amount in excess thereof, which is an integral multiple of U.S.\$1,000. Notes, which are offered and sold in reliance on Regulation S (the “**Unrestricted Notes**”), will be represented, upon issuance, by beneficial interests in a global note (the “**Unrestricted Global Note**”) in registered form, without interest coupons attached, which will be registered in the name of a nominee for, and shall be deposited on or about the Issue Date with a common depositary for, and in respect of interests held through, Euroclear Bank SA/NV (“**Euroclear**”) and Clearstream Banking, *société anonyme* (“**Clearstream, Luxembourg**”). Notes, which are offered and sold in reliance on Rule 144A (the “**Restricted Notes**”), will be represented, on issuance, by beneficial interests in a global Note (the “**Restricted Global Note**”) and, together with the Unrestricted Global Note, the “**Global Notes**”) in registered form, without interest coupons attached, which will be deposited on or about the Issue Date with a custodian (the “**Custodian**”) for, and registered in the name of Cede & Co. as nominee for, The Depository Trust Company (“**DTC**”). Interests in the Restricted Global Note will be subject to certain restrictions on transfer. Beneficial interests in the Global Notes will be shown on, and transfers thereof will be effected only through, records maintained by DTC, Euroclear, Clearstream, Luxembourg and their participants. Except in the limited circumstances set out in “*Provisions Relating to the Notes whilst in Global Form*”, certificates will not be issued in exchange for beneficial interests in the Global Notes.

The Notes are expected to be rated A3 (stable) by Moody’s Investors Service Ltd. (“**Moody’s**”) and BBB+ (stable) by Standard & Poor’s Credit Market Services Europe Limited (“**S&P**”). Any change in the rating of the Notes could adversely affect the price that a purchaser would be willing to pay for the Notes. As at the date of this Prospectus, both Moody’s and S&P are established in the European Union and registered under Regulation (EU) No 1060/2009 on credit rating agencies, as amended (the “**CRA Regulation**”). As such, S&P and Moody’s are included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation.

A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

This prospectus (the “**Prospectus**”) has been approved by the Central Bank of Ireland as competent authority under the Prospectus Directive (as defined below). The Central Bank of Ireland only approves this Prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Application has been made to the Irish Stock Exchange for the Notes to be admitted to the official list (the “**Official List**”) and trading on its regulated market (the “**Main Securities Market**”). The Main Securities Market is a regulated market for the purposes of Directive 2004/39/EC. Such approval relates only to the Notes which are to be admitted to trading on a regulated market for the purposes of Directive 2004/39/EC or which are to be offered to the public in any Member State of the European Economic Area. Reference in this Prospectus to Notes being “listed” (and all related references) shall mean that such Notes have been admitted to trading on the Main Securities Market. There is no assurance that a trading market in the Notes will develop or be maintained.

Joint Bookrunners and Joint Lead Managers

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J.P. Morgan

This Prospectus is dated 5 May 2015

This Prospectus comprises a prospectus for the purposes of Directive 2003/71/EC (and amendments thereto, including Directive 2010/73/EU) (the “**Prospectus Directive**”) and for the purpose of giving information with regard to the Issuer, the Guarantor, the Notes, the Guarantee and the Offering, which, according to the particular nature of the Issuer, the Guarantor, the Notes, the Guarantee and the Offering, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer and the Guarantor, as well as the rights attaching to the Notes and the Guarantee and the terms of the Offering. The Issuer and the Guarantor accept responsibility for the information contained in this Prospectus. To the best of the knowledge of the Issuer and the Guarantor (having taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

No person has been authorised to give any information or to make any representation other than as contained in this Prospectus in connection with the Offering and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or the Guarantor or by bank muscat SAOG or J.P. Morgan Securities plc (together, the “**Joint Lead Managers**”) or any of their respective directors, affiliates, advisers or agents. Neither the delivery of this Prospectus nor any offer or sale of Notes made hereunder shall, under any circumstances, constitute a representation or create any implication that there has been no change in the affairs of the Issuer or the Guarantor since the date hereof. The Joint Lead Managers expressly do not undertake to review the financial condition or affairs of the Issuer or the Guarantor during the life of the Notes or to advise any investor in Notes of any information coming to their attention. This Prospectus may only be used for the purpose for which it has been published.

This Prospectus does not constitute an offer to sell or an offer to buy in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction, nor does this Prospectus constitute an offer of, or an invitation to subscribe for, or purchase, any Notes and it should not be considered as a recommendation by the Issuer, the Guarantor, the Joint Lead Managers or Citibank, N.A (the “**Fiscal Agent**”) that any recipient of this Prospectus should subscribe for or purchase any Notes. The Notes are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the Securities Act and applicable U.S. state securities laws pursuant to registration thereunder or exemption therefrom. For a more complete description of restrictions on offers, sales and transfers, see “*Subscription and Sale*” and “*Transfer Restrictions*”. The distribution of this Prospectus and the offering, sale and delivery of Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer, the Guarantor and the Joint Lead Managers to inform themselves about and to observe any such restrictions. None of the Issuer, the Guarantor, the Joint Lead Managers or the Fiscal Agent makes any representation to any recipient of this Prospectus regarding the legality of an investment in Notes by such recipient under applicable investment or similar laws. Each investor should consult with its own advisers as to the legal, tax, business, financial and related aspects of its purchase of Notes. For a description of certain restrictions on offers, sales and deliveries of Notes, see “*Subscription and Sale*” and “*Provisions relating to the Notes whilst in Global Form—The Global Notes*”.

THE NOTES HAVE NOT BEEN REGISTERED WITH, RECOMMENDED BY OR APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION (THE “**SEC**”) OR ANY OTHER FEDERAL OR STATE SECURITIES COMMISSION IN THE UNITED STATES, NOR HAS THE SEC OR ANY OTHER FEDERAL OR STATE SECURITIES COMMISSION CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

No representation, warranty or undertaking, express or implied, is made by the Joint Lead Managers as to, and to the fullest extent permitted by law, the Joint Lead Managers accept no responsibility whatsoever for, the contents of this Prospectus or for any statement made or purported to be made by the Joint Lead Managers or on their behalf in connection with the Issuer, the Guarantor, the Notes, the Guarantee or the Offering. The Joint Lead Managers accordingly disclaim all and any liability whether arising in tort or contract or otherwise (save as referred to above), which they might otherwise have in respect of this Prospectus or any such statement.

Each recipient of this Prospectus shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) and status of the Issuer and the Guarantor, respectively, and acknowledges that it has not relied on the Joint Lead Managers in doing so.

In connection with the issue of the Notes, J.P. Morgan Securities plc (the “**Stabilising Manager**”) (or any person acting for the Stabilising Manager) may over-allot notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail; however, there is no assurance that the Stabilising Manager (or any person acting on behalf of the Stabilising Manager) will undertake stabilisation action. Any stabilisation action may

begin on or after the date on which adequate public disclosure of the terms of the Offering is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the Issue Date of the Notes and 60 days after the date of the initial allotment of the Notes. Any stabilisation action or over-allotment must be conducted by the Stabilising Manager (or any person acting on behalf of the Stabilising Manager) in accordance with all applicable laws and rules.

This Prospectus has been prepared by the Issuer and the Guarantor for use in connection with the offer and sale of the Notes outside the United States, the resale of the Notes in the United States in reliance on Rule 144A under the Securities Act and the admission of the Notes for listing on the Irish Stock Exchange. The Issuer, the Guarantor and the Joint Lead Managers reserve the right to reject any offer to purchase Notes, in whole or in part, for any reason. This Prospectus does not constitute an offer to any person in the United States other than any QIB to whom an offer has been made (to the extent authorised) directly by a Joint Lead Manager or its respective United States broker-dealer affiliates. Distribution of this Prospectus to any person within the United States, other than any QIB and those persons, if any, retained to advise such QIB with respect thereto, is unauthorised and any disclosure without the prior written consent of the Issuer and the Guarantor of any of its contents to any such person within the United States, other than any QIB and those persons, if any, retained to advise such QIB, is prohibited.

Prospective investors must determine the suitability of an investment in Notes in the light of their own respective circumstances. In particular, each prospective investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Notes and the Guarantee, as well as the terms of the Offering, and the merits and risks of investing in Notes;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolios;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes;
- understand thoroughly the terms of the Notes and the Guarantee, as well as the Offering, and be familiar with the behaviour of any relevant financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for currency, economic, interest rate and other factors that may affect its investments and ability to bear the applicable risks.

The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each prospective investor should consult its legal advisers to determine whether and to what extent: (i) Notes are legally permitted investments for it; (ii) Notes purchased by it may be used as collateral for various types of borrowing; and (iii) other restrictions apply to its purchase or pledge of Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED STATES

The Issuer and the Guarantor have each agreed that, so long as any Notes are “restricted securities” within the meaning of Rule 144(a)(3) of the Securities Act, the Issuer and the Guarantor will, during any period in which it is neither subject to Section 13 or 15(d) of the United States Securities Exchange Act of 1934 (the “**Exchange Act**”) nor exempt from reporting thereunder pursuant to Rule 12g3-2(b) under the Exchange Act, provide to any holder or beneficial owner of any such “restricted security”, or to any prospective purchaser of such restricted security designated by such holder or beneficial owner, the information specified in, and meeting the requirements of, Rule 144A(d)(4) of the Securities Act upon the request of such holder or beneficial owner.

This Prospectus is being furnished by the Issuer and the Guarantor in connection with an offering exempt from the registration requirements of the Securities Act solely for the purpose of enabling a prospective investor to consider the acquisition of Notes described herein. The information contained in this Prospectus has been provided by the Issuer, the Guarantor and other sources identified herein.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENCE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES (“RSA”) WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENCED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

NOTICE TO OMAN RESIDENTS

THE INFORMATION CONTAINED IN THIS PROSPECTUS DOES NOT CONSTITUTE A PUBLIC OFFER OF SECURITIES IN OMAN AS CONTEMPLATED BY THE COMMERCIAL COMPANIES LAW OF OMAN (ROYAL DECREE 4/74, AS AMENDED) OR ARTICLE 3 OF THE CAPITAL MARKET LAW OF OMAN (ROYAL DECREE 80/98, AS AMENDED). THIS PROSPECTUS WILL ONLY BE MADE AVAILABLE TO INVESTORS IN OMAN IN ACCORDANCE WITH THE PROVISIONS OF ARTICLE 139 OF THE EXECUTIVE REGULATIONS OF THE CAPITAL MARKET LAW (ISSUED BY DECISION NO.1/2009, AS AMENDED) BY AN ENTITY DULY LICENCED BY THE CAPITAL MARKET AUTHORITY TO MARKET NON-OMANI SECURITIES IN OMAN.

KINGDOM OF SAUDI ARABIA NOTICE

This Prospectus may not be distributed in the Kingdom of Saudi Arabia (“**Saudi Arabia**”) except to such persons as are permitted under the Offer of Securities Regulations issued by the Capital Market Authority of Saudi Arabia (the “**Capital Market Authority**”).

The Capital Market Authority does not make any representations as to the accuracy or completeness of this Prospectus, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Prospectus. Prospective investors should conduct their own due diligence on the accuracy of the information relating to the Notes. If a prospective investor does not understand the contents of this Prospectus he or she should consult an authorised financial adviser.

NOTICE TO PROSPECTIVE INVESTORS IN THE CAYMAN ISLANDS

No invitation may be made to any member of the public of the Cayman Islands to subscribe for the Notes and this Prospectus shall not be construed as an invitation to any member of the public of the Cayman Islands to subscribe for the Notes.

NOTICE TO RESIDENTS OF MALAYSIA

The Notes may not be offered for subscription or purchase and no invitation to subscribe for or purchase such Notes in Malaysia may be made, directly or indirectly, and this Prospectus or any document or other materials in connection therewith may not be distributed in Malaysia other than to persons falling within the categories specified under Schedule 6 or Section 229(1)(b), Schedule 7 or Section 230(1)(b) and Schedule 8 or Section 257(3) of the Capital Market and Services Act, 2007 of Malaysia. The Securities Commission of Malaysia shall not be liable for any non-disclosure on the part of the Issuer or the Guarantor and assumes no responsibility for the correctness of any statements made or opinions or reports expressed in this Prospectus.

NOTICE TO RESIDENTS OF THE STATE OF QATAR

The Notes have not been and will not be offered, sold or delivered at any time, directly or indirectly, in the State of Qatar (“**Qatar**”) in a manner that would constitute a public offering. This Prospectus has not been reviewed or approved by or registered with the Qatar Central Bank, the Qatar Exchange or the Qatar Financial Markets Authority.

NOTICE TO PROSPECTIVE INVESTORS IN BAHRAIN

In relation to investors in the Kingdom of Bahrain (“**Bahrain**”), securities issued in connection with this Prospectus and related offering documents may only be offered in registered form to existing account holders and accredited investors as defined by the Central Bank of Bahrain (“**CBB**”) in Bahrain where such investors make a minimum investment of at least U.S.\$100,000, or any equivalent amount in other currency or such other amount as the CBB may determine.

This Prospectus does not constitute an offer of securities in the Kingdom of Bahrain in terms of Article (81) of the Central Bank and Financial Institutions Law 2006 (Decree Law № 64 of 2006). This Prospectus and related offering documents have not been and will not be registered as a prospectus with the CBB. Accordingly, no securities may be offered, sold or made the subject of an invitation for subscription or purchase nor will this prospectus or any other related document or material be used in connection with any offer, sale or invitation to subscribe or purchase securities, whether directly or indirectly, to persons in Bahrain, other than to accredited investors for an offer outside Bahrain.

The CBB has not reviewed, approved or registered the Prospectus or related offering documents and it has not in any way considered the merits of the securities to be offered for investment, whether in or outside Bahrain. Therefore, the CBB assumes no responsibility for the accuracy and completeness of the statements and information contained in this document and expressly disclaims any liability whatsoever for any loss howsoever arising from reliance upon the whole or any part of the content of this document. No offer of securities will be made to the public in Bahrain and this Prospectus must be read by the addressee only and must not be issued, passed to, or made available to the public generally.

ENFORCEABILITY OF ARBITRAL AWARDS AND FOREIGN JUDGMENTS

The Issuer

The Issuer is an exempted company incorporated under the Companies Law (as amended) of the Cayman Islands. All of the Issuer's directors and executive officers reside outside the United Kingdom and the United States and all of the assets of the Issuer and of such persons are located outside of the United States and the United Kingdom. As a result, it may not be possible for investors to effect service of process within the United Kingdom, the United States or other jurisdictions outside the Cayman Islands upon the Issuer or any of its directors and executive officers or to enforce against any of them judgments of courts or arbitral awards in the United Kingdom, the United States or other jurisdictions outside the Cayman Islands, including judgments predicated upon civil liabilities under the securities laws of the United Kingdom and the United States.

Enforcement of Arbitral Awards in the Cayman Islands

An award made in pursuance of an arbitration agreement in a foreign country may be enforced with the leave of the Cayman Islands courts and judgment entered in terms of the award and such leave shall not be refused except in the circumstances set out below:

- Enforcement of an award may be refused if the person against whom the award is invoked proves that:
 - a party to the relevant arbitration agreement was (under the law applicable to the person) under some incapacity;
 - the relevant arbitration agreement was not valid under the law to which the parties subjected it or, failing any indication thereon under the law of the country where the award was made;
 - such person was not given proper notice of the appointment of the arbitrator or of the arbitration proceedings or was otherwise unable to present their case;
 - subject to the below, the award deals with a difference not contemplated by or not falling within the terms of the submission to arbitration or contains decisions on matters beyond the scope of the submission to arbitration;
 - the composition of the arbitral authority or the arbitral procedure was not in accordance with the agreement of the parties or failing such agreement with the law of the country where the arbitration took place; or
 - the award has not yet become binding on the parties, or has been set aside or suspended by a competent authority of the country in which or under the law of which the award was made.
- Enforcement of an award may be refused if the award is in respect of a matter which is not capable of settlement by arbitration or if it would be contrary to public policy to enforce the award.
- An award which contains decisions on matters not submitted to arbitration may be enforced to the extent that it contains decisions on matters submitted to arbitration which can be separated from those on matters not so submitted.
- Where an application for the setting aside or suspension of an award has been made to such a competent authority as is mentioned above the court before which enforcement of the award is sought may, if it thinks fit, adjourn the proceedings and may on the application of the party seeking to enforce the award order the other party to give security.

Enforcement of Foreign Judgments in the Cayman Islands

A judgment obtained against the Issuer in a court in any jurisdiction outside the Cayman Islands (other than certain judgments of a superior court of any state of the Commonwealth of Australia) will be recognised and enforced in the courts of the Cayman Islands without any re-examination of the merits at common law, by an action commenced on the foreign judgment in the Grand Court of the Cayman Islands, where the judgment:

- is final and conclusive;

- is one in respect of which the foreign court had jurisdiction over the defendant according to Cayman Islands conflict of law rules;
- is either for a liquidated sum not in respect of penalties or taxes or a fine or similar fiscal or revenue obligations or, in certain circumstances, for *in personam* non-money relief; and
- was neither obtained in a manner, nor is of a kind enforcement of which is contrary to natural justice or the public policy of the Cayman Islands.

The Guarantor

The Guarantor is a closed joint stock company incorporated under the Commercial Companies Law (as amended) of Oman (“**Oman Commercial Companies Law**”). All of the Guarantor’s directors and executive officers reside outside the United Kingdom and the United States and all of the assets of the Guarantor and of such persons are located outside of the United States and the United Kingdom. Accordingly, it may not be possible for investors to effect service of process within the United States or the United Kingdom on the directors and executive officers of the Guarantor or to enforce judgments against the Guarantor or such persons.

Enforcement of Arbitral Awards in Oman

Foreign arbitration awards may be enforced in Oman pursuant to: (i) treaty obligations; (ii) the Law of Civil and Commercial Procedures Sultani Decree 29/2002, amended) (the “**Oman Civil Procedure Law**”); or (iii) the Law of Arbitration SD 47/1997, as amended (“**Oman Arbitration Law**”).

Oman has acceded to the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards of 1958 (SD 36/1998) (the “**New York Convention**”), and ratified the Riyadh Arab Convention of 1983 (SD 34/1999) (the “**Riyadh Convention**”). Although Oman has been a party to the New York Convention since 1998 the Guarantor is aware of only one case which has come before the courts of Oman where a claimant has sought to enforce a foreign arbitral award issued by a contracting state. The Guarantor has no reason to believe, however, that the courts of Oman would not enforce an arbitral award passed in a contracting state (without the need to re-examine or re-litigate), subject only to no valid argument being raised that the enforcement of that arbitral award should be refused on one or more of the grounds set out in Article V of the New York Convention, or that the subject matter of the award is against public order or morality in Oman. The enforcement in Oman of any of the obligations of any party under any of the Notes, the Fiscal Agency Agreement, the Deed of Guarantee or the Deed of Covenant (irrespective of whether the courts of Oman have given a judgment in favour of a party) will ultimately require an order for enforcement by the courts of Oman, which order is subject to discretion, including as to the manner in which such court would interpret and apply the New York Convention.

If the foreign arbitral award is not enforceable pursuant to the New York Convention (for example, an award is passed in a country that is not a signatory to the New York Convention or Riyadh Convention), it may nevertheless be possible to enforce such award in Oman subject to the satisfaction of the conditions set out in Articles 352 to 355 of the Oman Civil Procedure Law, pursuant to which the courts of Oman possess an inherent jurisdiction to enforce foreign awards. When considering the enforcement of arbitral awards in the above circumstances, the courts of Oman will need to be satisfied that the following conditions have been met (reading “judgment” as “award”):

- it is passed by a competent judicial authority in accordance with the international jurisdiction rules applicable in the country in which the judgment or order is passed, and becomes final according to that law and was not grounded on deception;
- the parties to the dispute were summoned to appear and were properly represented;
- it does not include any requests, the basis of which breaches the laws enforced in Oman;
- it does not contradict any judgment or order previously issued by the courts of Oman, and it does not include anything contravening public order or morals;
- the country in which the said judgment or award was signed accepts the execution of judgments of courts of Oman within its territories; and

- the matter that has been arbitrated upon in the foreign jurisdiction is capable of being determined by arbitration under Omani law (Article 353).

In the event that the conditions of Articles 352 to 355 of the Oman Civil Procedure Law are not met by a foreign arbitral award, such foreign arbitral award may be of evidentiary value only in a full hearing before the courts of Oman and the matter may have to be litigated de novo before the courts of Omani.

Foreign arbitral awards may also be directly enforceable in Oman under the provisions of the Oman Arbitration Law, where the award in question has been rendered: (i) in Oman; or (ii) in an international commercial arbitration (for example, an arbitration award made under the rules of the International Chamber of Commerce (“**ICC**”)) in which the parties to the relevant proceedings have specified that the Oman Arbitration Law shall apply.

Enforcement of Foreign Judgments in Oman

Although Omani law provides for the enforcement of foreign judgments in Oman subject to the conditions set out in Articles 352 to 355 of the Oman Civil Procedure Law being met, the Guarantor is not aware of a foreign judgment (other than one subject to a Gulf Cooperation Council (“**GCC**”) reciprocity treaty) ever having been enforced in Oman. In the absence of the conditions set out in Articles 352 to 355 of the Oman Civil Procedure Law being met, an English judgment against the Guarantor would not be enforced by the courts of Oman without a re-examination of the merits and the English judgment may be of evidential value only in any such proceedings filed before the Courts of Oman.

If any proceedings were brought in Oman (whether in connection with the enforcement of an English judgment or otherwise), pursuant to the Civil Transactions Law (SD 29/3013) (the “**Civil Code**”), the courts of Oman would recognise and give effect to the choice of English law as the governing law, unless any provision of English law were considered to be contrary to a mandatory provision of Omani law, public order or morality or Islamic Shari’a principles.

If enforcement of the Notes were sought before the courts of Oman, it is difficult to forecast in advance with any degree of certainty how some of the provisions relating to the Notes would be interpreted and applied by those courts and whether all of the provisions of the Notes would be enforceable.

Oman is a civil law jurisdiction and in civil law jurisdictions, the judge enjoys much greater freedom to interpret agreements in any way which, in his opinion, correctly reflects the intention of the parties if the terms of the agreement are ambiguous. The judge's interpretation can extend to amending the contract, if the judge feels that to do so would better reflect the original intention of the parties.

It is to be noted that no established system of precedent is adhered to by the courts of Omani although decisions of the Supreme Court of Oman should be persuasive.

FORWARD LOOKING STATEMENTS

This Prospectus contains certain forward-looking statements with respect to the business, financial condition and results of operations of the Guarantor and certain of the plans, intentions, expectations, assumptions, goals and beliefs of the Issuer and the Guarantor regarding such items. These statements include all matters that are not historical fact and generally, but not always, may be identified by the use of words such as “believes”, “expects”, “are expected to”, “anticipates”, “intends”, “estimates”, “should”, “will”, “will continue”, “may”, “is likely to”, “plans” or similar expressions, including variations and the negatives thereof or comparable terminology.

Prospective investors should be aware that forward-looking statements are not guarantees of future performance and that the Guarantor’s actual business, financial condition and results of operations, as well as the development of the industry in which it operates may differ significantly from those made in or suggested by the forward-looking statements contained in this Prospectus. In addition, even if the Guarantor’s business, financial condition and results of operations, as well as the development of the industry in which it operates, are consistent with the forward-looking statements contained in this Prospectus, those results or developments may not be indicative of results or developments in subsequent periods. By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, many of which are beyond the control of the Issuer and the Guarantor, and risks exist that the predictions, forecasts, projections and other forward-looking statements will not be achieved.

A number of factors could cause actual results to differ materially from the Issuer’s and the Guarantor’s plans, objectives, expectations, estimates and intentions expressed in forward-looking statements contained in this Prospectus. Such factors include, among other things, the following:

- the Guarantor’s obligations in respect of the Notes and under the Guarantee are not guaranteed by the Government;
- the Guarantor’s operations and expansion projects are subject to a range of development and construction risks, including that the Guarantor relies on the project performance of third parties, including contractors and sub-contractors;
- the Guarantor’s strategy requires it to make substantial capital expenditure, which exposes the Guarantor to liquidity and financial counterparty risk, and the Guarantor may face challenges in securing funding for its future capital expenditure;
- the Guarantor’s planned levels of indebtedness to be incurred over the next five years to finance its capital expenditure programme (the “**Long-Term Funding Strategy**”) may affect its ability to raise additional capital to fund its operations;
- the Guarantor expects to experience negative free cash flow over the next five years as a result of its capital expenditure programme;
- the Guarantor’s estimates and forecasts of future demand for electricity in Oman may not be accurate;
- the Guarantor’s operations are subject to Government supervision and regulation and the terms of the licence granted to it by the Authority for Electricity Regulation (the “**AER**”) pursuant to the Law for the Regulation and Privatisation of the Electricity and Related Water Sector, promulgated by Royal Decree 78/2004 as amended (the “**Sector Law**”), to operate as the sole provider of electricity transmission and dispatch services in northern Oman and the Dhofar Governorate (the “**Licence**”);
- the supervisory and regulatory frameworks of the Guarantor’s regulators are relatively new and subject to development and change;
- the Guarantor’s revenue is subject to price controls, which are set by the AER;
- the Guarantor indirectly benefits from significant Ministry of Finance subsidies, supporting the electricity and related water sector in Oman, and any reduction or delay in the payment of such subsidies could materially adversely affect the Guarantor;

- the Guarantor may be unable to obtain government approvals, property rights and/or financing for the construction, development and operation of its capital expenditure programme;
- the Government, as the ultimate owner of the Guarantor, exerts full control over the Guarantor;
- the Guarantor’s operations may be adversely affected by terrorist attacks, natural disasters or other catastrophic events, as well as and topographical challenges, all of which are beyond the Guarantor’s control;
- the Guarantor could be harmed by network disruptions, security breaches, or other significant disruptions or failures of its IT infrastructure and related systems;
- the Guarantor’s transmission network may experience equipment failures and otherwise may not operate as planned;
- the Guarantor may not be able to maintain or obtain sufficient insurance coverage for the risks associated with the operation of its business;
- the Guarantor may be subject to liabilities as a result of violations of applicable environmental and safety laws and regulations; and
- the Guarantor is subject to changes in the political, social, legal, tax or economic conditions in Oman in particular and in the Middle East in general.

The sections of this Prospectus entitled “*Risk Factors*”, “*Regulation of the Electricity and Related Water Sector in Oman*”, “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*” and “*Description of the Guarantor’s Business*” contain a more complete discussion of the factors that could affect the Issuer’s and the Guarantor’s future performance and the industry in which the Guarantor operates. In light of these risks, uncertainties and assumptions, the forward looking events described in this Prospectus may not occur. As a result, prospective investors should not place undue reliance on forward-looking statements and should carefully consider the foregoing and other uncertainties and events.

Forward-looking statements speak only as at the date on which they are made. Neither the Issuer nor the Guarantor undertakes any obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. All subsequent written and oral forward-looking statements attributable to the Issuer or the Guarantor or to persons acting on its behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this Prospectus.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

The Guarantor's independent auditors, Deloitte & Touche (M.E.) & Co. LLC, have issued unqualified audit reports dated 24 February 2015 and 24 February 2014, respectively, in respect of: (i) the audited financial statements of the Guarantor as at, and for the year ended, 31 December 2014, which include comparative information as at, and for the year ended, 31 December 2013 (the "**2014 Financial Statements**"); and (ii) the audited financial statements of the Guarantor as at, and for the year ended, 31 December 2013, which include comparative information as at, and for the year ended, 31 December 2012 (the "**2013 Financial Statements**" and, together with the 2014 Financial Statements, the "**Financial Statements**"). The financial information corresponding to the year ended 31 December 2013 included in the 2013 Financial Statements differs from the financial information corresponding to the year ended 31 December 2013 included, for comparative purposes, in the 2014 Financial Statements. The financial information for the year ended 31 December 2013 incorporated in the 2014 Financial Statements includes certain reclassifications to conform with the presentation of financial information for the year ended 31 December 2014. Unless otherwise noted, the financial information corresponding to the year ended 31 December 2013 included in this Prospectus has been extracted from the 2014 Financial Statements.

The Financial Statements appear elsewhere in this Prospectus. See pages F-1 - F-80.

The Financial Statements have been prepared and presented in accordance with International Financial Reporting Standards ("**IFRS**"), as issued by the International Accounting Standards Board (the "**IASB**"), and are presented in Omani Rial.

References in this Prospectus to "**OMR**" and "**Omani Rial**" are to the official and national currency of Oman; and references to "**U.S. Dollars**" and "**U.S.\$**" are to the official and national currency of the United States.

The Omani Rial has been pegged to the U.S. dollar since 1973 at a fixed rate of one 1.0000 = U.S.\$2.6008. No assurance is given, however, that Omani Rial amounts have been or can be converted into U.S. Dollars at this or any other rate of exchange.

Certain figures included in this Prospectus have been subject to rounding adjustments. Accordingly, figures may be stated as approximations and, in particular, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them. Annual information presented in this Prospectus is based upon 1 January to 31 December periods (which is the fiscal year for the Guarantor), unless otherwise indicated.

Non-IFRS Measures

This Prospectus includes certain non-IFRS measures and related ratios, including EBIT, EBITDA, EBITDA margin, EBIT margin, regulated asset base ("**RAB**"), return on average RAB, return interest coverage ratio, net debt/EBITDA ratio and debt/equity ratio. For definitions of these non-IFRS measures and ratios, see "*Selected Financial and Other Information—Key Financial Ratios*". EBITDA and other non-IFRS measures should not be considered in isolation or as an alternative to results from operating activities, cash flow from operating activities or other financial measures of the Guarantor's results of operations or liquidity derived in accordance with IFRS. See "*Selected Financial and Other Information—Key Financial Ratios*" for a reconciliation of EBIT and EBITDA to profit and total comprehensive income for the period. The Guarantor has included EBITDA and other non-IFRS measures in this Prospectus because it believes that they are useful measures of the Guarantor's performance and liquidity. Other companies, including those in the Guarantor's industry, may calculate similarly titled financial measures differently from the Guarantor. As all companies do not calculate these financial measures in the same manner, the Guarantor's presentation of such financial measures may not be comparable to other similarly titled measures of other companies. These non-IFRS measures are not audited.

General Information

Neither the content of the Guarantor's website, nor the content of any website accessible from hyperlinks on the Guarantor's website (or any other website), is incorporated into, or forms part of, this Prospectus.

THIRD PARTY INFORMATION CONCERNING MARKET AND INDUSTRY DATA

Statistical data appearing in “*Risk Factors*” and elsewhere in this Prospectus has, unless otherwise stated, been obtained from the Central Bank of Oman (the “**Central Bank**”), the AER, the National Center for Statistics and Information (“**NCSI**”) and the International Monetary Fund (the “**IMF**”). Statistics are maintained by these sources in Omani Rial. Similar statistics may be obtained from other sources, although the underlying assumptions and methodology, and consequently the resulting data, may vary from source to source. However, neither the Issuer, the Guarantor nor the Joint Lead Managers have independently verified that data and none of the Issuer, the Guarantor or the Joint Lead Managers make any representation regarding the accuracy of such data or its compliance with international standards. Similarly, while the Guarantor believes its internal estimates to be reasonable, such estimates have not been verified by any independent sources and neither the Issuer, the Guarantor nor the Joint Lead Managers can assure prospective investors as to their accuracy.

The information that the Issuer and the Guarantor have obtained from official publications of the Central Bank, the AER, the NCSI, the IMF or other third-party sources has been accurately reproduced in this Prospectus and, as far as the Issuer and the Guarantor are aware and are able to ascertain from the information published by such sources, no facts have been omitted which would render the reproduced information inaccurate or misleading. Where third-party information has been used in this Prospectus, the source of such information has been identified.

Information regarding market position, growth rates and other industry data pertaining to the Guarantor’s business contained in this Prospectus consists of estimates based on data reports compiled by professional organisations and analysts, on data from other external sources (including, in some cases, the publications listed above) and on the Guarantor’s knowledge of its markets. This data is subject to change and cannot be verified with complete certainty due to limits on the availability and reliability of the raw data and other limitations and uncertainties inherent in any statistical survey. In many cases, there is no readily available external information (whether from trade associations, government bodies or other organisations) to validate market related analyses and estimates, so the Guarantor relies on internally developed estimates.

Terms and definitions used in this Prospectus have the meanings set forth below:

A “**circuit hour**” is a measure of electricity transmission. One circuit hour is equivalent to a circuit occupied for one hour, or two circuits occupied for a half-hour each, etc.

“**GIS**” means geographic information system, representing a system designed to capture, store, manipulate, analyse, manage, and present all types of spatial or geographical data.

“**GW**” means gigawatt, which is equal to 1,000 MW.

“**GWh**” means gigawatt-hour, representing one hour of electricity consumption at a constant rate of 1 GW.

“**Hz**” means hertz, which is the SI unit of frequency, representing one cycle per second.

“**Km**” means kilometre, which is equal to 1,000 m.

“**KW**” means kilowatt, representing the rate at which energy is produced.

“**KWh**” means kilowatt-hour, representing one hour of electricity consumption at a constant rate of 1 KW.

“**kV**” means kilo-volts, which is equal to 1,000 V.

“**KVA**” means kilovolt-ampere, which is equal to 1,000 VA.

“**m**” means metre, representing the fundamental unit of length in the metric system.

“**MVA**” means mega volt amp, which is equal to 1,000,000 VA.

“**MW**” means megawatt, which is equal to 1,000 KW.

“**MWh**” means megawatt-hour, representing one hour of electricity consumption at a constant rate of 1 MW.

“**sq km**” means square kilometre, which is equal to a square measuring 1 Km on each side.

“**SI**” means the International System of Units.

“**V**” means volt, which is the SI unit of electromotive force, representing the difference of potential that would drive one ampere of current against one ohm resistance.

“**VA**” means volt-ampere which is the unit used for apparent power in an electrical circuit.

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OVERVIEW

This section contains an overview of the detailed information relating to the Notes, the Offering and the Guarantor included elsewhere in this Prospectus. Terms defined elsewhere in this Prospectus shall have the same meanings in this Overview. This Overview does not contain all of the information that may be material to prospective investors and, therefore, is qualified by and should be read in conjunction with this Prospectus in its entirety, in particular, but without limitation, the more detailed information set forth under the headings “Risk Factors”, “Selected Financial Information of the Guarantor”, “Management’s Discussion and Analysis of Financial Condition and Results of Operations”, “Description of the Guarantor’s Business” and “Description of the Offering”, as well as the Financial Statements, including the notes thereto, and other financial data appearing elsewhere in this Prospectus.

Overview of the Guarantor

Overview

The Guarantor is a closed joint stock company incorporated under the Oman Commercial Companies Law on 2 February 2003 with company registration number 1712349. On 1 August 2004, the Government promulgated the Sector Law pursuant to Royal Decree No. (78/2004), which sets out, *inter alia*, the functions and duties of the Guarantor. The Sector Law laid the foundations for the unbundling, liberalization and privatisation of the electricity and related water sector in Oman. As at the date of this Prospectus, the Guarantor has no subsidiaries.

The principal activities of the Guarantor are electricity transmission and dispatch in the Main Interconnected System (the “**MIS**”) in the northern area of Oman under the Licence issued by the AER. The Licence was most recently amended effective 1 January 2014 to include the area of Dhofar in the south of Oman, following the reorganization of the operations of DPC pursuant to which the Guarantor acquired the net assets and liabilities of DPC, and became the sole operator of the transmission network comprising the Dhofar Governorate electricity transmission network (the “**Dhofar System**”) in south Oman, in line with decisions of the Council of Ministers, adopted in 2009, and related implementing acts of the AER, approving a restructuring plan designed to reorganise the existing Salalah concession business to form separate generation, high voltage transmission and distribution and retail supply businesses (the “**DPC Acquisition**”).

The Guarantor operates the Extra High Voltage (the “**EHV**”) transmission network in northern Oman and the EHV transmission network in the Dhofar Governorate, covering over 95% of Oman’s electricity market. The Guarantor classifies its EHV transmission network as lines and electrical installations with voltage equal to or greater than 132kV used for transporting electricity: (i) from a production facility to grid stations; from production facilities to other production facilities; from grid stations to other grid stations or to or from any interconnected party’s premises or distribution systems; and (ii) any electric plant used for the purpose of dispatch. The Guarantor also owns, operates and maintains 70 grid stations across the MIS in northern Oman and the Dhofar System in southern Oman. The Guarantor has a monopoly position as the sole provider of electricity transmission and dispatch services to the MIS and the Dhofar System.

The Guarantor is responsible for:

- providing the link between electricity generators and distributors and direct supply customers;
- owning, operating and maintaining the transmission system assets comprising the EHV transmission network in the MIS and the Dhofar System; and
- managing the coordination of the flow of electricity across the MIS and the Dhofar System in order to maintain a reliable, available and safe supply of electricity.

For the year ended 31 December 2014, the Guarantor’s revenue was OMR 92.1 million, its operating costs were OMR 24.2 million, and its profit for the year and total comprehensive income – i.e., net profit after tax – was OMR 44.5 million. The Guarantor’s total assets for the year ended 31 December 2014 were OMR 815.2 million.

The Guarantor’s principal office is located at Way no. 2153, Block no. 321, Building no. 4230, Al-Mawaleh, Muscat, Oman, and its telephone number is +968 24 573248.

Strengths

The Guarantor's business is defined by a number of key strengths, including the following:

Natural monopoly position in electricity transmission and dispatch

The Guarantor has both an operational and legal monopoly in the electricity transmission business in northern Oman and the Dhofar Governorate. Because of the nature and operational realities of the electricity transmission business, there can be only one operator in any particular territory. As at the date of this Prospectus, the Guarantor is the sole provider of electricity transmission and dispatch services in northern Oman and in the Dhofar Governorate in southern Oman, which together cover over 95% of Oman's electricity demand. In addition, the Guarantor holds the only licence issued by the AER to conduct electricity transmission in northern Oman and in the Dhofar Governorate. The Guarantor performs a function that is of critical importance to Oman generally, and to the electricity and related water sector in particular, and therefore the Guarantor has received, and expects to continue to receive, significant Government support.

100% Government ownership

The Guarantor benefits from Government ownership with direct and indirect support being mandated by law. Electricity Holding Company S.A.O.C ("**EHC**"), the Government vehicle that holds all Government-owned constituents of the Omani electricity and related water sector and that is a wholly-owned subsidiary of the Ministry of Finance, owns 499,950 shares of the Guarantor, representing 99.99% of the authorised, issued and paid-up share capital of the Guarantor. The Ministry of Finance directly owns 50 shares of the Guarantor, which represents the remaining 0.01% of the authorised, issued and paid-up share capital of Guarantor. As a requirement of the Oman Commercial Companies Law, members of the board of directors of closed joint stock companies are elected to office for a period of three years, it being permissible for such board members to be re-elected or replaced periodically. In accordance with the Oman Commercial Companies Law and in line with EHC and the Ministry of Finance's customary practices, the current board of directors of EHC is expected to be replaced by five new directors on or about 28 April 2015. Three of the five incoming directors of EHC are Government officials. The Guarantor understands that, notwithstanding the new composition of the EHC board, the policies of EHC with respect to the Guarantor generally will not change, and there will be no resultant changes in management of EHC or at the Guarantor.

Transparent and supportive regulatory systems

The Guarantor operates within a transparent and supportive regulatory system with a clearly defined price control and subsidy framework that has been in place for 10 years. The Guarantor has, and expects to continue to benefit indirectly from, subsidies paid by the Government to the Guarantor's customers under the Sector Law. In 2014, the Ministry of Finance supported the Omani electricity and related water sector with an OMR 303 million subsidy, which represented 2.24% of the total budgeted Government expenditure for 2014. For 2015, the Ministry of Finance has budgeted subsidies in the amount of OMR 460.8 million to support the Omani electricity and related water sector, which represents 3.27% of the total Government expenditure budget for 2015. In addition, under the Sector Law, so long as the Guarantor remains wholly-owned by the Government, the Guarantor has statutorily enshrined access to adequate financing from the Ministry of Finance to undertake its main business activities as defined under the Sector Law. The Guarantor also operates within the AER's regulatory jurisdiction, which establishes strong barriers to entry against unlicensed businesses.

Stable transmission / distribution activities with low operating risk

The Guarantor's electricity transmission and dispatch activities are stable and comprised of relatively straightforward operations. Accordingly, the Guarantor's business is characterised by and subject to low operating risks. Moreover, due to the nature of its operations, the Guarantor is exposed to limited commodity and foreign exchange risks. As a result, the Guarantor has a stellar track record in achieving, and aims to continue to achieve, high levels of reliability, availability and safety in providing electricity transmission and dispatch services in Oman.

One of the key measurements of the performance of electricity transmission is system availability. System availability is defined by the level at which transmission lines and transformers are able to collect electricity from generators and deliver that electrical energy to distributors. The Guarantor calculates annual system availability as actual circuit hours as a percentage of the total possible circuit hours in the system, taking into account both planned and unplanned circuit outages. The Guarantor's transmission system achieved over 99% annual availability for each of 2011, 2012 and 2013. For 2014, system availability was 98.47%, reflecting non-recurring maintenance works and transmission network expansion in 2014.

Another important metric in the assessment of electricity transmission businesses is power reliability. Power reliability is defined by the degree to which the performance of the elements in a system results in electricity being delivered to customers within accepted standards and in the desired volumes. The Guarantor's reliability for its system was 99.994% for 2013 and 99.998% for 2014. The near perfect reliability of the system in 2014 was achieved despite a rise in demand in 2014 by 21.2%, as compared to 2013. The Guarantor calculates annual reliability by the energy not delivered as a percentage of total energy delivered in the relevant year.

Attractive growth trends in Oman

The Guarantor expects robust revenue growth on the back of strong demand and increases in connection fees charged to generation and distribution companies and some directly connected customers and use of system charges charged to distribution companies, all as mandated by the AER. In 2014, gross peak demand for electricity in the MIS reached 4,877 MW, reflecting an increase of 13.7% 2013 peak demand. Similarly, in 2014, gross peak demand for electricity in the Dhofar System reached 420 MW, reflecting an increase of 3.6% 2013 peak demand. Factors driving the increase in demand for electricity include population growth, the increase in the number of homes and businesses, the proximity to and overlap of Ramadan with the summer months and the continuance of significant Government subsidies to support distribution companies, which are key customers of the Guarantor, in providing affordable electricity to consumers.

Conservative financial structure

The Guarantor has enjoyed steady, high margins as a result of its regulated business model framework and well-defined cost structure. The Ministry of Finance and EHC, as shareholders of the Guarantor, and the AER, as regulator of the Guarantor, have historically taken a conservative approach in monitoring the Guarantor's financial condition, with the goal of ensuring that the Guarantor maintains acceptable debt to capital and debt service coverage ratios.

Corporate Purpose and Strategy

The Guarantor's corporate purpose, as mandated under the Sector Law and the Licence and stated in its constitutional documents, is to own, finance, develop, operate and undertake to maintain the transmission network in its licenced area.

The Guarantor's strategy is focused on implementing the Government's policy for the development of the electricity and related water sector in Oman, with the primary objective being the transmission and dispatch of a reliable, available and safe supply of electricity to end-users. In addition, the Guarantor's strategy includes a significant capital expenditure programme to expand and upgrade its transmission network in order to minimize congestion, interconnect isolated regions and connect new power plants to the grid in order to meet growing demand for electricity.

In addition to expanding transmission network capacity, although the reliability of the Guarantor's system has been consistently above 98% in recent years, the Guarantor is focusing on maintaining and improving the reliability of the transmission network, reducing the number of interruptions and benchmarking transmission network performance to international standards. The Guarantor has taken (and continues to take) a number of measures to improve the reliability of its transmission network, including:

- installing Oman's first 400-KV overhead lines and grid stations at a budgeted cost that is expected to comprise 45% of planned capital expenditure over the next five years;
- carrying out periodic studies and analyses of major transmission faults and identifying causes and possible remedies;
- performing routine maintenance of all transmission assets;
- implementing reinforcement projects and commissioning new transmission projects in advance of periods where demand is expected to peak;
- providing mobile reserve transformers in strategic locations;
- improving the performance efficiency of its employees through continuous training and education programming; and
- extending its 220kV transmission network to avoid overloads and reduce power losses.

The Guarantor estimates its capital expenditure in maintaining and upgrading the transmission network will be OMR 94 million in 2015. The Guarantor expects to finance this expenditure through borrowings in the international and domestic capital and loan markets and through retained earnings.

During the medium-to long-term, the Guarantor also aims to complete further investment in its transmission network with a view to improving the overall ‘capacity factors’ (measured as the ratio of a power plant’s output over a period of time as compared to its output if it had operated at full capacity) of the generation companies in Oman, which are among its key customers.

Credit Ratings

As at the date of this Prospectus, the Guarantor is rated by two rating agencies: Moody’s and S&P. The Guarantor has been assigned a long-term issuer default rating of A3 (stable) by Moody’s and a long-term corporate credit rating of BBB+ (stable) by S&P, in each case with a stable outlook.

The credit ratings included or referred to in this Prospectus have been issued by Moody’s or S&P, respectively, as indicated above; each of these credit rating agencies is established in the European Union and is registered under the CRA Regulation.

A credit rating is not a recommendation to buy, sell or hold the securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating organisation.

Selected Financial and Other Information

The financial information of the Guarantor set forth below as at and for the years ended 31 December 2014, 31 December 2013 and 31 December 2012 has been extracted from and should be read in conjunction with and is qualified in its entirety by the Financial Statements, including the notes thereto, contained elsewhere in this Prospectus.

The financial information corresponding to the year ended 31 December 2013 included in the 2013 Financial Statements differs from the financial information corresponding to the year ended 31 December 2013 included, for comparative purposes, in the 2014 Financial Statements. The financial information for the year ended 31 December 2013 incorporated in the 2014 Financial Statements includes certain reclassifications to conform with the presentation of financial information for the year ended 31 December 2014. Unless otherwise noted, the financial information corresponding to the year ended 31 December 2013 included in this Prospectus has been extracted from the 2014 Financial Statements.

Statement of Financial Position

	As at 31 December		
	2014	2013	2012
	<i>(OMR thousands)</i>		
ASSETS			
Non-current assets			
Property, plant and equipment.....	780,568	635,877	579,052
Prepaid lease rentals	—	—	4,342
Total non-current assets	780,568	635,877	583,394
Current assets			
Inventories	3,633	3,312	2,815
Trade and other receivables	30,991	33,262	19,621
Cash and cash equivalents	4	3,591	11,048
Total current assets	34,628	40,165	33,484
Total assets	815,196	676,042	616,878
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	500	500	500
Legal reserve	167	167	167
General reserve	250	250	250
Retained earnings	139,177	96,017	50,843
Shareholder’s funds	134,428	134,428	131,490
Total equity	274,522	231,362	183,250

	As at 31 December		
	2014	2013	2012
	<i>(OMR thousands)</i>		
Non-current liabilities			
Amounts due to Holding company	132,928	132,928	132,928
Finance lease liabilities.....	401	941	—
Provisions	904	849	20,041
Deferred tax liability.....	27,085	23,018	17,842
Deferred revenue	70,880	58,244	51,769
Trade and other payables.....	11,232	8,372	8,131
Total non-current liabilities	243,430	224,352	230,711
Current liabilities			
Deferred revenue	1,625	1,037	—
Trade and other payables.....	69,520	63,506	68,991
Current portion of finance lease liabilities.....	540	565	—
Provisions	285	681	554
Short-term borrowings.....	222,851	153,000	133,000
Provision for taxation	2,423	1,539	372
Total current liabilities	297,244	220,328	202,917
Total liabilities	540,674	444,680	433,628
Total equity and liabilities	815,196	676,042	616,878

Statement of Profit or Loss and Other Comprehensive Income

	For the Year Ended 31 December		
	2014	2013	2012
	<i>(OMR thousands)</i>		
Revenue	92,074	77,931	56,534
Operating costs	(24,244)	(18,132)	(15,042)
Gross profit.....	67,830	59,799	41,492
General and administrative expenses.....	(15,475)	(13,867)	(10,849)
Other income	1,757	8,576	1,150
Profit from operations.....	54,112	54,508	31,793
Finance income.....	40	89	17
Finance costs	(3,367)	(1,899)	(1,474)
Profit before tax	50,785	52,698	30,336
Taxation.....	(6,325)	(6,524)	(2,751)
Profit for the year and total comprehensive income	44,460	46,174	27,585

Statement of Cash Flows

	For the Year Ended 31 December		
	2014	2013	2012
	<i>(OMR thousands)</i>		
Cash generated from operations	97,574	51,344	28,076
Net cash used in investing activities	(166,535)	(76,336)	(67,461)
Net cash from financing activities	65,374	17,535	50,091
Net changes in cash and cash equivalents during the year.....	(3,587)	(7,457)	10,706
Cash and cash equivalents, beginning of the year	3,591	11,048	342
Cash and cash equivalents at the end of the year	4	3,591	11,048

Key Financial Ratios

The key financial ratios below contain certain non-IFRS measures and related ratios, including EBIT, EBITDA, EBITDA margin, EBIT margin, RAB, return on average RAB, return interest coverage ratio, net debt/EBITDA ratio and debt/equity ratio. EBITDA and other non-IFRS measures should not be considered in isolation or as an alternative to results from operating activities, cash flow from operating activities or other financial measures of the Guarantor's results of operations or liquidity derived in accordance with IFRS. The Guarantor includes EBITDA and other non-IFRS measures in this Prospectus because it believes that they are useful measures of the Guarantor's performance and liquidity. Other companies, including those in the Guarantor's industry, may calculate similarly titled financial measures differently from the Guarantor. As all companies do not calculate these financial measures in the same manner, the Guarantor's presentation of such financial measures may not be comparable to other similarly titled measures of other companies. These non-IFRS measures are not audited.

	As at for the Year Ended 31 December		
	2014	2013	2012
EBIT (OMR thousands).....	54,112	54,508	31,793
EBITDA (OMR thousands).....	75,093	70,337	42,569
Revenue growth.....	18%	38%	12%
EBITDA ⁽¹⁾ margin.....	82%	90%	75%
EBIT ⁽²⁾ margin.....	59%	70%	56%
Net income margin.....	48%	59%	49%
Asset growth.....	21%	10%	11%
RAB ⁽³⁾ (OMR thousands).....	595,290	489,208	428,360
Return on average RAB ⁽⁴⁾	10%	12%	8%
Interest coverage ratio ⁽⁵⁾	16.1x	28.7x	21.6x
Net debt ⁽⁶⁾ / EBITDA.....	4.7x	4.0x	6.0x
Debt ⁽⁷⁾ / Equity ⁽⁸⁾	1.3x	1.24x	1.45x
Current assets / Current liabilities.....	0.12x	0.18x	0.17x

Notes:

- (1) "EBITDA" is profit for the year before finance income, finance costs, taxation, depreciation and amortization.
- (2) "EBIT" is profit for the year before finance income, finance costs, and taxation.
- (3) "RAB" is the regulated asset base, which represents the value of assets used by the Guarantor for the conduct of its regulated activities.
- (4) "Return on average RAB" is EBIT divided by RAB.
- (5) "Interest coverage ratio" is EBIT divided by finance costs.
- (6) "Net Debt" is short-term borrowings less cash and includes amount due to Holding company.
- (7) "Debt" is short-term borrowings and amount due to Holding company.
- (8) "Equity" is total equity.

The following table reconciles EBIT and EBITDA to profit for the year and total comprehensive income, which is the closest IFRS financial measure to these non-IFRS measures.

	As at for the Year Ended 31 December		
	2014	2013	2012
Profit for the year.....	44,460	46,174	27,585
Less: Finance income.....	(40)	(89)	(17)
Add back: Finance costs.....	3,367	1,899	1,474
Add back: Taxation.....	6,325	6,524	2,751
EBIT	54,112	54,508	31,793
Add back: Depreciation.....	20,981	15,829	10,776
Add back: Amortization.....	-	-	-
EBITDA	75,093	70,337	42,569

Overview of the Offering

The following is an overview of the principal features of the Notes and the Offering:

Issuer	Lamar Funding Limited
Guarantor	Oman Electricity Transmission Company S.A.O.C
Joint Bookrunners and Joint Lead Managers	bank muscat SAOG and J.P. Morgan Securities plc
Fiscal Agent and Principal Paying and Transfer Agent	Citibank, N.A., London Branch
Registrar and Paying and Transfer Agent	Citigroup Global Markets Deutschland AG
Issue	U.S.\$1,000,000,000 3.958% Guaranteed Notes due 2025
Issue Price	100.000% of the principal amount of the Notes
Issue Date	7 May 2015
Maturity Date	7 May 2025
Interest	The Notes will bear interest at the rate of 3.958% <i>per annum</i> from and including the Issue Date to but excluding 7 May 2025. Interest on the Notes will be payable semi-annually in arrear on 7 November and 7 May in each year, commencing on 7 November 2015.
Yield	3.958% per annum. The yield per annum is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.
Taxes	All payments of principal and interest in respect of the Notes shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatsoever nature imposed, levied, collected, withheld or assessed by or within the Cayman Islands or Oman or any political subdivision or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. In that event and subject to certain exceptions, the Issuer or, as the case may be, the Guarantor shall pay such Additional Amounts (as defined in “ <i>Terms and Conditions of the Notes</i> ”) as will result in the receipt by the Noteholders of such amounts as would have been received by them if no such withholding or deduction had been required.
Ranking	The Notes constitute direct, unconditional, unsubordinated and (subject to Condition 4.1 (<i>Negative Pledge of the Issuer</i>)) unsecured obligations of the Issuer. The Notes will at all times rank <i>pari passu</i> among themselves and at least <i>pari passu</i> in right of payment with all other present and future unsecured and unsubordinated obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

Guarantee	The Guarantor has, in the Deed of Guarantee, unconditionally and irrevocably guaranteed the due and punctual payment of all sums from time to time payable by the Issuer in respect of the Notes. The guarantee (the “ Guarantee ”) constitutes direct, general, unconditional, unsubordinated and (subject to Condition 4.2 (<i>Negative Pledge of the Guarantor</i>)) unsecured obligations of the Guarantor, which will at all times rank at least <i>pari passu</i> with all other present and future unsecured and unsubordinated obligations of the Guarantor, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.
Events of Default	The Conditions will permit the acceleration of the Notes following the occurrence of certain events of default.
Cross Default	The Notes will have the benefit of a cross default clause.
Negative Pledge	The Notes and the Guarantee will have the benefit of negative pledge provisions, as more fully described under “ <i>Terms and Conditions of the Notes—4. Negative Pledge</i> ”.
Redemption upon a Change of Control (at the option of Noteholders)	The Notes are subject to redemption at their principal amount, together with accrued and unpaid interest thereon, at the option of Noteholders upon a Change of Control Event, as more fully described under “ <i>Terms and Conditions of the Notes—7. Redemption and Purchase</i> ”.
Tax Redemption (at the option of the Issuer)	The Issuer may at its option redeem the Notes, in whole but not in part, at their principal amount plus accrued interest in certain circumstances, including, <i>inter alia</i> , (i) in the event that the Guarantor would be required to pay Additional Amounts under the Loan or the Guarantee for, or on account of, any withholding or deduction or any taxes imposed or levied in Oman or (ii) in the event that the Issuer would be required to pay Additional Amounts for, or on account of, any withholding or deduction or any taxes imposed or levied in the Cayman Islands. See “ <i>Terms and Conditions of the Notes—7. Redemption and Purchase</i> ”.
Governing Law	Each of the Notes and the Guarantee, and any non-contractual obligations arising out of or in connection therewith, will be governed by, and shall be construed in accordance with, English law.
Arbitration	The Issuer and the Guarantor have irrevocably and unconditionally agreed that any dispute arising out of or in connection with the Fiscal Agency Agreement, the Notes, the Deed of Covenant and the Deed of Guarantee may be referred to and finally resolved by arbitration under the Rules of Arbitration of the International Chamber of Commerce.

Use of Proceeds	The Issuer will use the gross proceeds of the issue of the Notes, expected to be U.S.\$1,000,000,000, for the purpose of financing the Loan to the Guarantor. The Guarantor will, in turn, use a portion of the proceeds of the Loan to pay the commissions and expenses incurred in connection with the Offering. The Guarantor intends to use the remaining proceeds (after such payment of commissions and expenses), which it expects to be approximately U.S.\$992.7 million, to repay U.S.\$580 million of existing short term loans, to repay U.S.\$111 million of shareholder loans, to finance U.S.\$250 million of capital expenditure for ongoing and future projects and for general corporate purposes.
Form and Denomination	<p>The Notes will be offered and sold in registered form, in denominations of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof.</p> <p>The Notes will initially be issued in the form of an Unrestricted Global Note and a Restricted Global Note, each in registered form and without interest coupons. The Unrestricted Global Note will be deposited with, and registered in the name of, a nominee for a common depositary for Euroclear and Clearstream, Luxembourg. The Restricted Global Note will be deposited with a custodian for, and registered in the name of Cede & Co., as nominee for, DTC. Ownership interests in the Unrestricted Global Note and the Restricted Global Note will be shown on, and transfers thereof will be effected only through, records maintained by DTC, Euroclear, Clearstream, Luxembourg and their respective participants. Notes in definitive form will be issued only in very limited circumstances.</p>
Listing and Trading	Application has been made to the Irish Stock Exchange for the Notes to be admitted to the Official List and to the Irish Stock Exchange for the Notes to be admitted to trading on the Main Securities Market.
Selling Restrictions	There are restrictions on the offer, sale and transfer of the Notes in the United States, the European Economic Area, the United Kingdom, Oman, Saudi Arabia, the Cayman Islands, Malaysia, Qatar, Bahrain, Hong Kong, The United Arab Emirates and Singapore. See “ <i>Subscription and Sale</i> ”.
Ratings	The Notes are expected to be rated A3 (stable) by Moody’s and BBB+ (stable) by S&P. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. Any change in the rating of the Notes could adversely affect the price that a purchaser would be willing to pay for the Notes. As at the date of this Prospectus, both Moody’s and S&P are established in the European Union and registered under the CRA Regulation.
Risk Factors	Prospective purchasers of Notes should consider carefully all of the information set forth in this Prospectus and, in particular, the information set forth under “ <i>Risk Factors</i> ” below before making an investment in the Notes.

Security Codes.....

Unrestricted Notes:

ISIN: XS1117297355
Common Code: 111729735

Restricted Notes:

ISIN: US513063AA53
Common Code: 098266348
CUSIP: 513063 AA5

RISK FACTORS

An investment in the Notes involves a high degree of risk. Prospective investors should carefully review this entire Prospectus and, in particular, should consider, among other things, all risks inherent in making such an investment, including the risk factors set forth below, before making a decision to invest in the Notes. These risk factors, individually or together, could have a material adverse effect on the ability of the Issuer or the Guarantor to make repayment of the principal of, and payments of interest and other amounts, due on or in respect of the Notes as provided in the Notes or the Guarantee, as the case may be. In addition, factors which the Issuer and the Guarantor believe are material for the purpose of assessing the market risks associated with the Notes are also described below. The value of the Notes could decline due to any of these risks and prospective investors may lose some or all of their investment.

The Issuer and the Guarantor believe that the factors described below represent the principal risks inherent in investing in the Notes, but there may be additional risks and uncertainties, which the Issuer and the Guarantor currently consider immaterial or of which the Issuer and the Guarantor are currently unaware, and any of these risks and uncertainties could have similar effects to those set forth below.

Risks Related to the Guarantor's Business

The Guarantor's obligations, in respect of the Notes and the Guarantee, are not guaranteed by the Government.

The Guarantor is ultimately wholly-owned by the Government of Oman (the "**Government**"). The Guarantor's financial obligations are not, absent the giving of an explicit guarantee, guaranteed by the Government. The Government is not guaranteeing the obligations of the Guarantor to make payments in respect of the Notes or under the Guarantee. Article 67 of the Sector Law, obligates the Ministry of Finance to undertake to secure the availability of the necessary finance for the Guarantor to undertake its activities and achieve its objectives for as long as it is wholly-owned by the Government. In the event that EHC, the Guarantor's controlling shareholder, privatises all or a part of the Guarantor, the Ministry of Finance's statutory duty under Article 67 would no longer apply to the Guarantor.

The Guarantor's financial obligations, including its obligations to make payments in respect of the Notes or under the Guarantee, are not, and should not be regarded as, obligations of the Government. The Guarantor's ability and willingness to fulfil its obligations in respect of the Notes or under the Guarantee is solely dependent on the Guarantor's ability to fund its obligations from its operations, profits and cash flows, which may include borrowings, if available. Any decline in the Guarantor's operations, profits or cash flows, or any difficulty in securing external funding, could result in a material adverse effect on the Guarantor's ability to fulfil its obligations in respect of the Notes or under the Guarantee.

The Guarantor's operations and expansion projects are subject to a range of development and construction risks.

The Guarantor is in the process of extending its transmission network, which is in various stages of development, construction and commissioning. Substantial phases of the Guarantor's projects, including the planning, design and construction phases, are outsourced to third-party contractors through 'turnkey' contracts. These projects typically require substantial capital expenditure and it may take months or years before projects are completed and they become operational, during which time the Guarantor may be subject to a number of construction, operating and other risks beyond its control such as, but not limited to:

- delays in obtaining government permits, which may cause delays or cancellations of projects;
- an inability to find a suitable service providers, such as contractors, sub-contractors architects, engineers, operators or other service providers, either at the commencement of a project or following a default by a service provider;
- default or failure by such service providers to finish projects or parts of projects on time, according to specifications, within budget or on negotiated terms;
- disputes with service providers;
- difficulties in connecting new grid stations to existing or new transmission networks;
- shortages or escalating costs of construction materials and increased global commodity prices;
- shortages or increases in the costs of equipment and services; and
- work stoppages or labour disputes.

The occurrence of one or more of these events, or other events, may adversely affect the Guarantor's ability to complete its current or future projects in line with designs, on schedule or within budget, if at all. The Guarantor may be required to hire another third-party service provider at a higher price. Furthermore, when a third-party service provider fails to meet quality standards, the Guarantor may be subject to claims. The Guarantor may be unable to seek or enforce indemnification from its third-party service providers with respect to any breach, failures or delays and accordingly, the Guarantor may have to bear the additional costs and claims with respect to such breach, failures or delays. The resulting additional costs or claims may be substantial. Such events could result in a material adverse effect on the Guarantor's business, financial condition and results of operations and if continued, adversely affect the Guarantor's ability to fulfil its obligations in respect of the Notes.

The Guarantor's strategy requires it to make substantial capital expenditure, which exposes the Guarantor to liquidity and financial counterparty risk, and the Guarantor may face challenges in securing funding for its operations and expansions.

The Guarantor is in the processing of upgrading and improving its transmission network. The Guarantor's expansion strategy requires a substantial amount of capital and other long-term expenditure, including for the construction of new grid stations, the installation of overhead transmission lines and underground cables and the completion of other installations necessary for the operation of its business. For the years ended 31 December 2014 and 2013, the Guarantor's capital expenditure totalled OMR 165.8 million and OMR 76.0 million, respectively, and the Guarantor has budgeted total capital expenditure of OMR 540 million for 2015 through 2019. The Guarantor, in connection with its Long-Term Funding Strategy, expects to incur additional indebtedness in the future to fund these capital expenditure requirements. As a result, the Guarantor is exposed to liquidity risk arising from the need to finance ongoing operations and growth. Global credit markets have been constrained in the past, and the Guarantor's ability to obtain financing may be reduced should similar conditions reoccur. Furthermore, the cost of obtaining future funding is likely to increase over time. If the Guarantor is unable to obtain sufficient or affordable financing, either due to banking or capital market conditions, generally, or due to factors specific to the Guarantor's business or creditworthiness, the Guarantor may not have sufficient cash to invest in new projects or meet on-going operational requirements. In these circumstances, the Guarantor may be forced to reduce its capital expenditure, which may could adversely affect the Guarantor's ability to execute its expansion programme successfully, and, in turn, result in a material adverse effect on the Guarantor's business, financial condition and results of operations and, if continued, adversely affect the Guarantor's ability to fulfil its obligations in respect of the Notes.

The Guarantor is subject to price controls, which the AER sets. Certain factors used in establishing such price controls are not within the Guarantor's control. The MAR may not reflect the Guarantor's actual operating cost.

The AER sets price controls that limit the maximum allowed revenue ("MAR") that Omani electricity companies operating a monopoly, including the Guarantor, may earn each year. The AER sets the Guarantor's MAR every three years based on numerous criteria, including principally the Guarantor's operating costs, capital expenditure, an agreed investment return on the Guarantor's RAB and an agreed allowance for depreciation of assets, as well as the forecasted levels of transmission connection and use of system charges and the amount of the annual Licence fee. The existing MAR for the Guarantor has been in place since 1 January 2013 and is due to expire on 31 December 2015. The Guarantor expects the AER will implement a new MAR that will come into effect on 1 January 2016.

The Guarantor derives its revenue through: (i) transmission connection charges collected from generation and distribution companies and some directly connected customers; and (ii) use of system charges collected from distribution companies. The Guarantor's MAR has the effect of limiting the amount of the revenue that can be realised each year.

The AER determines that MAR based on operational information submitted annually by the Guarantor, and the AER uses such information as part of its evaluation. The AER may not agree with the information received from the Guarantor for purposes of setting the MAR, which could result in the AER setting a lower MAR than the Guarantor expects or believes is appropriate and thereby lowering the amount of transmission connection and use of system charges that the Guarantor may charge. For example, the AER may, in its discretion, exclude some or all of the Guarantor's operational and capital expenditure or proposed depreciation levels or timing, set a lower investment return or reduce the weighted average cost of capital, any of which would have the effect of reducing the MAR. If operating costs rise, the Guarantor may apply for increases in such transmission connection and use of system charges, but there can be no assurance that the AER will approve required increases if the Guarantor cannot achieve appropriate pricing under the MAR, and there is a risk that the Guarantor may realise a loss in its operating income if expenditure exceeds its revenue. The Guarantor cannot make any assurance that changes (if any) to its MAR or, in turn, in its transmission connection and use of system charges, will not adversely affect its revenue, which could result in a material adverse effect on the Guarantor's business, financial condition

and results of operations and, if continued, adversely affect the Guarantor's ability to fulfil its obligations in respect of the Notes.

The Guarantor indirectly benefits from Ministry of Finance subsidies supporting the electricity and related water sector, and any reduction or delay in the payment of such subsidies could materially adversely affect the Guarantor.

The Guarantor has historically, indirectly, benefitted from significant support from the Ministry of Finance in the form of subsidies paid to licenced suppliers of electricity in Oman (which generally are electricity distribution and generation companies licenced by the AER), several of which rely on such subsidies in order to pay the transmission connection and use of system charges charged by the Guarantor. The system pursuant to which subsidies are paid by the Ministry of Finance is subject to change at any time, and there can be no assurance that such subsidies will be continued at existing levels or at all. Any reduction, elimination or expiration of Government subsidies, or any other change or delay in such subsidies, could result in a material adverse effect on the Guarantor's business, financial condition and results of operations and, if continued, adversely affect the Guarantor's ability to fulfil its obligations in respect of the Notes.

The Guarantor cannot guarantee the accuracy of its forecasts for demand for electricity in Oman.

The Guarantor's business operations and corporate strategy are influenced by its modelling of anticipated future demand for electricity in Oman. The Guarantor uses the results of its modelling to identify and execute strategic initiatives, such as the expansion and improvement of its transmission and dispatch network. There can be no assurance that the Guarantor's modelling will accurately reflect the real demand for electricity in the future because such models, by their nature, cannot predict demand with absolute certainty. If actual maximum transmission system demand is lower than predicted volumes, there will be a temporary negative cash flow impact on the Guarantor as the compensation for the lower volumes is only paid in the following year. Any divergence between the Guarantor's anticipated demand and actual demand may result in either excess or insufficient capacity to transmit and dispatch electricity, either of which could subject the Guarantor to regulatory penalties from the AER, which could result in a material adverse effect on the Guarantor's business, financial condition and results of operations and if continued, may affect the Guarantor's ability to fulfil its obligations in respect of the Notes.

The supervisory and regulatory frameworks of the Public Authority for Electricity and Water (the "PAEW") and the AER, which govern the Guarantor, are relatively new and subject to development and change.

The PAEW supervises, and the AER regulates, the electricity and related water sector in Oman. The PAEW is the supervisory public authority in Oman for the electricity and related water sector and provides various policy directions under the Sector Law. The AER has wide powers to regulate, *inter alia*, the generation, transmission and dispatch of electricity. Although the Sector Law has been enacted since 2004, the legal framework in Oman governing the electricity and related water sector is still evolving compared to countries with established market economies. There can be no assurance that the enactment of further laws, policy directives and regulations will not impose additional obligations on the Guarantor, any of which could result in a material adverse effect on the Guarantor's business, financial condition and results of operations and if continued, adversely affect the Guarantor's ability to fulfil its obligations in respect of the Notes.

The Guarantor's level of indebtedness may affect its ability to raise additional capital to fund its operations.

As at 31 December 2014, the Guarantor had OMR 223 million of outstanding borrowings, all of which were comprised of short-term debt. In addition to the Notes and in connection with the Long-Term Funding Strategy, the Guarantor projects that it will require OMR 66 million, OMR 69 million, OMR 47 million and OMR 36 million in additional borrowings in 2016 through 2019, respectively, subject to changes to its model as a result of future events or information not currently known by the Guarantor. For such future borrowings, the Guarantor may consider any and all sources of debt financing, including but not limited to loans from the Government, international and local commercial loans and local and international bond financings. Prospective investors should note that, although the Guarantor is not aware of any instance when the Government has to date exercised its preferential rights under Royal Decree No. 31/94 and Ministerial Decision 20/94, the Government has the option to exercise preferential rights in respect of liabilities owed to it or to state owned companies.

The anticipated incurrence by the Guarantor of a significant level of indebtedness in addition to the Notes could, *inter alia*:

- make it more difficult for the Guarantor to fulfil its obligation in respect of the Notes;

- require a substantial portion of cash flow from operations to be dedicated to the payment of principal and interest on the Guarantor's indebtedness, thereby reducing its ability to use its cash flow to fund its operations, capital expenditure and future business opportunities;
- expose the Guarantor to the risk of increased interest rates with respect to its borrowings bearing a variable rate of interest;
- limit the Guarantor's ability to obtain additional financing for working capital, capital expenditure, debt service requirements and general corporate or other purposes; and
- adversely affect the Guarantor's credit rating.

Any of the foregoing could result in a material adverse effect on the Guarantor's business, financial condition and results of operations and, if continued, adversely affect the Guarantor's ability to fulfil its obligations in respect of the Notes.

The Guarantor expects to experience negative cash flow available for debt repayment over the next five years as a result of its capital expenditure programme and related increases in borrowings.

The Guarantor expects to experience negative cash flow available for debt repayment for the next five years as the Guarantor increases its spending under its capital expenditure programme, as well as the level of its indebtedness to finance such spending. During this period, the Guarantor may be particularly sensitive to increases in its operating costs, which may arise due to factors outside its control, such as, but not limited to, higher than anticipated financing costs, non-performance by third-party suppliers or subcontractors, increases in the costs of labour or materials, or major incidents or catastrophic events, as well as higher than anticipated financing costs, which may result from both rising global interest rates or renewed constraints on the availability of credit. The impact could be particularly significant if the AER is unable or unwilling to make compensating adjustments in the Guarantor's MAR through either recognition of the higher costs or increases in the permitted investment return or a combination of both. If any of these or similar factors occur, the Guarantor could experience net losses and accumulated deficits, which could create a shortfall in its capital expenditure budget, as well as constraints on its ability to obtain additional financing to cover any budget shortfall or otherwise fund its operations or expansion. The occurrence of any such circumstances could result in a material adverse effect on the Guarantor's business, financial condition and results of operations and, if continued, adversely affect the Guarantor's ability to fulfil its obligations in respect of the Notes.

The Guarantor's operations are subject to Government supervision and regulation and the terms of the Guarantor's Licence.

The Guarantor is subject to the terms of its Licence and a varied and complex body of laws and regulations, which the AER and PAEW may seek to enforce. In addition to its Licence, the Guarantor is regularly required to renew or obtain permits necessary for the operation of its business and the construction or improvement of its equipment and facilities. The Guarantor is required to conduct its electricity transmission operations pursuant to its Licence, and in compliance with all applicable regulations, codes and permits. The AER has the power and authority to revoke the Licence if, among other things, the Guarantor does not comply with the requirements of its Licence, including failure to continue carrying on its licenced activities, make payments due under the Licence, perform applicable duties and statutory requirements, or provide required information or if the Guarantor becomes insolvent, suffers a change of control or the issue of the licence was found to have been based on inaccurate or incorrect information.

Furthermore, changes in the interpretation of existing laws or the adoption of new laws or regulations applicable to the Guarantor and its business could cause the Guarantor to fail to comply with the requirements of applicable laws or regulations or the Licence, which could subject the Guarantor to liability. The Guarantor could also be required to grant liens over its assets to secure any such liabilities, which would effectively subordinate its obligations in respect of the Notes.

Moreover, if the Guarantor is unable to obtain required permits, or experiences delays or unexpected costs in this connection, the Guarantor's ability to operate its business and execute its capital expenditure programme may be materially adversely affected.

Any of these circumstances could result in a material adverse effect on the Guarantor's business, financial condition and results of operations and, if continued, adversely affect the Guarantor's ability to fulfil its obligations in respect of the Notes.

The Guarantor's business may suffer if it fails to attract and retain qualified and experienced employees.

The Guarantor intends to recruit additional employees as it continues to progress its projects in line with its long-term growth strategy. If the Guarantor is unable to retain experienced, capable and reliable personnel, especially senior and middle management with appropriate professional qualifications, or fails to recruit required new or additional skilled professional and technical staff, the Guarantor's operations may be adversely affected. Experienced and skilled capable personnel in the engineering and technical fields remain in high demand in Oman, and there is significant competition for qualified professionals. Consequently, when qualified employees leave, the Guarantor may have difficulty replacing them and may incur additional costs and expenses in securing such replacements.

The Guarantor relies on its senior management for the implementation of its strategy and its day-to-day operations. There is intense competition in Oman for skilled personnel, especially at the senior management level, due to a disproportionately low number of available qualified and/or experienced individuals compared to current demand. No member of the Guarantor's senior management team has agreed to any fixed term of employment or is subject to non-compete or non-solicitation restrictions. The loss of any member of the Guarantor's senior management team, or the loss of any of the Guarantor's other key employees, may result in a loss of organisational focus, poor execution of operations, or an inability to identify and execute potential strategic initiatives. The occurrence of any of these events could result in a material adverse effect on the Guarantor's business, financial condition and results of operations and, if continued, adversely affect the Guarantor's ability to fulfil its obligations in respect of the Notes.

Furthermore, Ministerial Decree 248/2014 requires the Guarantor to meet certain percentage thresholds relating to the employment of Omani citizens (as opposed to foreign nationals) across all levels within the organisation, a requirement known as 'Omanisation'. Although the Guarantor currently meets its 'Omanisation' requirements, there can be no assurance that the Guarantor will be able to continue to do so. If the Guarantor does not meet its 'Omanisation' requirements, the Guarantor may be subject to fine, penalties and other remedial measures, which could result in a material adverse effect on the Guarantor's business, financial condition and results of operations and, if continued, adversely affect the Guarantor's ability to fulfil its obligations in respect of the Notes.

The Guarantor could be harmed by network disruptions, security breaches, or other significant disruptions or failures of the Guarantor's information technology ("IT") infrastructure and related systems.

To be successful, the Guarantor needs to continue to have available a high capacity, reliable and secure IT network. The Guarantor's IT infrastructure, disaster recovery systems, control centre and related systems are relatively new and remain in various stages of development. There can be no assurance that the Guarantor will be able to continue to expand and improve its systems in order to meet the needs of its existing and anticipated business. In addition, the Guarantor faces risks of security breaches, through (among other things) cyber-attacks, malware, computer viruses or sabotage or other unauthorised accesses to its proprietary or classified information.

Although the Guarantor makes significant efforts to maintain the security and integrity of its information and systems, the Guarantor may be unable to anticipate all potential types of attacks or intrusions or to implement adequate security barriers or other preventative measures. There can be no assurance that the Guarantor's security measures will be effective or that attempted security breaches or disruptions would not be successful or damaging, especially in light of the growing sophistication of cyber-attacks and intrusions. Network disruptions, security breaches and other significant failures could (i) disrupt the proper functioning of these networks and systems, and therefore, the Guarantor's operations; (ii) result in unauthorised access to, and destruction, loss, theft, misappropriation or release of the Guarantor's proprietary, confidential, sensitive or otherwise valuable information, including trade secrets, which others could use to compete against the Guarantor or for disruptive, destructive or otherwise harmful purposes and outcomes; or (iii) result in a loss of business, damage the Guarantor's reputation or expose the Guarantor to regulatory penalties, fines, sanctions, enforcement actions, remediation obligations or litigation.

The Guarantor may also be required to expend significant management attention and financial resources and to protect against the threat of security breaches and other network disruptions and, in the event of significant breaches or failures, to remedy resulting damages

Any of the foregoing could have a material adverse impact on the Guarantor's results of operations, financial condition and cash flows and, if continued, adversely affect the Guarantor's ability to fulfil its obligations in respect of the Notes.

One principal shareholder, EHC, which is controlled by the Government, controls the Guarantor. EHC and the Government may have interests which conflict with those of the Guarantor and the Noteholder.

The Guarantor's principal shareholder is EHC, which holds 99.9% of the Guarantor's share capital as at the date of this Prospectus. By virtue of such shareholding, EHC has the power to designate the members of the Guarantor's Board of Directors ("**Board**"), and the ability to influence the Guarantor's business significantly through its ability to control or block actions that require shareholder or Board approval. The Government's key objective with respect to the Guarantor is to ensure the stable transmission and dispatch of electricity in Oman at affordable prices rather than the optimisation of the Guarantor's revenue and profits. As such, the interests of the Government may conflict with the Guarantor's objectives as a commercial enterprise and, in turn, with the interests of the Noteholders. There can be no assurance that the Government will not unilaterally take any action to further its own objectives. Any such actions by the Government could result in a material adverse effect on the Guarantor's business, financial condition and results of operations and if continued, adversely affect the Guarantor's ability to fulfil its obligations in respect of the Notes.

The Guarantor's operations could be adversely affected by terrorist attacks, natural disasters or other catastrophic events, as well as and topographical challenges, all of which are beyond the Guarantor's control.

The Guarantor's business operations could be adversely affected or disrupted by terrorist attacks, natural disasters (such as cyclones, sandstorms, earthquakes or tsunamis, among others) or other potentially catastrophic events that are beyond the Guarantor's control. In addition, the Guarantor faces certain challenges in connection with installing, maintaining and operating an electricity transmission network in Oman, which has a vast desert in central Oman and mountain ranges along the north and southeast coasts. For example, laying underground cables along the north and southeast coasts occasionally involve drilling into mountain ranges. Any catastrophic occurrence or topographical challenge, which affects electricity transmission or the expansion of the Guarantor's transmission network, could severely disrupt the Guarantor's operations, including its ability to transmit and dispatch electricity, or result in increased costs. Any such circumstances could, in turn, result in a material adverse effect on the Guarantor's business, financial condition and results of operations and if continued, adversely affect the Guarantor's ability to fulfil its obligations in respect of the Notes.

The Guarantor may not be able to maintain or obtain sufficient insurance coverage for the risks associated with the operation of its business.

The Guarantor's operations may be affected by a number of risks, including terrorist acts and war-related events, for which full insurance cover is either not available or not available on commercially reasonable terms. For example, the Guarantor has not purchased insurance to cover any possible losses through acts of terrorism. In addition, severe or frequently occurring events, such as accidents and other mishaps, business interruptions or potential damage to facilities, property and equipment caused by inclement weather, human error, pollution, labour disputes and natural catastrophes, may result in losses or expose the Guarantor to liabilities in excess of its insurance coverage. Furthermore, the Guarantor's insurance does not cover losses resulting from damage to the Guarantor's overhead lines and underground cables, as there is no market for insurance coverage of overhead lines and cables in Oman. In the event of damage, the Guarantor would be directly responsible for all costs associated with required replacement or repairs of its overhead lines and underground cables. The Guarantor cannot assure investors that its insurance coverage will be sufficient or available to cover losses arising from any or all of such events, or that it will be able to renew existing insurance cover on commercially reasonable terms, if at all.

Should an incident occur in relation to which the Guarantor has no or insufficient insurance coverage, the Guarantor could lose the capital invested in, and anticipated future revenue relating to, any property that is damaged or destroyed and, in certain cases, the Guarantor may remain liable for financial obligations related to the impacted property. Any of these occurrences could result in a material adverse effect on the Guarantor's business, financial condition and results of operations and, if continued, adversely affect the Guarantor's ability to fulfil its obligations in respect of the Notes.

The Guarantor may be subject to liabilities as a result of violations of environmental and health and safety laws.

The Guarantor is subject to regulation by the Ministry of Environment & Climate Affairs ("**MECA**"), which has wide powers that include the implementation and enforcement of environmental regulations. The AER also has some concurrent regulatory jurisdiction over environmental matters under the Sector Law, which provides that the Guarantor should consider environmental impacts before it takes any action that may adversely affect the environment.

The risk of environmental damage is inherent in the electricity and related water services sector and may involve significant health and safety risks. As a result, the Guarantor is subject to applicable environmental and safety regulations in force in

Oman, which set various standards for regulating certain aspects of health, safety, security and environmental quality and impose civil and criminal penalties and other liabilities for violations.

Under the supervision of MECA, the Guarantor is subject to Sultani Decree 114/2001, the Law on Conservation of the Environment and Prevention of Pollution (the “**Law on Environment**”). In particular, compliance with special provisions may be appropriate or required in environmentally sensitive areas. While, as at the date of this Prospectus, management believes that the Guarantor has been and is in compliance with all environmental regulations applicable to it, there can be no assurance that the Guarantor will continue to be in compliance in the future. The Guarantor cannot predict what prospective environmental legislation may be enacted, or how existing or future laws will be administered or enforced.

Furthermore, the use of high-voltage equipment may involve significant health and safety risks and could result in equipment loss of life or serious injury to its employees as a result of any breach of applicable safety legislation may result in disruption of the Guarantor’s operations and investment projects, cause reputational harm to the Guarantor or subject the Guarantor to significant liability for damages, penalties, and/or compensation.

If the Guarantor is required to comply with more stringent laws and regulations, or more vigorous enforcement policies are pursued by any regulatory authority in connection with the foregoing, the Guarantor could be exposed to material additional costs, including as a result of the installation and operation of systems for remedial measures or the payment of fines, penalties, damages or compensation. In addition, compliance with more stringent laws and regulations, or more vigorous enforcement policies of any regulatory authority, may cause delays in permitting and related approval processes in connection with the Guarantor’s operations and investment projects, which could cause delays in the Guarantor’s execution of its capital expenditure programme, result in a material adverse effect on the Guarantor’s business, financial condition and results of operations and if continued, adversely affect the Guarantor’s ability to fulfil its obligations in respect of the Notes.

The Guarantor’s transmission network may experience equipment failures and may otherwise not operate as planned.

The operation of the Guarantor’s transmission and dispatch network may be subject to material operating risks such as unplanned outages, equipment failure or facilities operating inefficiently or below capacity. Any such occurrences could adversely affect the Guarantor’s ability to transmit and dispatch electricity at levels sufficient to meet demand. In August 2014, the Dhofar System experienced a total network blackout for almost five hours. The triggering event for the blackout was identified as a sudden drop of gas pressure at one of the power plants. There was a failure to successfully switch over from gas to the backup oil fuel which eventually led to the loss of all the generating units in the plant. The MIS was not in a position to support the Dhofar System because the MIS is not directly interlinked with the Dhofar System. Any complete or partial network failure could result in increased costs and loss of revenue, which could, in turn, result in a material adverse effect on the Guarantor’s business, financial condition and results of operations and if continued, may affect the Guarantor’s ability to fulfil its obligations in respect of the Notes.

The Guarantor does not own the land on which its transmission and dispatch system is situated, which is instead held under leaseholds. The Guarantor may be unable to renew required leases and related usufructs upon their expiration.

The Guarantor does not own the land on or under which its transmission and dispatch system is situated, and the Guarantor is, therefore, subject to the risk of the non-renewal of existing leases upon their expiration, as well as the risk of increased costs to maintain necessary land use rights. Additionally, if the Guarantor is in material breach of the terms of a land lease, the lessor may, at its option, elect to terminate the land lease, evict the Guarantor and repossess the land. The termination or non-renewal of leases over the land on which the Guarantor has constructed its transmission network would have a material adverse effect on the Guarantor’s business, results of operations and financial condition and if continued, adversely affect the Guarantor’s ability to fulfil its obligations in respect of the Notes.

The Guarantor may be unable to obtain government approvals, property rights, and/or financing for the construction, development and operation of its capital expenditure programme.

Successful execution of the capital expenditure programme requires the Guarantor to obtain government approvals, property rights and additional financing, all of which are subject to factors that are not within the Guarantor’s control. The Guarantor cannot make any assurances that it will be able to obtain the foregoing, or make any assurances that even if it is able to obtain the foregoing, that it will be able to execute its capital expenditure programme successfully.

The Guarantor conducts substantially all of its business in Oman.

Substantially all of the Guarantor's operations and assets are located in Oman, and accordingly its business, results of operations and financial condition may be affected by the political, social, legal and general economic conditions prevailing from time to time in Oman as well as in the Middle East generally.

Oman Competition Law

The Guarantor's activities and contracts are currently exempted from the provisions the Oman Competition Law (Royal Decree No. 67/2014) ("**Competition Law**") by virtue of Article 4 of the Competition Law, which carves out public utilities wholly-owned and operated by the Government from the ambit of this legislation. If EHC decides to privatise any number of shares of the Guarantor in the future, the Guarantor will no longer benefit from the exemption in Article 4 and its monopoly position, the contractual framework underlying the monopoly and the nature of its business may be subject to scrutiny under the prohibitions set out in the Competition Law including those relating to monopolistic agreements, restrictive agreements and abuse of dominant position.

Risks Related to Oman

Emerging markets, such as Oman, are subject to greater risks than more developed markets, and financial volatility in the Middle East in particular and in emerging markets generally could adversely impact the Guarantor's business.

Generally, investment in emerging markets is only suitable for sophisticated investors who fully appreciate the significance of the risks involved in, and are familiar with, investing in emerging markets. Prospective investors should also note that emerging markets such as Oman are subject to rapid change and that the information set forth in this Prospectus may become outdated relatively quickly. Moreover, financial turmoil in any emerging market country tends to adversely affect confidence in all emerging market countries as investors move their money to more developed markets. As has happened in the past, financial problems or an increase in the perceived risks associated with investing in emerging economies could dampen foreign investment in Oman and adversely affect its economy. In addition, during such times, companies that operate in emerging markets may face severe liquidity constraints as foreign funding sources are withdrawn. Thus, even if those economies remain relatively stable, financial turmoil in any emerging market country could adversely affect the Guarantor's business, as well as result in a decrease in the trading value of the Notes. Companies located in the emerging markets may be particularly susceptible to disruptions in the capital markets and the reduced availability of credit or the increased cost of debt, which could result in such companies experiencing financial difficulty. In addition, the availability of credit to entities operating within the emerging markets is significantly influenced by levels of investor confidence in such markets as a whole and so any factors that impact market confidence (for example, a decrease in credit ratings or state or central bank intervention) could affect the price or availability of funding for entities within any of these markets.

Specific country and regional risks that could have a material adverse effect on the Guarantor's business, results of operations and financial condition and the Guarantor's ability to fulfil its obligations in respect of the Notes include:

- geopolitical regional conflicts;
- overall market liquidity;
- government interventions and protectionism;
- potential adverse changes in laws and regulatory practices, including legal structures and tax laws;
- difficulties in staffing and managing operations;
- logistical and communications challenges; and
- changes in labour conditions.

The Guarantor's business and operations could be affected by Omani economic and political considerations.

His Majesty Sultan Qaboos bin Said Al Said, who is 74 years old, has ruled Oman since 1970. His Majesty has been critical in leading the modernisation and advancement of Oman, with a focus on widespread economic and political reform, which has resulted in significantly increased stability and economic growth in the country. There can be no assurance, however, that such stability and growth will continue. A change in the political leadership or priorities within Oman, or strife within the region more generally, could result in a material adverse effect on the Guarantor's business, financial condition or

results of operations and, if continued, may adversely affect the Guarantor's ability to fulfil its obligations in respect of the Notes.

The Oman legal system continues to develop, and this may create an uncertain environment for investment and business activity.

Oman's legal and regulatory systems and institutions are in various stages of development and are not yet as sophisticated as similar institutions characteristic of more developed markets. As a result, procedural safeguards as well as formal regulations and laws may not be applied consistently. In some circumstances it may not be possible to obtain the legal remedies provided under the relevant laws and regulations in a timely manner. As the legal environment remains subject to continuous development, investors in Oman may face uncertainty as to the security of their investments. Any unexpected changes in Oman's legal system may have a material adverse effect on the rights of Noteholders or the investments that the Guarantor has made or may make in the future, which could result in a material adverse effect on the Guarantor's business, financial condition and results of operations and, if continued, adversely affect the Guarantor's ability to fulfil its obligations in respect of the Notes.

The Central Bank and the Omani Ministry of Commerce and Industry regulate interest rates in Oman.

The Central Bank and the Omani Ministry of Commerce and Industry (the "MOCI") each has the power to regulate certain interest rates in Oman. It is not clear whether interest on the Notes would fall to be regulated by the Central Bank or the MOCI and (if the latter) what maximum rate of interest would apply to the Notes. As at the date of this Prospectus, the MOCI imposes a maximum "rate of return" of 6.5% on personal and housing loans; while this limit should not apply to the Notes or the Guarantee, there is no clear guidance as to the maximum rate of return that may be imposed on such corporate obligations. In addition, courts of Oman will not enforce interest claims in excess of what those courts consider just and reasonable. Accordingly, no assurance can be given as regards the enforceability of interest in excess of such amounts to the extent that the matter fell to be considered by courts of Oman.

Moreover, there may be a possibility that, pursuant to the Civil Code, courts of Oman may decide not to enforce provisions of a contract governed by foreign law or a judgment from a foreign court or arbitral award, which are deemed contrary to Islamic Shari'a principles, such as the charging of interest. Although the charging of interest is expressly permitted under Oman law and the regular practice of courts of Oman is to enforce contracts charging interest, there can be no assurance that provisions for the payment of interest will in all cases be respected.

Risks Related to the Issuer

The Issuer is recently formed, has no prior operating history and no material assets of its own.

The Issuer is a special purpose company recently incorporated under the Companies Law (2013 Revision) in the Cayman Islands as an exempted company with limited liability and has no prior operating history or track record. Accordingly, the Issuer has no performance history for a prospective investor to consider in making its decision to invest in the Notes.

Noteholders may experience difficulties in effecting civil remedies on the Issuer.

As the Issuer is a Cayman Islands company, it may not be possible for Noteholders to effect service of process outside the Cayman Islands upon the Issuer or its officers and directors. It may also be difficult for Noteholders to enforce against the Issuer or its officers and directors judgments based upon civil liability under securities laws in other jurisdictions.

The Issuer's ability to fulfil its obligations in respect of the Notes issued by it in connection with the Guarantee is entirely dependent on the Guarantor.

The Issuer's principal purpose is to provide funding to the Guarantor. Accordingly, the Issuer's ability to fulfil its obligations under the Notes is entirely dependent on the performance of the Guarantor. As a result, in considering the risks that may affect the Issuer's ability to fulfil such obligations, prospective investors should focus on the risk factors relating to the Guarantor (as set out below), the Guarantor's business and operations, its financial statements and the Guarantor's ability and willingness to fulfil its obligations under the Guarantee, which is equally applicable to the Issuer's ability to fulfil its obligations under the Notes. If a prospective investor purchases Notes, it is relying on the creditworthiness of the Guarantor and no other person. An investment in the Notes involves the risk that subsequent changes in the actual or perceived creditworthiness of the Guarantor may adversely affect the market value of the Notes.

The Issuer has nominal capital and is an exempted company incorporated with limited liability in the Cayman Islands and, for the avoidance of doubt, no recourse shall be had for the payment of any amount owing under the Notes, nor shall any liability arise thereunder, against any director, officer, member, administrator, employee or incorporator of the Issuer or their respective successors or assigns.

Risks Related to the Notes

Payments on the Notes could be subject to EU withholding tax in certain circumstances.

Under EC Council Directive 2003/48/EC on the taxation of savings income (the “**EU Savings Directive**”), EU Member States are required, from 1 July 2005, to provide to the tax authorities of another EU Member State details of payments of interest (or similar income) paid by a person established within its jurisdiction to (or for the benefit of) an individual resident, or certain types of entity established, in that other EU Member State. On 24 March 2014, the Council of the European Union adopted a Council Directive, which will, when implemented, amend and broaden the scope of the requirements described above (the **Amending Directive**). EU Member States are required to apply these new requirements from 1 January 2016. The changes will expand the range of payments covered by the EU Savings Directive, in particular to include additional types of income payable on securities. The Amending Directive will also expand the circumstances in which payments that indirectly benefit an individual resident in an EU Member State must be reported or paid subject to withholding. For example, payments made to (or for the benefit of): (i) an entity or legal arrangement effectively managed in an EU Member State that is not subject to effective taxation; or (ii) a person, entity or legal arrangement established or effectively managed outside of the EU (and outside any third country or territory that has adopted similar measures to the EU Savings Directive) which indirectly benefit an individual resident in an EU Member State, may fall within the scope of the EU Savings Directive, as amended.

For a transitional period, Austria is required (unless during that period it elects otherwise) to operate a withholding system in relation to such payments (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld). The ending of this transitional period is dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries. Luxembourg has abolished the withholding system with effect from 1 January 2015, in favour of automatic information exchange under the Directive

A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

If a payment were to be made or collected through an EU Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment pursuant to the EU Savings Directive or any other directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to such Directive, neither the Issuer nor the Guarantor nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Notes as a result of the imposition of such withholding tax.

Furthermore, once the Amending Directive is implemented and takes effect in EU Member States, such withholding may occur in a wider range of circumstances than at present, as explained above.

The Issuer is required, as provided in Condition 3 of the Notes, to maintain a Paying Agent with a specified office in an EU Member State that is not obliged to withhold or deduct tax pursuant to the EU Savings Directive or any law implementing or complying with, or introduced in order to conform to, the EU Savings Directive or any other directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000. However, investors should be aware that any custodians or intermediaries through which they hold their interest in Notes may nonetheless be obliged to withhold or deduct tax pursuant to such laws unless the investor meets certain conditions, including providing any information that may be necessary to enable such persons to make payments free from withholding and in compliance with the EU Savings Directive, as amended.

Investors who are in any doubt as to their position should consult their professional advisers.

The Notes are subject to credit risks.

Investors in Notes carry a credit risk relating to the Issuer and the Guarantor. An investor's ability to receive payment under the Conditions is, accordingly, dependent on the Issuer's ability to meet its obligations under the Notes and the Guarantor's ability to meet its obligations under the Loan, which, in turn, is largely dependent upon the performance of the Guarantor's business. The Guarantor's business is affected by several factors of which a number have been discussed above. An increased credit risk may cause the market to charge the Notes a higher risk premium, which would negatively affect the value of the Notes. Another aspect of the credit risk is that a deteriorating financial position of the Guarantor may reduce the Guarantor's possibility to receive debt financing at the time of the maturity of the Notes, which could, in turn, affect its ability to fulfil its obligations under the Loan and the Issuer's ability to fulfil its obligations under the Notes.

The trading price of the Notes may be volatile.

The market for the Notes will be influenced by economic and market conditions in Oman and other factors affecting Oman, a number of which have been discussed above, and, to varying degrees, interest rates, currency exchange rates and inflation rates in other countries, such as the United States, the Member States of the EU and elsewhere. There can be no assurance that an active trading market for the Notes will develop, or, if one does develop, that events in Oman or elsewhere will not cause market volatility or that such volatility will not adversely affect the liquidity or the price of the Notes or that economic and market conditions will not have any other adverse effect. If the Notes are traded after their initial issuance, they may trade at a discount to the Issue Price, depending upon prevailing interest rates, the market for similar securities, general economic conditions, the financial condition, results of operations and prospects of the Guarantor or other factors. Any such volatility could have a material adverse effect on the Guarantor's business, financial condition and results of operations, as well as on the trading price of the Notes.

The Notes may not be liquid.

The Issuer and the Guarantor intend to apply and the Issuer is applying for listing of the Notes on the Irish Stock Exchange. No assurance can be given that the Notes will be admitted to trading on the Main Securities Market. Furthermore, even if the Notes are admitted to trading on a regulated market, such as the Main Securities Market, active trading in listed securities does not always occur and, accordingly, there are no assurances that a liquid market for trading in the Notes will occur or be maintained even if the Notes are listed. The result may be that the holders of Notes cannot sell their Notes when desired or at a price level which allows for a profit comparable to similar investments with an active and functioning secondary market. Lack of liquidity in the market may also have a negative impact on the market value of the Notes. Furthermore, the principal amount of the Notes may not be indicative compared to the market price of the Notes, which may trade at a discount.

It should also be noted that it may be difficult or impossible to sell the Notes (at all or on reasonable terms) during a given time period due to, for example, severe price fluctuations, close down of the relevant market or trade restrictions imposed on the market.

The Notes are pari passu securities.

There is no restriction on the amount of indebtedness that the Issuer or the Guarantor may incur or guarantee, the obligations in respect of which may rank equally with, or (in the case of indebtedness owed to the Government) prior to, the Notes and the Guarantee in right of payment. The issue or guarantee of any such indebtedness may reduce the amount investors may recover in respect of the Notes in certain scenarios as the incurrence of additional indebtedness could affect the Issuer's or the Guarantor's ability to repay principal of, and make payments of interest on, the Notes. This could have a material adverse effect on the trading price of the Notes.

The Notes and the Guarantee are unsecured obligations.

The Notes constitute unsecured obligations of the Issuer and the Guarantee constitutes an unsecured obligation of the Guarantor, save, in each case, to the extent required to be secured in "*Terms and Conditions of the Notes— 4. Negative Pledge*".

Changes in respect of the credit ratings of the Notes may materially and adversely affect the trading price of the Notes.

The Notes are expected to be rated A3 (stable) by Moody's and BBB+ (stable) by S&P. Each of Moody's and S&P is established in the European Union and is registered under the CRA Regulation. There can be no assurance that a credit rating will remain for any given period of time or that a credit rating will not be downgraded or withdrawn entirely by the relevant rating organisation if, in its judgment, circumstances in the future so warrant. None of the Issuer, the Guarantor or the Joint Lead Managers has any obligation to inform Noteholders of any such revision, downgrade or withdrawal. Any adverse change in an applicable credit rating could have a material adverse effect on the trading price of the Notes.

The ratings may not reflect the potential impact of the risks discussed above, as well as any other factors that may affect the value of the Notes. A credit rating is not a recommendation by the rating organisation or any other person to buy, sell or hold securities and may be subject to revisions or withdrawal at any time by the assigning rating organisation and each should be evaluated independently from the other.

The Notes are subject to exchange rate risks and exchange controls.

The Issuer, to the extent that it has received funds in accordance with the Loan, will pay principal and interest on the Notes in U.S. Dollars. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than U.S. Dollars. These include the risk that exchange rates may significantly change (including changes due to the depreciation of the U.S. Dollar or appreciation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the U.S. Dollar would decrease: (i) the Investor's Currency-equivalent yield on the Notes; (ii) the Investor's Currency-equivalent value of the principal payable on the Notes; and (iii) the Investor's Currency-equivalent market value of the Notes.

Governments and monetary authorities may impose (as some have done in the past) exchange controls that could materially adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal at all. This could have a material adverse effect on the trading price of the Notes.

The Notes are subject to interest rate risks.

An investment in Notes involves the risk that subsequent changes in market interest rates could have a material adverse effect on the value and trading price of the Notes.

The Terms and Conditions of the Notes provide for decisions of majorities to bind all Noteholders.

The Terms and Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders, including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

There are risks relating to the clearing and settlement through the clearing systems' book-entry systems.

The Notes are affiliated to Euroclear's, Clearstream's and DTC's (together, the "**Clearing Systems**") account-based systems, and no physical notes have been, or will be, issued. Clearing and settlement relating to the Notes is carried out within the Clearing Systems' book-entry system, as well as payment of interest and repayment of principal. Investors are therefore dependent on the functionality of the Clearing Systems' account-based system for timely and accurate payment.

The Notes are subject to early redemption at the option of the Issuer in certain circumstances.

In the event that the Issuer or the Guarantor is obligated to increase the amounts payable in respect of the Notes or the Loan due to any change in or amendment to the laws or regulations of the Cayman Islands or Oman, as the case may be, or any political sub-division thereof or of any authority therein or thereof having the power to tax or in the interpretation or administration thereof, the Issuer may redeem all outstanding Notes in accordance with the Conditions.

Future legislative measures or changes or modifications to administrative practices may impact the Notes.

This Prospectus and the Terms and Conditions are based on English law in force at the Issue Date. No assurance can be given on the impact of any possible future legislative measures or changes or modifications to administrative practices.

Amended or new legislation and administrative practices may adversely affect the investor's ability to receive payment under the Terms and Conditions of the Notes.

There may be limitations on the enforcement of foreign judgments or arbitral awards against the Guarantor.

The Notes, the Fiscal Agency Agreement, the Deed of Guarantee and the Deed of Covenant are governed by English law and the parties to such documents have agreed to refer any unresolved dispute in relation to such documents to arbitration settled under the Rules of the ICC.

The Guarantor is a closed joint stock company incorporated under the Oman Commercial Companies Law. All of the Guarantor's directors and executive officers reside outside the United Kingdom and the United States and all of the assets of the Guarantor and such persons are located outside of the United Kingdom and the United States. Accordingly, it may not be possible for investors to effect service of process within the United States or the United Kingdom on the directors and executive officers of the Guarantor or to enforce judgments against the Guarantor or such persons.

Foreign arbitration awards may be enforced in Oman pursuant to: (i) treaty obligations; (ii) the Oman Civil Procedure Law; or (iii) the Oman Arbitration Law. Oman has acceded to the New York Convention, and ratified the Riyadh Convention. Although Oman has been a party to the New York Convention since 1998, the Guarantor is aware of only one case which has come before the courts of Oman where a claimant has sought to enforce a foreign arbitral award issued by a contracting state. The Guarantor has no reason to believe, however, that the courts of Oman would not enforce an arbitral award passed in a contracting state (without the need to re-examine or re-litigate), subject only to no valid argument being raised that the enforcement of that arbitral award should be refused on one or more of the grounds set out in Article V of the New York Convention or that the subject matter of the award is against public order or morality in Oman. The enforcement in Oman of any of the obligations of any party under any of the Notes, the Fiscal Agency Agreement, the Deed of Guarantee or the Deed of Covenant (irrespective of whether the courts of Oman have given a judgment in favour of a party) will ultimately require an order for enforcement by the courts of Oman, which order is subject to discretion, including as to the manner in which such court would interpret and apply the New York Convention.

If the foreign arbitral award is not enforceable pursuant to the New York Convention, then such award may still be enforceable in Oman subject to the satisfaction of the conditions set out in Articles 352 to 355 of the Oman Civil Procedure Law. In accordance with Article 352 of the Law of Civil and Commercial Procedures of Oman, the courts of Oman possess an inherent jurisdiction to enforce foreign awards. When considering the enforcement of arbitral awards in the above circumstances, the courts of Oman will need to be satisfied that the following conditions have been met (reading "judgment" as "award"):

- (a) it is passed by a competent judicial authority in accordance with the international jurisdiction rules applicable in the country in which the judgment or order is passed, and becomes final according to that law and was not grounded on deception;
- (b) the parties to the dispute were summoned to appear and were properly represented;
- (c) it does not include any requests, the basis of which breaches the laws enforced in Oman;
- (d) it does not contradict any judgment or order previously issued by the courts of Oman, and it does not include anything contravening public order or morals;
- (e) the country in which the said judgment or award was signed accepts the execution of judgments of Oman courts within its territories; and
- (f) the matter that has been arbitrated upon in the foreign jurisdiction is capable of being determined by arbitration under Omani law (Article 353).

In the event that the conditions of Articles 352 to 355 of the Oman Civil Procedure Law are not met by a foreign arbitral award, such foreign arbitral award may be of evidentiary value only in a full hearing before the Omani Court and the matter may have to be litigated de novo before the courts of Omani.

Foreign arbitral awards may also be directly enforceable in Oman under the provisions of the Oman Arbitration Law, where the award in question has been rendered: (i) in Oman; or (ii) in an international commercial arbitration (for example, an

award made under the Rules of the ICC) in which the parties to the relevant proceeding have specified that the Oman Arbitration Law shall apply.

There is no established system of precedent that would be binding on the courts in Oman. If enforcement of the Notes were sought before the courts in Oman, it is difficult to forecast in advance with any degree of certainty how some of the provisions relating to the Notes would be interpreted and applied by those courts and whether all of the provisions of the Notes would be enforceable. Moreover, although there is a provision of Omani law that protects the right to charge interest, it is not beyond doubt that such law could be challenged as being contrary to Shari'a principles.

There may be limitations on the enforcement of foreign judgments or arbitral awards against the Issuer.

The Issuer is an exempted company incorporated under the Companies Law (as amended) of the Cayman Islands. All of the Issuer's directors and executive officers reside outside the United Kingdom and the United States and all of the assets of the Issuer and of such persons are located outside of the United States and the United Kingdom. As a result, it may not be possible for investors to effect service of process within the United Kingdom, the United States or other jurisdictions outside the Cayman Islands upon the Issuer or any of its directors and executive officers or to enforce against any of them judgments of courts or arbitral awards in the United Kingdom, the United States or other jurisdictions outside the Cayman Islands, including judgments predicated upon civil liabilities under the securities laws of the United Kingdom and the United States.

The Guarantor's waiver of immunity may not be effective under the laws of the Oman.

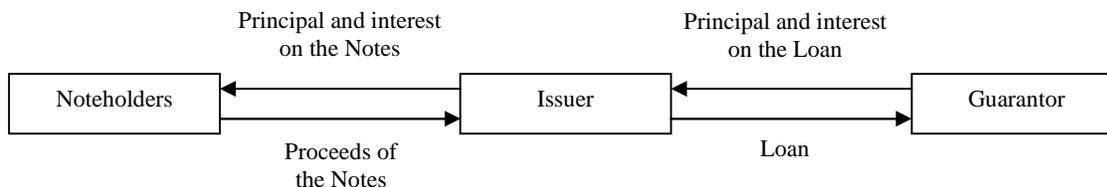
Omani law provides that public or private assets owned by Oman may not be confiscated. Since the Guarantor is ultimately wholly-owned by the Government, there is a risk that the assets of the Guarantor may fall within the ambit of government assets and as such cannot be attached or executed upon. The Guarantor has waived its rights in relation to sovereign immunity, however, there can be no assurance as to whether such waivers of immunity from execution or attachment or other legal process by it in respect of the Notes, the Fiscal Agency Agreement, the Deed of Guarantee and the Deed of Covenant are valid and binding under the laws of Oman and, to the Guarantor's knowledge, such waivers have not been tested by the courts of Oman.

DESCRIPTION OF THE OFFERING

The following description contains basic information about the Notes and the Loan and should be read in conjunction with, and is qualified in its entirety by, the information set forth under “Terms and Conditions of the Notes” and appearing elsewhere in this Prospectus.

Loan

The following diagram illustrates the structure of the Offering:



The Issuer will issue the Notes with the benefit of the Guarantee. In consideration for the giving of the Guarantee, the Issuer will apply the proceeds of the Notes to fund the Loan to the Guarantor pursuant to the Loan Agreement. The Issuer will be able to satisfy its obligations to Noteholders in respect of the payments of principal, interest and Additional Amounts, if any, only to the extent it receives sufficient funds from the Guarantor pursuant to the Loan Agreement. To the extent that the Guarantor complies with its obligations under the Loan Agreement, the Issuer will receive sufficient funds under the Loan in order to service such payments on the Notes.

Guarantee

As provided in the Deed of Guarantee, the Guarantor unconditionally and irrevocably guarantees the due and punctual payment of all sums expressed to be payable by the Issuer under the Notes or the Fiscal Agency Agreement, being liable for such payments under the Notes or the Fiscal Agency Agreement, as the case may be, as if the Guarantor were the sole principal debtor and not merely a surety.

Payment of Additional Amounts

Payments in respect of the Notes will be made without any deduction or withholding for or on account of Omani or Cayman Islands taxes, except as required by law. See “*Terms and Conditions of the Notes—9. Taxation.*” In the event that any deduction or withholding is required by law, the Issuer will be required, except in certain limited circumstances, to pay Additional Amounts to the extent that it receives corresponding amounts from the Guarantor under the Loan. In addition, payments under the Loan shall be made without deduction or withholding for or on account of Omani taxes, except as required by law. In the event that any deduction or withholding is required by law with respect to payments under the Notes or the Loan, the Guarantor will be obliged, except in certain limited circumstances, to increase the amounts payable under the Loan, by an amount equivalent to the required tax payment. See “*Risk Factors—Risks Related to the Notes—The Notes are subject to early redemption at the option of the Issuer in certain circumstances*” and “*Terms and Conditions of the Notes—7. Redemption and Purchase*”.

REGULATION OF THE ELECTRICITY AND RELATED WATER SECTOR IN OMAN

Overview of the Sector, EHC and Oman Power and Water Procurement Company S.A.O.C

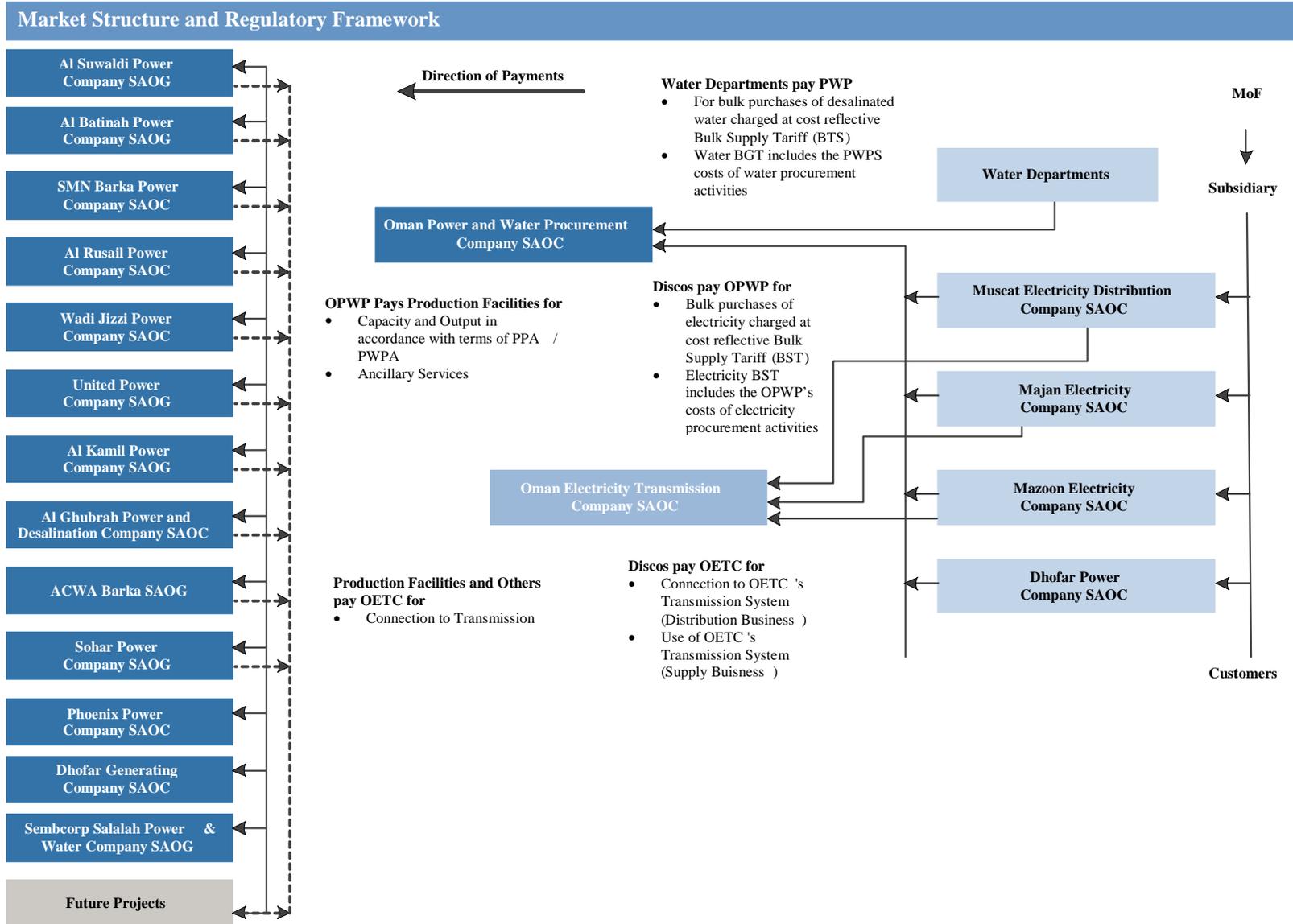
Until 1999, the Government, through the Ministry of Housing, Electricity and Water (the “**MHEW**”) (the predecessor to the Ministry of Housing), had sole authority for the electricity generation, transmission and dispatch businesses in Oman. In December 1999, the Oman Council of Ministers approved the introduction of a Government policy designed to facilitate the wholesale restructuring of and private sector participation in the electricity and related water sector in Oman and began the process of preparing a new law to facilitate the restructuring and regulation of the electricity and related water sector in Oman. As a result, the Sector Law came into force on 1 August 2004 pursuant to Royal Decree No. (78/2004). The Sector Law provides the framework for the industry structure of electricity and related water services in Oman. It also provides the basis for the transfer of relevant assets and liabilities of the MHEW to a number of successor companies (the “**Transfer Scheme**”).

On 19 October 2002, EHC registered as a joint stock company in Oman. EHC is a holding company that owns, on behalf of the Ministry of Finance, 99.99% of the issued and outstanding shares of the nine operating subsidiaries engaged in the procurement, generation, transmission and dispatch of electricity and related water services in Oman. Pursuant to the Transfer Scheme, the MHEW distributed all the electricity and related water activities to EHC’s nine operating subsidiaries, including the transfer of relevant transmission activities to the Guarantor. The Ministry of Finance directly owns the remaining 0.01% of the issued and outstanding shares of each of the nine companies operating in the electricity and related water sector in Oman. In addition to the Guarantor, EHC’s operating subsidiaries are Al Ghubrah Power and Desalination Company S.A.O.C, Dhofar Power Company S.A.O.C (“**DPC**”), Majan Electricity Company S.A.O.C, Mazoon Electricity Company S.A.O.C, Muscat Electricity Distribution Company S.A.O.C, Oman Power & Water Procurement Company S.A.O.C (“**OPWP**”), Rural Areas Electricity Company S.A.O.C, Wadi Al Jizzi Power Company S.A.O.C and Dhofar Generation Company S.A.O.C.

OPWP was established as a closed joint stock company in 2003 pursuant to the Sector Law. OPWP is the single buyer of power and water for all Independent Power Projects (“**IPP**”) and Independent Water and Power Projects (“**IWPP**”) in Oman. OPWP’s corporate purpose is to ensure that there is sufficient electricity and water production capacity available at the lowest cost to meet the growing demands in the Oman. OPWP identifies new IPPs and IWPPs to be competitively tendered and developed by private sector entities in order to meet the future power generation and water desalination requirements of the Oman. These projects are critical to the reliable and sustainable development of the electricity and related water sector and the economic development of Oman.

The Oman electricity transmission and dispatch system is divided into three regional systems. The Guarantor owns, operates and maintains the transmission network in the MIS, which is the largest electricity transmission network in Oman and covers the northern area of Oman, as well as the Dhofar System, which is located in the Dhofar Governorate in southern Oman. The Guarantor does not own, operate or maintain the Rural Areas Electricity System, which is owned, operated and maintained by the Rural Areas Electricity Company S.A.O.C and is responsible for transmitting and dispatching electricity in rural areas in central Oman.

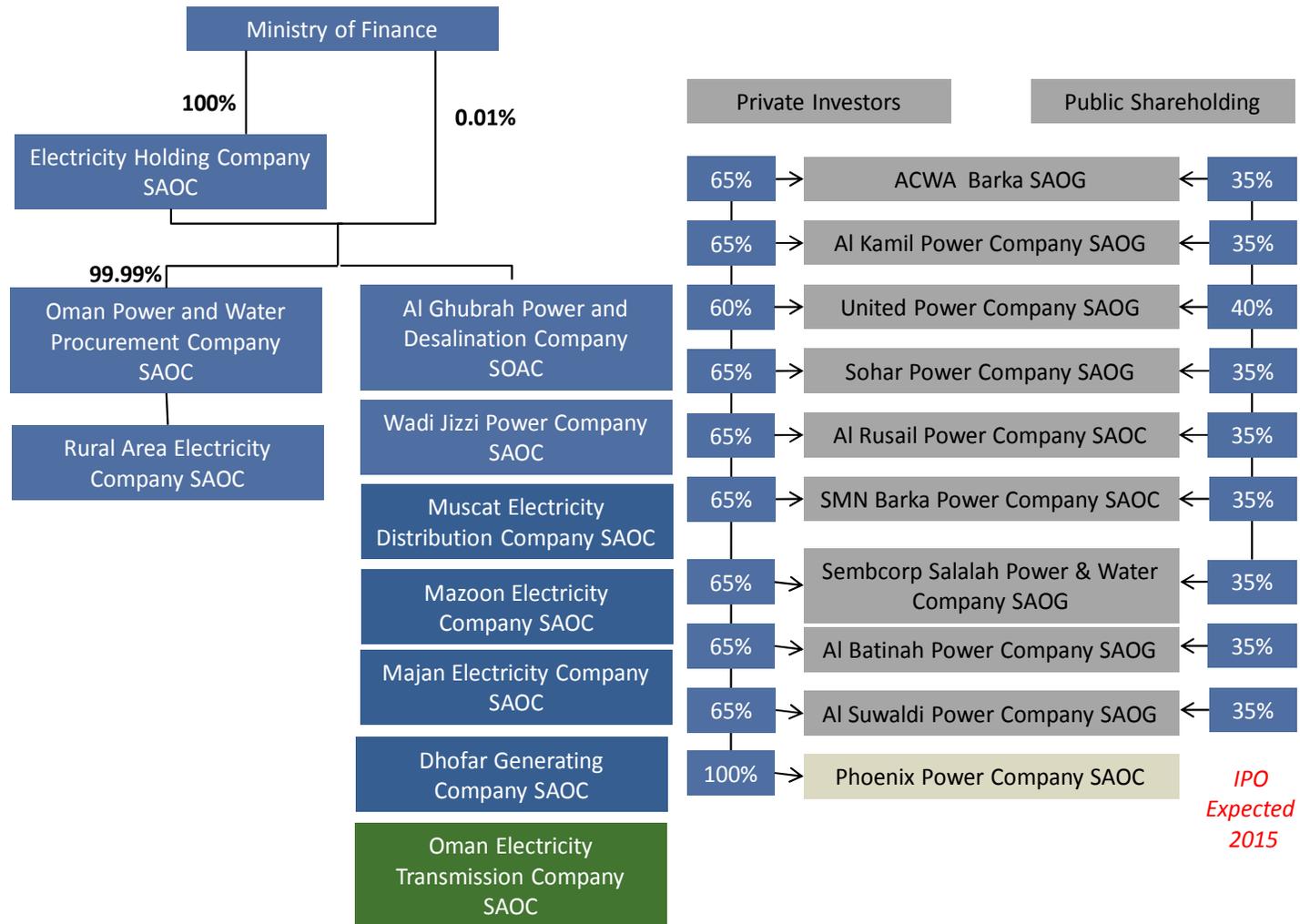
The following diagram sets out the main participants and relationships in the electricity and related water sector in Oman. The diagram shows the position of the Guarantor in the supply chain and the regulated revenue streams to which the Guarantor is entitled, as well as the Guarantor's principal contractual counterparties, their supply chain positions and the respective revenue streams to which they are entitled.



Electricity and Related Water Sector Ownership

The diagram below shows the ownership structure of the electricity and related water sector in Oman, which is partly Government-owned and partly privatised.

Current ownership structure in the Omani utilities sector



Privatisation of the Electricity and Related Water Sector

The Government has taken steps to privatise the electricity and related water sector in Oman. The Sector Law provides for the unbundling, liberalisation and privatisation of the electricity and related water sector in Oman, including by way of foreign investment. The Government has begun privatising the electricity generation segment and is developing plans for the privatisation of the distribution segment. The Government has not yet announced any plans to privatise transmission activities. The Ministry of Finance has committed to maintaining ownership of at least a majority stake in the privatisation of any generation, distribution or transmission company that it owns, in whole or in part, as at the date of this Prospectus.

The Government has established several policies with respect to the privatisation of the generation assets within the sector. Private generation companies have an obligation, pursuant to project founders agreements entered into with EHC to complete an initial public offering within four years of incorporation. In addition, the Government has an established policy that all new generation capacity in Oman will be 100% privately owned. Accordingly, the OPWP awards IPPs and IWPPs after a competitive tendering process. As at the date of this Prospectus, the Government owns three of the 12 generating plants in Oman (Wadi Jizzi Power Company SAOC, Al Ghubarab Power & Desalination Company SAOC and Dhofar Generation Company SAOC) with private parties owning the remaining nine. Eight of the privately owned generating plants have completed initial public offerings for 35% of their shares, with an initial public offering for the ninth plant expected to be completed before the end of 2015. Among the three Government-owned generating plants, the Government plans to sell the Dhofar generating plant in 2015 and to phase out and decommission the remaining two plants. The Government announced the Dhofar sale to private parties in March 2015 and expects to complete the sale in the second quarter of 2015.

As at the date of this Prospectus, the Government is exploring options to privatise distribution services, beginning with MEDC. EHC appointed a consortium of advisors, led by Canada-based CPCS Transcom International, to explore privatization options for MEDC. EHC has divided MEDC's privatization process into five phases: (i) the assessment by EHC and its advisors of the various privatization options; (ii) due diligence by EHC's technical team; (iii) the approval of a selected privatisation scheme by EHC's management, subject to the approval of the PAEW and the Ministry of Finance; (iv) legal due diligence; and (v) the appointment of sell-side advisors. The Government expects the privatisation process for MEDC to take at least three to four years. It is expected that the Government will implement similar processes in respect of the other distribution companies in the sector, following the privatization of MEDC.

Regulation of the Electricity and Related Water Sector

The Guarantor is subject to regulation by the two governmental bodies, the PAEW and the AER, and is subject to the control of the Ministry of Finance, which directly, and indirectly through EHC, owns all of the outstanding share capital of the Guarantor.

Ministry of Finance

As the direct and indirect owner of the Guarantor, the Ministry of Finance, has the power to appoint the Board and is able to exert direct influence over the Guarantor's policies, strategy, management, operations and budget. The Ministry of Finance's primary objective with respect to the Guarantor is to ensure the stable transmission and dispatch of electricity in Oman at affordable prices rather than the commercial optimisation of the Guarantor's revenue and profits.

Public Authority for Electricity and Water

The PAEW, which was established pursuant to Sultani Decree 58/2009 as the public authority in Oman, responsible for electricity and related water activities, provides high-level supervision and direction for the electricity and related water sector in Oman and is responsible for, inter alia, setting rules and requirements for electricity and related water activities in Oman, and encouraging the private sector to invest in construction, ownership, operation, maintenance and development of water and electricity projects. The PAEW's primarily influences the Guarantor's operations through its establishment of various policies and issuance of implementing directives, with which the Guarantor must comply under the Sector Law. The PAEW effectively sets the overall strategic direction of the sector, including the Guarantor. The AER is the Guarantor's regulator in respect of the transmission and dispatch of electricity within its authorised areas in Oman.

Authority for Electricity Regulation

Overview

The AER was established as an administratively and financially independent authority under Article 19 of the Sector Law with its services funded by licence fees. The AER has a duty (amongst others) to secure the provision of electricity in all parts of Oman.

Pursuant to Article 2 of the Sector Law, the AER is authorised to regulate the electricity and related water sector in Oman, including activities for the independent desalination of water, and to ensure that all entities licenced by the AER, including the Guarantor, comply with the policy directions set out by the PAEW. In particular, the AER sets price controls for the Guarantor, monitors and ensures the Guarantor's compliance with the price controls and regulates connection and use of system charges, which are themselves approved by the AER. The AER also monitors compliance by the Guarantor with the terms of its Licence and all applicable laws and regulations. It also provides advice to licence holders, including the Guarantor, with regard to statutory obligations, such as environmental matters and health and safety matters and requirements in respect of 'Omanisation' and Omani local content.

In setting price controls, the AER aims to ensure that companies with the electricity and related water sector in Oman, including the Guarantor, are able to access capital at reasonable cost in order to perform their licenced activities. To this end, the AER assesses whether its price control proposals achieve a reasonable balance between consumers and operators. The AER's guiding principles include that a regulated company's projected financial performance under applicable price controls should be such that the company has sufficient funds to adequately finance its operations and investments, but does not make excessive returns at the expense of customers.

Governance and Duties of the AER

The AER is constituted by three to five members, who are appointed by the Oman Council of Ministers for a period of three years. Members are collectively responsible for managing the AER's affairs and for ensuring that the AER fulfils all of its statutory obligations. The AER has a number of governance and other general and specific duties, largely reflecting key Government objectives for the electricity and related water sector in Oman, including activities for the independent desalination of water.

The AER's duties are set out in Article 22 of the Sector Law and primarily include:

- a duty to secure the provision of electricity in Oman;
- a duty to secure the safe, effective and economic operation of the electricity sector in the public interest; and
- a duty to ensure the financial and technical capabilities of licencees and that companies within the sector are operating efficiently and able to finance their activities.

The AER is also subject to the following governance duties:

- a duty not to discriminate against or unduly prefer any person;
- a duty to act consistently treating like cases alike and, in particular, to ensure, so far as it considers appropriate, that all licences and exemptions for the same regulated activities are granted in substantially the same form;
- a duty to minimise, insofar as it is able to do so, the regulatory burden on licence holders and exemption holders; and
- a duty to give written reasons for its decisions.

Functions of the AER

Article 25 of the Sector Law sets out the principal functions of the AER, which include:

- implementing the general policy of the Government in relation to the electricity and related water sector in Oman, including activities for the independent desalination of water;

- issuing, modifying (where appropriate) and revoking of licences and licence exemptions for the conduct of electricity and related water activities;
- monitoring the implementation of the terms and rules of licences and licence exemptions;
- examining complaints submitted by customers and licence holders and enforcing statutory duties and licence conditions where appropriate;
- setting out standard technical criteria for connection and use of system standards and the maintenance and development of licencees' systems;
- settling certain industry disputes between licence holders, customers or other persons; and
- co-ordinating between relevant ministries and government units in all that is required for the development of the electricity and related water sector in Oman, including activities for the independent desalination of water.

Powers of the AER

The Sector Law also provides the AER with the powers required to perform its functions, including:

- the power to grant licences and set the terms and conditions on which they are issued;
- the power to modify licence terms (when the public interest so requires and subject to the procedure specified in Article 109 of the Sector Law);
- the power to investigate and require provision of information;
- the power to enforce the terms of licences, to make orders to licencees requiring them to comply with their statutory obligations and to give warnings and impose fines and other compensation requirements, where appropriate;
- the power to revoke licences and exemptions in the event of non-compliance in accordance with the respective terms of the relevant dispensation; and
- the power to issue regulations and decisions to the extent authorised by the Sector Law.

Description of Grid and Operation Codes Containing the Rules Governing Access to Electricity Transmission Network

The Guarantor complies with requirements for maintaining its transmission system frequency and voltage within specified operating limits asset out in the grid code (the “**Grid Code**”), and the connection conditions code (the “**Connection Conditions Code**”). The Grid Code is the set of rules prepared by the Guarantor and approved by the AER which sets out standard technical criteria to be complied with in respect of connection to, use and operation of the Guarantor’s transmission system, and in respect of dispatch, pursuant to the Guarantor’s Licence. The Connection Conditions Code is one element of the Grid Code, dealing with conditions for connection to the transmission system of the Guarantor.

System Frequency and Voltage

The Connection Conditions Code requires the Guarantor to maintain system frequency within prescribed limits, which vary depending on whether the transmission network is operating under normal, exceptional or distressed conditions. The frequency of the total system must be responsive to changes in the balance between the active power demand and total available generation capacity. The Guarantor must therefore ensure that sufficient generation capacity and demand are available and connected to the system at all times to respond automatically to power imbalances and correct any frequency change.

The Connection Conditions Code also requires the Guarantor to control system voltage within prescribed limits. Unlike frequency, which is consistent across an interconnected transmission network, local sources of demand and capacity determine voltages at different points on an interconnected transmission network by the prevailing transmission network configuration and by the reactive power flows across the transmission network. During some system disturbances, such as where short circuits occur, the voltage could collapse transiently to zero at the point of fault until operators clear the fault.

Voltage regulation requires the Guarantor to control both active and reactive power flows across the transmission system. Reactive power flows across the transmission system can give rise to substantial voltage differences and it is therefore

necessary to maintain reactive power balances between sources of capacity and demand on a 'zone' basis. The physical characteristics of the plant on the transmission system also give rise to the generation and absorption of reactive power.

Environmental Regulation

MECA is the environmental regulator of the Guarantor. Under the supervision of MECA, the Guarantor is subject to Sultani Decree 114/2001, the Law on Conservation of the Environment and Prevention of Pollution (the "**Law on Environment**").

The Law on Environment prohibits the disposal into the Omani environment of pollutants in such quantities and types as may adversely affect the environment. It places duties for minimising environmental impacts of operations on owner, leaseholder and operator of any particular site that may produce environmental pollution and also provides for the principle of strict liability to apply such that a polluter shall be liable for remediation of the environment regardless of fault, negligence or ownership. The 'polluter pays' principle is observed in relation to remediation obligations and strict liability.

A permitting regime operates to authorise and regulate activities of any particular project that may result in environmental pollution. In many situations, a number of permits are required for compliance with the Law on Environment.

Transmission Design and Planning Standards; Security of Supply

The Guarantor's transmission system also complies with principal electrical standards of the Oman Electrical Standard ("**OES**") as issued by the AER in accordance with the Sector Law. The OES is a detailed set of technical standards for industry participants in Oman.

The Guarantor also sets out to minimise outages at grid stations. Some grid stations in the Dhofar Governorate currently fail to meet applicable transmission system security standards. The Guarantor is undertaking or planning to undertake to address this non-compliance with applicable transmission security standards. The Guarantor has adopted, and the AER has approved, a three-fold approach to addressing these out-of-firm situations: (i) add new circuits or increase the capacity of grid stations or both within a minimum of two to five years; (ii) install third and fourth transformers at heavily loaded grid stations; and (iii) transfer loads from heavily loaded grid stations to more lightly loaded grid stations over the next three years.

CAPITALISATION

The following table sets forth the Guarantor’s capitalisation as at 31 December 2014, as derived from the 2014 Financial Statements and as adjusted to reflect certain changes in the equity and liability structure of the Guarantor pursuant to the Long-Term Funding Strategy. This table should be read in conjunction with the sections entitled “*Selected Financial and Other Information*” and “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*”, as well as the 2014 Financial Statements, together with the related notes thereto, all included elsewhere in this Prospectus.

	As at 31 December 2014 ⁽¹⁾	As at 20 April 2015 (as adjusted) ⁽²⁾
	<i>(unaudited)</i>	
	<i>(OMR thousands)</i>	
Long-term debt.....	—	—
Short-term borrowings.....	213,000	223,000
Bank overdraft.....	9,851	—
Amount due to Holding company.....	132,928	42,856
Total debt	355,779	265,856
Share capital.....	500	225,000
Legal reserve.....	167	75,000
General reserve.....	250	250
Retained earnings.....	139,177	64,344
Shareholders funds ⁽³⁾	134,428	—
Total equity	274,522	364,594
Total capitalisation (total debt plus total equity)	630,301	630,450

Notes:

- (1) As at 31 December 2014, the Guarantor’s authorised, issued and paid-up share capital consists of 500,000 shares of OMR 1 each. EHC, a wholly-owned subsidiary of the Oman Ministry of Finance, owns 499,950 shares (representing 99.99%) of the Guarantor. The Oman Ministry of Finance owns 50 shares (the remaining 0.01% interest) of the Guarantor directly. EHC is the government vehicle that owns all government-owned constituents of the Omani electricity and related water sector, consisting of procurement, generation/desalination, transmission (for which the Guarantor is responsible), distribution and supply.
- (2) As adjusted to reflect the Guarantor’s Long-Term Funding Strategy, which the Guarantor’s shareholders approved on 20 April 2015 and provides for (among other things) a restructuring of certain of the Guarantor’s equity and liabilities through the conversion of (i) OMR 134.428 million of shareholder funds into issued and paid up share capital of the Guarantor, (ii) OMR 90.072 million of the amount due to EHC into issued and paid up share capital and (iii) OMR 74.833 million of retained earnings into legal reserves so that the amount of legal reserve is equal to one-third of issued and paid up share capital. Whilst the full implementation of the Long-Term Funding Strategy remains subject to further corporate formalities in compliance with related requirements of the MOCI, this presentation of the “as adjusted” capitalisation of the Guarantor assumes that the capital movements contemplated by the Long-Term Funding Strategy have been fully effected immediately following the approval of the Long-Term Funding Strategy on 20 April 2015. The ownership of the Guarantor’s shares set out in note (1) above will remain the same after giving effect to these changes in the equity and liability structure of the Guarantor.
- (3) The Guarantor notes that, while certain shareholders funds will be repaid EHC, which may in turn pay such funds up to the Ministry of Finance, under the Long-Term Funding Strategy, as at the date of this Prospectus, the Ministry of Finance remains subject to an undertaking, under Sector Law, to provide the Guarantor with access to adequate financing so long as the Guarantor remains wholly-owned by the Government.

USE OF PROCEEDS

The Issuer will use the gross proceeds of the issue of the Notes, expected to be U.S.\$1,000,000,000, for the purpose of making the Loan to the Guarantor. The Guarantor will, in turn, use a portion of the proceeds of the Loan to pay the commissions and expenses incurred in connection with the Offering. The Guarantor intends to use the remaining proceeds (after such payment of commissions and expenses), which it expects to be approximately U.S.\$ 992.7 million, to repay U.S.\$580 million of existing short term loans, to repay U.S.\$111 million of shareholder loans, to finance U.S.\$250 million of capital expenditure for ongoing and future projects and for general corporate purposes.

SELECTED FINANCIAL INFORMATION OF THE GUARANTOR

The following table sets forth the selected financial position of the Guarantor as at and for the years ended 31 December 2014, 2013 and 2012. This table should be read in conjunction with the sections entitled “*Capitalisation*” and “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*”, as well as the 2014 Financial Statements, together with the related notes thereto, all included elsewhere in this Prospectus.

The financial information corresponding to the year ended 31 December 2013 included in the 2013 Financial Statements differs from the financial information corresponding to the year ended 31 December 2013 included, for comparative purposes, in the 2014 Financial Statements. The financial information for the year ended 31 December 2013 incorporated in the 2014 Financial Statements includes certain reclassifications to conform with the presentation of financial information for the year ended 31 December 2014. Unless otherwise noted, the financial information corresponding to the year ended 31 December 2013 included in this Prospectus has been extracted from the 2014 Financial Statements.

Statement of Financial Position

	As at 31 December		
	2014	2013	2012
		<i>(OMR thousands)</i>	
ASSETS			
Non-current assets			
Property, plant and equipment	780,568	635,877	579,052
Prepaid lease rentals	—	—	4,342
Total non-current assets	780,568	635,877	583,394
Current assets			
Inventories	3,633	3,312	2,815
Trade and other receivables	30,991	33,262	19,621
Cash and cash equivalents	4	3,591	11,048
Total current assets	34,628	40,165	33,484
Total assets	815,196	676,042	616,878
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	500	500	500
Legal reserve	167	167	167
General reserve	250	250	250
Retained earnings	139,177	96,017	50,843
Shareholder’s funds	134,428	134,428	131,490
Total equity	274,522	231,362	183,250
Non-current liabilities			
Amounts due to Holding company	132,928	132,928	132,928
Finance lease liabilities	401	941	—
Provisions	904	849	20,041
Deferred tax liability	27,085	23,018	17,842
Deferred revenue	70,880	58,244	51,769
Trade and other payables	11,232	8,372	8,131
Total non-current liabilities	243,430	224,352	230,711
Current liabilities			
Deferred revenue	1,625	1,037	—
Trade and other payables	69,520	63,506	68,991
Current portion of finance lease liabilities	540	565	—
Provisions	285	681	554
Short-term borrowings	222,851	153,000	133,000
Provision for taxation	2,423	1,539	372
Total current liabilities	297,244	220,328	202,917
Total liabilities	540,674	444,680	433,628
Total equity and liabilities	815,196	676,042	616,878

Statement of Profit or Loss and Other Comprehensive Income

	For the Year Ended 31 December		
	2014	2013	2012
	<i>(OMR thousands)</i>		
Revenue	92,074	77,931	56,534
Operating costs	(24,244)	(18,132)	(15,042)
Gross profit.....	67,830	59,799	41,492
General and administrative expenses.....	(15,475)	(13,867)	(10,849)
Other income	1,757	8,576	1,150
Profit from operations.....	54,112	54,508	31,793
Finance income.....	40	89	17
Finance costs	(3,367)	(1,899)	(1,474)
Profit before tax	50,785	52,698	30,336
Taxation.....	(6,325)	(6,524)	(2,751)
Profit for the year and total comprehensive income	44,460	46,174	27,585

Statement of Cash Flows

	For the Year Ended 31 December		
	2014	2013	2012
	<i>(OMR thousands)</i>		
Cash generated from operations	97,574	51,344	28,076
Net cash used in investing activities	(166,535)	(76,336)	(67,461)
Net cash from financing activities	65,374	17,535	50,091
Net changes in cash and cash equivalents during the year.....	(3,587)	(7,457)	10,706
Cash and cash equivalents, beginning of the year	3,591	11,048	342
Cash and cash equivalents at the end of the year	4	3,591	11,048

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of the Guarantor's results of operations and financial performance should be read in conjunction with the Financial Statements and the related notes thereto included elsewhere in this Prospectus. The Financial Statements have been prepared in accordance with IFRS as issued by the IASB. This management's discussion and analysis contains forward-looking statements, which involve risks and uncertainties. See "Forward-Looking Statements" and "Risk Factors". The Guarantor's actual results could differ materially from those anticipated in the forward-looking statements contained herein for several reasons, including those set forth under "Risk Factors" and elsewhere in this Prospectus.

Overview

The Guarantor is a closed joint stock company incorporated under the Oman Commercial Companies Law on 2 February 2003 with company registration number 1712349. On 1 August 2004, the Government promulgated the Sector Law pursuant to Royal Decree No. (78/2004), which sets out, inter alia, the functions and duties of the Guarantor. The Sector Law laid the foundations for the unbundling, liberalization and privatisation of the electricity and related water sector in Oman. As at the date of this Prospectus, the Guarantor has no subsidiaries.

The principal activities of the Guarantor are electricity transmission and dispatch in the MIS under the Licence issued by the AER. The Licence was most recently amended effective 1 January 2014 to include the area of Dhofar in the south of Oman, following the DPC Acquisition.

The Guarantor operates the EHV transmission network in northern Oman and the EHV transmission network in the Dhofar Governorate, covering over 95% of Oman's electricity market. The Guarantor classifies its EHV transmission network as lines and electrical installations with voltage equal to or greater than 132kV used for transporting electricity: (i) from a production facility to grid stations; from production facilities to other production facilities; from grid stations to other grid stations or to or from any interconnected party's premises or distribution systems; and (ii) any electric plant used for the purpose of dispatch. The Guarantor also owns, operates and maintains 70 grid stations across the MIS in northern Oman and the Dhofar System in southern Oman. The Guarantor has a monopoly position as the sole provider of electricity transmission and dispatch services to the MIS and the Dhofar System.

The Guarantor is responsible for:

- providing the link between electricity generators and distributors customers;
- owning, operating and maintaining the transmission system assets comprising the EHV transmission network in the MIS and the Dhofar System; and
- managing the coordination of the flow of electricity across the MIS and Dhofar System in order to maintain a reliable, available and safe supply of electricity.

For the year ended 31 December 2014, the Guarantor's revenue was OMR 92.1 million, its operating costs were OMR 24.2 million, and its profit for the year and total comprehensive income – i.e., net profit after tax – was OMR 44.5 million. The Guarantor's total assets for the year ended 31 December 2014 were OMR 815.2 million.

Principal Factors Affecting Results of Operation

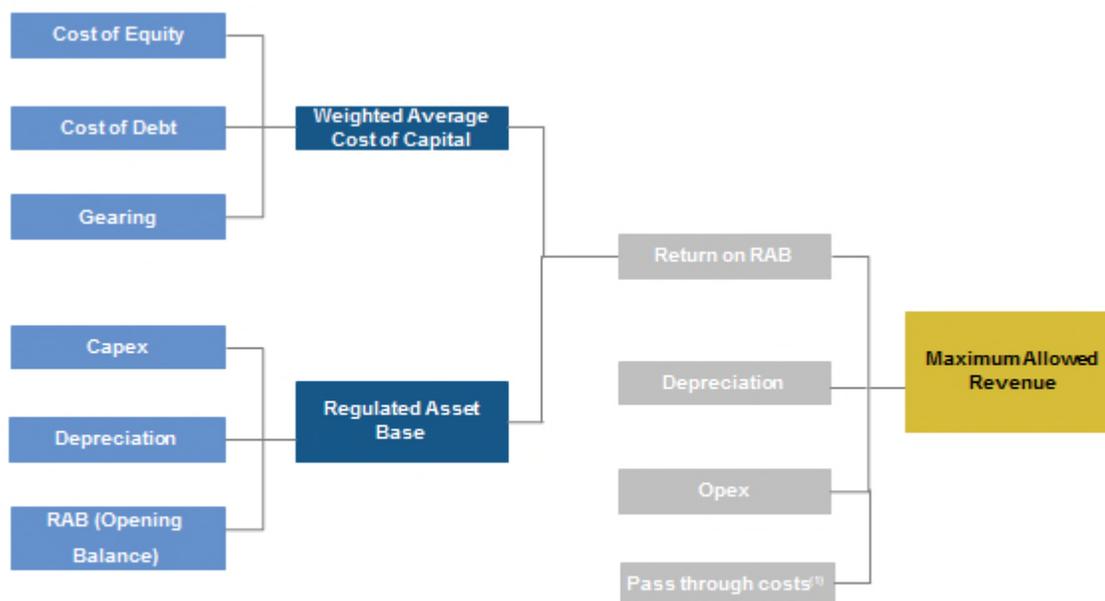
Maximum Allowed Revenue (or MAR)

The MAR is the primary factor affecting the Guarantor's financial results. MAR is a form of price-cap regulation using price controls that limit the revenue that the Guarantor may realise each year. The AER sets the MAR every three years based on a formula set out in the Licence, which takes into account numerous criteria, including:

- operational and capital expenditure;
- an investment return on RAB;
- depreciation of assets;

- transmission connection and use of system charges;
- weighted average cost of capital (WACC); and
- the AER licence fee.

The main inputs used to establish the Guarantor’s MAR are depicted the below diagram.



Note: (1) Pass through costs include license fee and interconnection facility charges.

The MAR is set by the AER under price controls imposed on the operations of the Guarantor pursuant to its Licence. As a matter of policy, the AER follows principles of regulatory best practice, including transparency, stability and predictability, in its approach to price control reviews and the periodic setting of the MAR. Accordingly, the formula under which the AER calculates the MAR is designed to allow the Guarantor to cover the efficient costs of its business, by taking into account capital expenditure, operating costs and the cost of capital employed (as more fully discussed below, the WACC), and to earn a reasonable commercial rate of return on invested capital. In its analysis, the AER has reference to forecasts of transmission network maximum demand and units transmitted in each year of the MAR period.

The MAR in effect as of the date of this Prospectus has been in place since 1 January 2013 and is due to expire on 31 December 2015. The Guarantor expects that, later this year, the AER will implement a new price control procedure and set a new MAR that will come into effect from 1 January 2016. The AER generally does not change the MAR during a price control period absent special circumstances outside the licensee’s control. In 2011, the AER adjusted the applicable MAR (which had been adopted in 2010) on an interim basis for the first and only time in its history in order to reimburse additional costs incurred by the Guarantor to implement new Government mandates, including increased minimum wage and requirements for the Guarantor to recruit a certain number of Omani citizens to meeting ‘Omanisation’ policies.

Weighted Average Cost of Capital (WACC)

For purposes of calculating the MAR, the AER derives the present value of the expected costs of meeting the forecast demand using a real pre-tax weighted average cost of capital (the “WACC”). In particular, in calculating the WACC, the AER takes account of both (i) Guarantor-specific measures, including the Guarantor’s cost of debt and cost of equity, in each case, as weighted by a notional gearing factor, and (ii) certain general economic indicators, including treasury yields, interest rates, inflation and various risk premiums. In addition, WACC is used to calculate the ‘allowed operating profit’ by multiplying the WACC by the RAB.

The AER calculates the Guarantor's WACC once every three years as part of its overall determination of the MAR. The WACC calculation methodology has been applied consistently with respect to the Guarantor and the Guarantor does not anticipate any material changes in the historical calculation methodology.

Regulated Asset Base (RAB)

The AER also has reference to the Guarantor's RAB for purposes of setting the MAR. The RAB comprises the assets used by the Guarantor to perform its regulated activities. The Guarantor's assets also include certain customer funded assets, which have been constructed solely for the benefit of a particular customer although the costs of construction of these assets are paid for by the relevant customers. The value of customer funded assets is not included either in the Guarantor's RAB or, accordingly, in the AER's determination of the MAR.

The Guarantor's RAB was OMR 595.3 million, OMR 489.2 million and OMR 428.4 million, respectively, for 2014, 2013 and 2012, reflecting a compound annual growth rate of 18%. The Guarantor's total assets were OMR 815.2 million, OMR 676.0 million and OMR 616.9 million, respectively, for the same years, reflecting a compound annual growth rate of 15%.

Capital Expenditure Programme

As at the date of this Prospectus, the Guarantor is undertaking a significant capital expenditure programme. In order to fund the capital expenditure programme, the Guarantor expects to use cash flow from operations and to significantly increase its borrowings in the next five years. The anticipated higher level of indebtedness to be incurred in connection with the capital expenditure programme will result in material increased finance costs. At the same time, the Guarantor expects that its capital expenditure programme will result in a material increase in the Guarantor's fixed assets, and, as a result, the Guarantor believes that its depreciation charge in future years is likely to continue to increase.

Condition 27 of the Licence requires the Guarantor to submit to the AER for approval a Transmission System Capability Statement ("TSCS"), which requires the Guarantor to include, *inter alia*, information on the progress of ongoing investments in the transmission systems. The AER approved the Guarantor's 2014 TSCS (the "2014 TCSC") which lists 73 capital expenditure projects, which the Guarantor expects to execute between 2014 and 2018, and, in particular, defines the status, payment terms and projected completion dates of individual projects.

Since payments under the capital expenditure programme are due over the course of several years, the Guarantor has adopted the Long-Term Funding Strategy to finance its capital expenditure programme. As such, the Guarantor's cash flow commitments under the capital expenditure programme are for the most part predictable for a five year period. Any delays in the implementation of capital expenditure projects, however, may have the effect of decreasing the Guarantor's return on its RAB and reducing depreciation, which would also have the effect of lowering the MAR, since the Guarantor will be entitled to lower depreciation due to lower capital expenditure.

Acquisition of DPC

The DPC Acquisition significantly increased the Guarantor's revenue, assets and operating costs in 2014, and the Guarantor expects that the DPC Acquisition will continue to increase its revenue and operating costs.

Growth in Demand for Electricity

The Guarantor expects that demand for electricity in Oman will expand at a compound annual growth rate of 6% over the next five years, based on historical data of the Guarantor's transmissions of electricity and consumer demand for electricity in northern Oman and the Dhofar Governorate and the Guarantor's related internal projections.

The Guarantor's total amount of electricity transmitted has increased annually from 21,050 GWh in 2012 to 21,898 GWh in 2013 and further to 26,799 GWh in 2014. The increase in 2014, as compared to 2013, reflects the addition of the Dhofar System to the Guarantor's transmission business following the DPC Acquisition.

Similarly, according to the Guarantor's records on maximum load demand and availability for its transmission systems, or Maximum Transmission System Demand ("MTSD"), demand for electricity transmission in Oman has increased each year since 2005, reaching 4,080 MW in 2012 and 4,369 MW in 2013. Demand for electricity in Oman continued to grow in

2014. The Guarantor's MTSD reports indicate that gross peak demand for electricity in 2014 in the MIS reached 4,877 MW, an increase of 11.6% over the 2013 peak demand. Also according to the Guarantor's MTSD reports, gross demand for electricity in 2014 in the Dhofar System reached 422 MW, an increase of 3.6% over the 2013 peak demand.

Factors driving the increase in demand for electricity include population growth, the increase in the number of homes and businesses, the proximity to and overlap of Ramadan with the summer months leading to increased and overlapping peak demands, and the influx of government subsidies to support electricity distribution companies licenced by the AER in providing affordable electricity to consumers.

Financial Support from EHC and the Government; Indirect Subsidies

The Guarantor has historically, indirectly, benefitted from significant support from the Ministry of Finance in the form of subsidies paid to the distribution companies that are its key customers, several of whom rely on such subsidies in order to pay the transmission connection and use of system charges charged by the Guarantor, and therefore the Guarantor has benefitted from and expects to continue to benefit from, the Government's subsidies. For 2014, the Ministry of Finance supported the Omani electricity and related water sector with an OMR 303 million subsidy, which represented 2.24% of the total budgeted Government expenditure for 2014. For 2015, the Ministry of Finance budgeted to support the Omani electricity sector with an OMR 460.8 million subsidy, which represents 3.27% of the anticipated total Government expenditure budget for 2015.

The Guarantor is ultimately wholly-owned by the Government. Pursuant to Article 67 of the Sector Law, so long as the Guarantor remains wholly-owned by the Government, the Ministry of Finance is obliged to secure the availability of the necessary finance for the Guarantor to undertake its activities and achieve its objectives as specified in the Licence.

Seasonality

Generally, demand for electricity is significantly higher in the warmer summer period (May to September) than in the cooler winter period (October to April) due to the increased use of air conditioning. As a result, the Guarantor's revenue and profit tend to be higher in the second and third quarters, than in the first and fourth quarters, of each year. This seasonality is especially significant when Ramadan coincides with the summer months, as has been the case for the past several years.

Significant Accounting Policies

Revenue

Revenue comprises (i) transmission connection charges charged to the generation and distribution companies and some directly connected customers in accordance with the terms of electrical connection agreements that the Guarantor entered into with them and (ii) transmission use of system charges charged to the distribution companies (related parties), in accordance with the price control MAR for the relevant year as approved by the AER.

The Guarantor will recognise revenue to the extent of the MAR computed as per regulatory formula in accordance with the Guarantor's licencing requirements.

Property, plant and equipment

The Guarantor's assets consist primarily of property, plant and equipment, which were valued at OMR 781 million as at 31 December 2014. The Guarantor's property, plant and equipment consists of its buildings, overhead transmission lines and underground cables, switch gears and transformers, machinery and other equipment, plant spares and furniture and vehicles. The Guarantor states its property, plant and equipment at cost less accumulated depreciation. The cost of property, plant and equipment is their purchase price together with any incidental expenses necessary to bring the assets to its intended condition and location. The Guarantor capitalises borrowing costs which are directly attributable to the acquisition of items of property, plant and equipment. The Guarantor recognises subsequent costs included in the asset's carrying amount as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Guarantor and it can reliably measure the cost of the item. The Guarantor charges all other repairs and maintenance to the profit or loss in the year in which they are incurred.

The Guarantor does not depreciate capital work-in-progress until it transfers the capital work-in-progress to one of the above categories at the time when it is available for use. The Guarantor reviews and adjusts assets residual values and useful

lives, if appropriate, at each reporting position date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount, the Guarantor writes it down immediately to its recoverable amount. The Guarantor determines gains and losses on disposals of property, plant and equipment by reference to their carrying amounts and takes it into account in determining operating profits for the year.

Trade and other receivables

The Guarantor will state trade and other receivables at their fair value. The Guarantor will initially recognise trade receivables at fair value and subsequently state trade receivables at amortised cost using the effective interest rate method less impairment losses. The Guarantor will establish an allowance for impairment of trade receivables when there is objective evidence that the Guarantor will not be able to collect all amounts due according to the original terms of receivables. Indicators that trade receivables are impaired include significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The Guarantor will recognise the amount of the provision in the statement of profit or loss and other comprehensive income within 'general and administration expenses'.

Borrowing costs

The Guarantor will add borrowing costs directly attributable to the acquisition, construction or production of qualifying assets to the cost of those assets, until such time the assets are substantially ready for their intended use or sale. The Guarantor will deduct investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets from the borrowing costs eligible for capitalisation.

The Guarantor will recognise all other borrowing costs in the profit or loss in the year in which they are incurred.

Employee benefits

The Guarantor will accrue the provision for employee benefits, subject to the requirements of the Oman Labour Law 2003, as amended, in accordance with the terms and conditions of the employment contract with the employees. The Guarantor will recognise employee entitlements to annual leave and leave encashment when they accrue to employees and when the Guarantor makes an accrual for the estimated liability arising as a result of employee services rendered up to the reporting date. The Guarantor will include accruals for employee benefits in current liabilities and non-current liabilities.

The Guarantor will contribute on the transfer date, in accordance with the terms of the Social Securities Law 1991 and Civil Service Employees Pension Fund Law, Gratuity for Omani employees who transferred from the MHEW.

The Guarantor will recognise in the profit or loss contributions to a defined contribution retirement plan for Omani employees in accordance with the Omani Social Insurance Law 1991.

Provisions

The Guarantor will recognise provisions in the statement of financial position when the Guarantor has a legal or constructive obligation as a result of a past event and the Guarantor can reliably estimate a probable economic benefit flowing from such obligation.

Government grants

The Guarantor will recognise Government grants at fair value where the Guarantor has a reasonable assurance that the Guarantor will receive the grant and comply with all of the grant's attached conditions.

The Guarantor will defer Government grants relating to costs and recognise such grants in the profit or loss over the period necessary to match them with the costs that the Government intended such grants to compensate.

The Guarantor will include Government grants relating to construction of assets in deferred revenue within non-current liabilities and credit such grants to the profit or loss on a straight line basis over the expected useful lives of related assets.

Taxation

The Guarantor will calculate income tax as per the fiscal regulations of Oman.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous year.

The Guarantor determines deferred tax using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The Guarantor will calculate deferred tax based on tax rates and tax laws that Oman enacted or substantially enacted by the reporting date. The Guarantor will disclose as deferred tax liability the tax effects on the temporary differences under non-current liabilities.

The Guarantor will recognise a deferred tax asset only to the extent that future taxable profits will probably be available against which the Guarantor can utilise unused tax losses and credits. The Guarantor will review the carrying amount of deferred tax assets at each reporting date and reduce such amounts to the extent that the Guarantor will probably not be able to realise related tax benefits.

The Guarantor may offset deferred tax assets and liabilities because there is a legally enforceable right to offset these in Oman.

The Guarantor will recognise current and deferred tax as an expense or benefit in profit or loss except when such tax relate to items credited or debited directly to equity, in which case the Guarantor will recognise the tax directly in equity.

Results of Operations

The following table shows the Guarantor's income statement data for the years ended 31 December 2014, 2013 and 2012, respectively:

	For the Year Ended 31 December		
	2014	2013	2012
	<i>(OMR thousands)</i>		
Revenue	92,074	77,931	56,534
Operating costs.....	<u>(24,244)</u>	<u>(18,132)</u>	<u>(15,042)</u>
Gross profit	67,830	59,799	41,492
General and administrative expenses.....	(15,475)	(13,867)	(10,849)
Other income	<u>1,757</u>	<u>8,576</u>	<u>1,150</u>
Profit from operations	54,112	54,508	31,793
Finance income.....	40	89	17
Finance costs	<u>(3,367)</u>	<u>(1,899)</u>	<u>(1,474)</u>
Profit before tax	50,785	52,698	30,336
Taxation	<u>(6,325)</u>	<u>(6,524)</u>	<u>(2,751)</u>
Profit for the year and total comprehensive income	<u>44,460</u>	<u>46,174</u>	<u>27,585</u>

Year ended 31 December 2014 as compared to year ended 31 December 2013

The Guarantor derives its revenue primarily from transmission use of system charges and transmission connection charges. The Guarantor's revenue was OMR 92.1 million for 2014, as compared to OMR 77.9 million for 2013, reflecting an increase of 18.1%. The Guarantor attributes this increase primarily to the DPC Acquisition, which was completed as at 1 January 2014, and the corresponding increases in the size of the Guarantor's transmission business and in the connection charges collected by the Guarantor from the additional connection points in the Dhofar System. The increase in revenue for 2014, as compared to 2013, also resulted from the year-on-year growth in the Guarantor's overall business, including the addition of new connection points in 2014.

The Guarantor's operating costs were OMR 24.2 million for 2014, as compared to OMR 18.1 million for 2013, reflecting an increase of 33.7%. The Guarantor attributes this increase primarily to an increase of OMR 4.9 million, or 32.5%, in depreciation (which resulted mainly from the implementation of projects under the capital expenditure programme, accelerated depreciation and write-offs of certain assets and the additional depreciation of assets acquired in the DPC Acquisition), an increase of OMR 1.1 million, or 51.8%, in maintenance, repair costs, spares and consumables (which mainly reflected the costs of upgrades to assets acquired in the DPC Acquisition to meet the standards of the MIS) and an increase of OMR 59 thousand, or 9.9%, in other direct costs (which were also largely attributable to assets acquired in the DPC Acquisition).

The Guarantor had gross profits of OMR 67.8 million for 2014, as compared to OMR 59.8 million for 2013, reflecting an increase of 13.4%. The Guarantor attributes this increase primarily to the DPC Acquisition.

The Guarantor's general and administrative expenses were OMR 15.5 million for 2014, as compared to OMR 13.9 million for 2013, reflecting an increase of 11.6%. The Guarantor attributes this increase primarily to increases in salaries and wages and other employee benefits. Salaries and wages and other employee benefits, in turn, increased primarily as a result of the DPC Acquisition, which increased the number of the Guarantor's employees by 26, as well as ordinary course increases in salaries and wages and other employee benefits.

The Guarantor's other income generally is comprised of sale of scrap, government contract forms and tenders and deferred revenue recognition from Government sponsored projects. The Guarantor's other income was OMR 1.8 million for 2014, as compared to OMR 8.6 million for 2013, reflecting a decrease of 79%. The Guarantor attributes this decrease primarily to a OMR 7.9 million extraordinary write back in 2013 of an accrual/provision, which did not recur in 2014. The Guarantor had recorded provisions in respect of certain decommissioning costs in 2012 and earlier years, based on management's then best estimate of the present value of the costs required to remove certain facilities and restore the affected areas as required under applicable leases entered into by the Guarantor. In 2013, the Guarantor re-assessed the basis for the provisions and write-offs for these decommissioning costs and determined to derecognise these, as management believed that the eventuality of incurring the decommissioning costs appeared to be remote and would become a liability only when, and if, the Government issued a notice to the Guarantor requiring the relevant decommissioning.

The Guarantor's profit from operation was OMR 54.1 million for 2014, as compared to OMR 54.5 million for 2013, reflecting a decrease of 0.7%. The Guarantor attributes this decrease primarily to the impact of the extraordinary write back of an accrual/provision in 2013, which was only partially offset by the increase in total revenue for 2014, as compared to 2013, primarily reflecting the DPC Acquisition.

The Guarantor income tax charge was OMR 6.3 million for 2014, as compared to OMR 6.5 million for 2013, reflecting the Guarantor's lower year-on-year profit from operation. For each of the years ended 31 December 2014 and 2013, the Guarantor was subject to income tax in accordance with the income tax law of Oman at the enacted rate of 12% on taxable income in excess of OMR 30,000.

For all of the foregoing reasons, the Guarantor's net profit after tax and total comprehensive income was OMR 44.5 million for 2014, as compared to OMR 46.2 million for 2013, reflecting a decrease of 3.7%.

Year ended 31 December 2013, as compared to year ended 31 December 2012

The Guarantor's revenue was OMR 77.9 million for 2013, as compared to OMR 56.5 million for 2012, reflecting an increase of 37.9%. The Guarantor attributes this increase primarily to the impact of the new MAR that took effect beginning in 2013 and will be in effect through 2015. This new MAR, which reflected the AER's approval of the Guarantor's increased operating costs and capital expenditure, allowed the Guarantor to realise higher revenue for 2013 (and subsequent years during which this MAR will remain in effect), than for 2012 (and earlier years).

The Guarantor's operating costs were OMR 18.1 million for 2013, as compared to OMR 15.0 million for 2012, reflecting an increase of 20.5%. The Guarantor attributes this increase primarily to an increase of OMR 4.8 million, or 47.1%, in depreciation arising from the reclassification of an operating lease into a finance lease.

The Guarantor had gross profits of OMR 59.8 million for 2013, as compared to OMR 41.5 million for 2012, reflecting an increase of 44.1%. The Guarantor attributes this increase primarily to the increase to the AER's approval of the Guarantor's increased operation and capital expenditure. An increase in notified values (as per a new MAR set by the AER that is in effect from 2013 through 2015), as well as an increase of 4% in electricity transmitted and 7% increase in maximum

transmission system demand, drove higher revenue realisation for transmission use of system charges. In addition, the completion of connection points such as the grid stations at Quriyat, the Sur IPP and Muscat Airport, drove higher revenue.

The Guarantor's general and administrative expenses were OMR 13.9 million for 2013, as compared to OMR 10.8 million for 2012, reflecting an increase of 27.8%. The Guarantor attributes this increase primarily to increases in costs resulting from staff promotions and additions, costs of technical consultants and security charges, as well as ordinary course increases in salaries and wages and other employee benefits.

The Guarantor's other income was OMR 8.6 million for 2013, as compared to OMR 1.2 million for 2012, reflecting an increase of 616%. The Guarantor attributes this increase primarily to the extraordinary write back of an accrual/provision in 2013 as discussed above.

The Guarantor's profit from operation was OMR 54.5 million for 2013, as compared to OMR 31.8 million for 2012, reflecting an increase of 71.4%. The Guarantor attributes this increase primarily to the occurrence of the extraordinary write back of an accrual/provision in 2013 as discussed above.

The Guarantor income tax charge was OMR 6.5 million for 2013, as compared to OMR 2.8 million for 2012, reflecting an increase of 137%. The Guarantor attributes this increase to the increase in profits before tax. For each of the years ended 31 December 2013 and 2012, the Guarantor was subject to income tax in accordance with the income tax law of Oman at the enacted rate of 12% on taxable income in excess of OMR 30,000.

The Guarantor's net profit after tax and comprehensive income was OMR 46.2 million for 2013, as compared to OMR 27.6 million in 2012, reflecting an increase of 67.4%. The Guarantor attributes this increase primarily to the increased revenue as a result the new MAR that took effect beginning in 2013 and the other income resulting from the extraordinary write back of an accrual/provision discussed above.

Property, Plant and Equipment

The net book value of the Guarantor's property, plant and equipment was OMR 780.6 million as at 31 December 2014, as compared to OMR 635.9 million as at 31 December 2013, reflecting an increase of 22.8%. The Guarantor attributes this increase primarily to the completion of projects under its capital expenditure programme, as well as to the addition of assets acquired in the DPC Acquisition.

The net book value of the Guarantor's property, plant & equipment was OMR 635.9 million as at 31 December 2013, as compared to OMR 579.1 million as at 31 December 2012, reflecting an increase of 9.8%. The Guarantor attributes this increase primarily to the completion of projects under its capital expenditure programme.

Liquidity and Capital Resources

Overview

The Guarantor's principal cash requirements are to fund its capital expenditure programme. In recent years the Guarantor's operating cash flow has been insufficient to fund the entirety of its capital expenditure programme, and, as a result, proceeds from borrowings (including subsidised government funding) have been an important source of funds for the Guarantor. With the Guarantor's capital expenditure programme expected to remain at significant levels for the foreseeable future, the Guarantor expects that proceeds from borrowings will continue to form an important source of funding for its operations and investments.

Cash Flow

The Guarantor's operating cash flow principally represents its net profit for the year adjusted for non-cash income and expenses and changes in working capital. The Guarantor's cash from operating activities was OMR 97.6 million for 2014, as compared to OMR 51.3 million for 2013 and OMR 28.1 million for 2012, reflecting year-on-year increases of 90.3% and 82.6%, respectively. The Guarantor attributes the year-on-year increase in 2014 as compared to 2013 to the DPC Acquisition, and the year-on-year increase in 2013 as compared to 2012 to the increase in MAR, which the AER set in 2013.

The Guarantor's net cash used in investing activities was OMR 166.5 million for 2014, as compared to OMR 76.3 million for 2013 and OMR 67.5 million for 2012, reflecting year-on-year increases of 118.2% and 13.0%, respectively. In each year, principal investments using cash were made under the Guarantor's capital expenditure programme. See "*Description of the Guarantor's Business—Key Capital Expenditure Projects—Expansion and Growth Projects*". The Guarantor's construction work in progress under the capital expenditure programme was OMR 165.8 million for 2014, as compared to OMR 76.0 million for 2013 and OMR 67.5 million in 2012.

The Guarantor's net cash from financing activities was OMR 65.4 million for 2014, as compared to OMR 17.5 million for 2013 and OMR 50.1 million for 2012, reflecting a year-on-year increase of 273.7% and a year-on-year decrease of 65.1%, respectively.

Cash and Cash Equivalents

The Guarantor had OMR 4,000 of cash and cash equivalents as at 31 December 2014, as compared to OMR 3.6 million as at 31 December 2013 and OMR 11.0 million as at 31 December 2012, reflecting year-on-year decreases of 99.9% and 67.3%, respectively. The Guarantor attributes these decreases primarily to the need to fund its capital expenditure programme as well as spending in the ordinary course of business. The Guarantor's capital expenditure on construction work in progress for each of 2014, 2013, and 2012 were OMR 165.8 million, OMR 76.0 million, and OMR 67.5 million, respectively.

The acquisition of the transmission network assets of DPC also significantly impacted the Guarantor's cash flow, as net cash used in investing activities in 2014 included OMR 49.1 million for the purchase of the transmission assets from DPC, as compared to OMR 76.3 million as at 31 December 2013, representing an increase of 118%. However, the acquisition of OMR 50 million in short term loans has offset the impact that the acquisition of the transmission assets of DPC has on the Guarantor's net cash flow.

Borrowings

The Guarantor expects that its revenue from operations will not be sufficient to execute its capital expenditure programme for the next several years, and consequently it will experience negative free cash flows over this period. The Guarantor intends to raise funds in the international and domestic capital and loan markets to offset the expected cash shortfalls. The Guarantor intends to consider all sources of funding, including further capital markets transactions as well as bilateral and syndicated bank loans. The Guarantor expects the level of its total indebtedness to grow at a compound annual growth rate of 20% over the period from 2015 through 2019, inclusive. See "*Description of the Guarantor's Business—Material Contracts—Short Term Facility Agreements*".

Financial Risk Management

The Guarantor's activities expose it to a variety of financial risks, market risks (including price risk, foreign currency risks and interest rate risk), liquidity risks and credit risks. The Guarantor has established risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Guarantor's financial performance.

The Guarantor carries out credit risk management and EHC's treasury department carries out liquidity risk and market risk management under policies approved by the Board. The Board has adopted written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

The AER determines, and the Guarantor's long term contracts with its customers govern, prices for the use of the Guarantor's transmission facilities. Therefore, the Guarantor believes that it is not subject to material price risk.

Foreign exchange risk arises when commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. The Guarantor is subject to foreign exchange risk arising from currency exposures primarily with respect to the U.S. Dollar. The Omani Rial is pegged to the U.S. Dollar. Since most of the foreign currency transactions are in the U.S. Dollar or other currencies linked to the U.S. Dollar, the Guarantor believes that exchange rate fluctuations would not have an insignificant impact on its pre-tax profit.

The Guarantor is subject to interest rate risk resulting from its short term borrowings, which amounted to OMR 223 million as at 31 December 2014. A 1% increase in interest rates on 31 December 2014 would have increased borrowing costs, on an annual basis, by OMR 2.23 million, while a 1% decrease would have had the equal but opposite effect, on the basis that all other variables remain constant.

The Guarantor, through EHC's treasury department under policies approved by the Board, manages liquidity risk by keeping flexibility in funding by maintaining availability under committed credit lines.

The Guarantor attributes its credit risk primarily to trade and other receivables and bank balances. Credit risk is the risk that the Guarantor will incur a loss if counterparty defaults or fails to honour a financial obligation as it falls due. It takes into account the probability of involuntary default, where the counterparty does not possess the financial means to repay as well as strategic default, where counterparty with the ability to repay deliberately defaults. The Guarantor's exposure to credit risk on trade and other receivables is influenced mainly by the individual characteristics of each customer. The Guarantor established credit policies and procedures that it considers appropriate and commensurate with the nature and size of receivables. Trade receivables primarily represent the amount due from generation and distribution companies and related parties, which the Guarantor does not consider to be undue exposure as it considers the obligation of generation and distribution companies to be fully recoverable.

See "*Report and Financial Statements for the Year Ended 31 December 2014—Note 5—Financial Risk Management*" for tables and analyses of the Guarantor's financial risks, market risks (including price risks, foreign current risks and interest rate risks), liquidity risks and credit risks.

Off-Balance Sheet Arrangements

The Guarantor does not have any off-balance sheet arrangements that would have or are reasonably likely to have a current or future effect on its financial condition, changes in its financial condition, revenue, or expenses, results of operations, liquidity, capital expenditure, or capital resources that are material to prospective investors.

Commitments and Contingent Liabilities

The Guarantor had capital commitments, largely for construction in connection with its capital expenditure programme, of OMR 137.8 million as at 31 December 2014. These construction projects typically have long gestation periods of two to four years, and payments under these commitments would be spread out over such time. The Guarantor's capital expenditure programme is designed to meet anticipated future demand for electricity in Oman. Although the Guarantor may prepare long-term demand forecasts and preliminary capital expenditure plans based on the forecasts, these plans are subject to material change from year to year.

The Guarantor has no material contingent liabilities.

DESCRIPTION OF THE GUARANTOR'S BUSINESS

Overview

The Guarantor is a closed joint stock company incorporated under the Oman Commercial Companies Law on 2 February 2003 with company registration number 1712349. On 1 August 2004, the Government promulgated the Sector Law pursuant to Royal Decree No. (78/2004), which sets out, inter alia, the functions and duties of the Guarantor. The Sector Law laid the foundations for the unbundling, liberalization and privatisation of the electricity and related water sector in Oman. As at the date of this Prospectus, the Guarantor has no subsidiaries.

The principal activities of the Guarantor are electricity transmission and dispatch in the MIS in the northern area of Oman under the Licence issued by the AER. The Licence was most recently amended effective 1 January 2014 to include the area of Dhofar in the south of Oman, following the DPC Acquisition.

The Guarantor operates the EHV transmission network in northern Oman and the EHV transmission network in the Dhofar Governorate, covering over 95% of Oman's electricity market. The Guarantor classifies its EHV transmission network as lines and electrical installations with voltage equal to or greater than 132kV used for transporting electricity: (i) from a production facility to grid stations; from production facilities to other production facilities; from grid stations to other grid stations or to or from any interconnected party's premises or distribution systems; and (ii) any electric plant used for the purpose of dispatch. The Guarantor also owns, operates and maintains 70 grid stations across the MIS in northern Oman and the Dhofar System in southern Oman. The Guarantor has a monopoly position as the sole provider of electricity transmission and dispatch services to the MIS and the Dhofar System.

The Guarantor is responsible for:

- providing the link between electricity generators, distributors and direct supply customers;
- owning, operating and maintaining the transmission system assets comprising the EHV transmission network in the MIS and the Dhofar System; and
- managing the coordination of the flow of electricity across the MIS and the Dhofar System in order to maintain a reliable, available and safe supply of electricity in Oman.

For the year ended 31 December 2014, the Guarantor's revenue was OMR 92.1 million, its operating costs were OMR 24.2 million, and its profit for the year and total comprehensive income – i.e., net profit after tax – was OMR 44.5 million. The Guarantor's total assets for the year ended 31 December 2014 were OMR 815.2 million.

The Guarantor's principal office is located at Way no. 2153, Block no. 321, Building no. 4230, Al-Mawaleh, Muscat, Oman, and its telephone number is +968 24-573248.

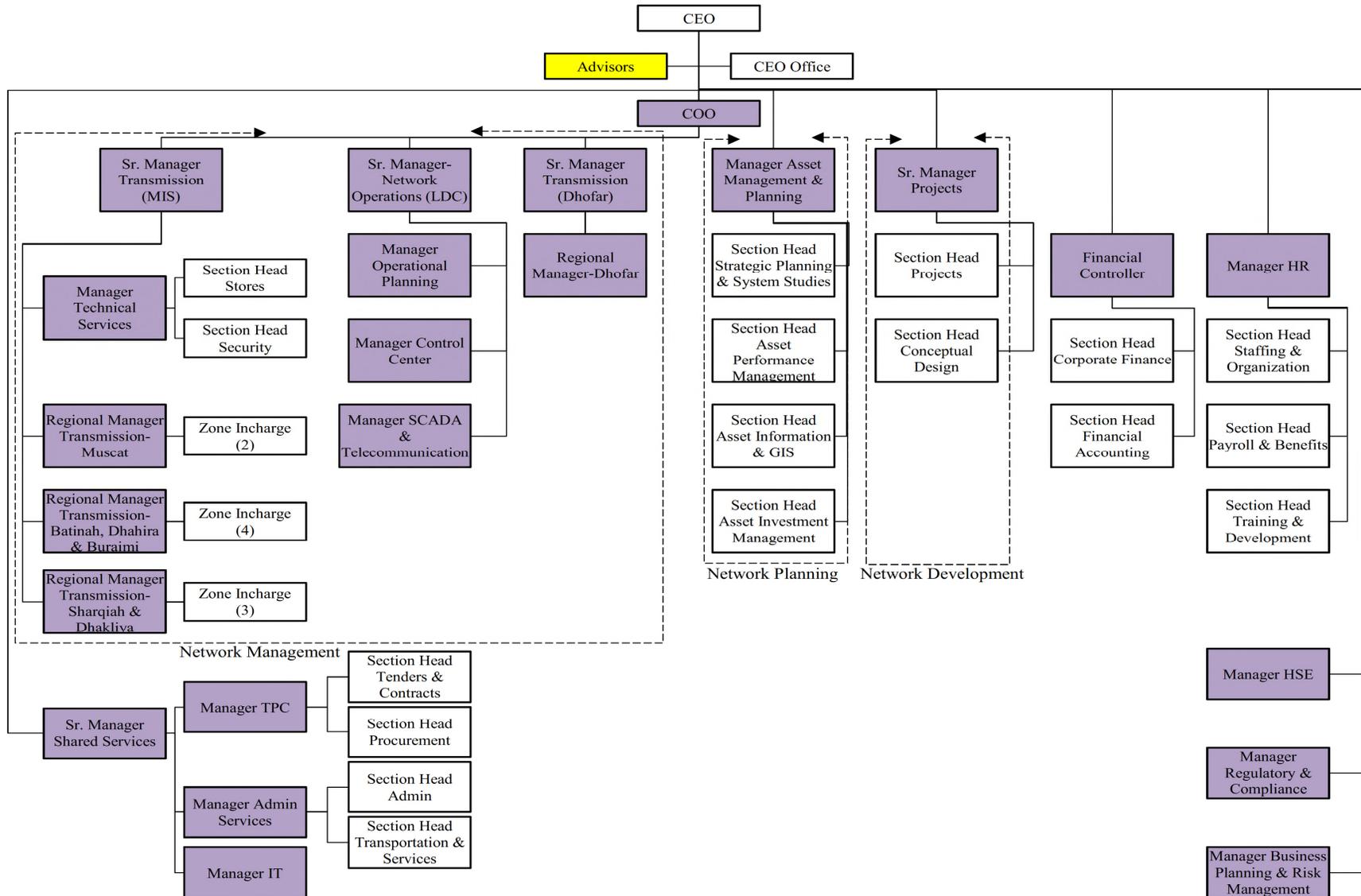
History

The Guarantor was granted its Licence by the AER and commenced commercial operations of electricity transmission and dispatch in the MIS on 1 May 2005 following the implementation of a decision of the Ministry of National Economy issued pursuant to Royal Decree 78/2004.

At an Ordinary General Meeting held on 30 September 2013, the shareholders of the Guarantor approved the DPC Acquisition and authorised the Board to determine and approve all necessary steps to implement the DPC Acquisition in accordance with the terms specified in the related restructuring plan approved by the Council of Ministers and the AER. To this end, the Guarantor and DPC executed an Asset Transfer Agreement, pursuant to which the relevant assets, with a book value of OMR 49.1 million, net of liabilities (comprised of short-term loans) of OMR 50.0 million, were transferred to the Guarantor effective 1 January 2014. On 1 January 2014, the Guarantor's Licence was amended to include the area of the Dhofar Governorate. DPC continues to operate as a distributor and supplier of electricity in the Dhofar region and is a customer of the Guarantor.

Organisational Structure

The following chart sets out the Guarantor's organisational structure.



Corporate Purpose and Strategy

The Guarantor's corporate purpose, as mandated under the Sector Law and its Licence and stated in its constitutional documents, is to own, finance, develop, operate and undertake to maintain the transmission network in its licenced area.

The Guarantor's strategy is focused on implementing the Government's policy for the development of the electricity sector in Oman, with the primary objective being the transmission and dispatch of a reliable, available and safe supply of electricity to end-users. In addition, the Guarantor's strategy includes a significant capital expenditure programme to expand and upgrade its transmission network in order to minimize congestion, interconnect isolated regions and connect new power plants to the grid in order to meet growing demand for electricity

In addition to expanding transmission network capacity, although the reliability of the Guarantor's system has been consistently above 98% in recent years, the Guarantor is focusing on maintaining and improving the reliability of its transmission network, reducing the number of interruptions and benchmarking its transmission network performance to international standards. Reliability is defined by the degree to which the performance of the elements in a system results in electricity being delivered to customers within accepted standards and in the desired volumes. The Guarantor has taken (and continues to take) a number of measures to improve the reliability of its transmission network, including:

- installing Oman's first 400-KV overhead lines and grid stations at a budgeted cost that is expected to comprise 45% of planned capital expenditure over the next five years
- carrying out periodic studies and analyses of major transmission faults and identifying causes and possible remedies;
- performing routine maintenance of all transmission assets;
- implementing reinforcement projects and commissioning new transmission projects in advance of periods where demand is expected to peak;
- providing mobile reserve transformers in strategic locations;
- improving the performance efficiency of its employees through continuous training and education programming; and
- extending its 220kV transmission network to avoid overloads and reduce power losses.

The Guarantor estimates its capital expenditure in maintaining and upgrading its transmission network will be OMR 94 million in 2015. The Guarantor expects to finance this expenditure through borrowings in the international and domestic capital and loan markets and through retained earnings. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Capital Expenditure Programme*".

Strengths

The Guarantor's business is defined by a number of key strengths, including the following:

Natural monopoly position in electricity transmission and dispatch

The Guarantor has both an operational and legal monopoly in the electricity transmission business in northern Oman and the Dhofar Governorate. Because of the nature and operational realities of the electricity transmission business, there can be only one operator in any particular territory. As at the date of this Prospectus, the Guarantor is the sole provider of electricity transmission and dispatch services in northern Oman and in the Dhofar Governorate in southern Oman, which together cover over 95% of Oman's electricity demand. In addition, the Guarantor holds the only licence issued by the AER to conduct electricity transmission in northern Oman and in the Dhofar Governorate. The Guarantor performs a function that is of critical importance to Oman generally, and to the electricity and related water sector in particular, and therefore the Guarantor has received, and expects to continue to receive, significant Government support.

100% Government ownership

The Guarantor benefits from Government ownership with direct and indirect support being mandated by law. EHC, the Government vehicle that holds all Government-owned constituents of the Omani electricity and related water sector and that is a wholly-owned subsidiary of the Ministry of Finance, owns 499,950 shares of the Guarantor, representing 99.99% of the authorised, issued and paid-up share capital of the Guarantor. The Ministry of Finance directly owns 50 shares of the

Guarantor, which represents the remaining 0.01% of the authorised, issued and paid-up share capital of Guarantor. As a requirement of the Oman Commercial Companies Law, members of the board of directors of closed joint stock companies are elected to office for a period of three years, it being permissible for such board members to be re-elected or replaced periodically. In accordance with the Oman Commercial Companies Law and in line with EHC and the Ministry of Finance's customary practices, the current board of directors of EHC is expected to be replaced by five new directors on or about 28 April 2015. Three of the five incoming directors of EHC are Government officials. The Guarantor understands that, notwithstanding the new composition of the EHC board, the policies of EHC with respect to the Guarantor generally will not change, and there will be no resultant changes in the management of EHC or the Guarantor.

Transparent and supportive regulatory systems

The Guarantor operates within a transparent and supportive regulatory system with a clearly defined price control and subsidy framework that has been in place for 10 years. The Guarantor has, and expects to continue to benefit indirectly from, subsidies paid by the Government to the Guarantor's customers under the Sector Law. In 2014, the Ministry of Finance supported the Omani electricity and related water sector with an OMR 303 million subsidy, which represented 2.24% of the total budgeted Government expenditure for 2014. For 2015, the Ministry of Finance has budgeted subsidies in the amount of OMR 460.8 million to support the Omani electricity sector, which represents 3.27% of the total Government expenditure budget for 2015. In addition, under the Sector Law, so long as the Guarantor remains wholly-owned by the Government, the Guarantor has statutorily enshrined access to adequate financing from the Ministry of Finance to undertake its main business activities as defined under the Sector Law. The Guarantor also operates within the AER's regulatory jurisdiction, which establishes strong barriers to entry against unlicensed businesses.

Stable transmission / distribution activities with low operating risk

The Guarantor's electricity transmission and dispatch activities are stable and comprised of relatively straightforward operations. Accordingly, the Guarantor's business is characterised by and subject to low operating risks. Moreover, due to the nature of its operations, the Guarantor is exposed to limited commodity and foreign exchange risks. As a result, the Guarantor has a stellar track record in achieving, and aims to continue to achieve, high levels of reliability, availability and safety in providing electricity transmission and dispatch services in Oman.

One of the key measurements of the performance of electricity transmission is system availability. System availability is defined by the level at which transmission lines and transformers are able to collect electricity from generators and deliver that electrical energy to distributors. The Guarantor calculates annual system availability as actual circuit hours as a percentage of the total possible circuit hours in the system, taking into account both planned and unplanned circuit outages. The Guarantor's transmission system achieved over 99% annual availability for each of 2011, 2012 and 2013. For 2014, system availability was 98.47%, reflecting non-recurring maintenance works and transmission network expansion in 2014.

Another important metric in the assessment of electricity transmission businesses is power reliability. Power reliability is defined by the degree to which the performance of the elements in a system results in electricity being delivered to customers within accepted standards and in the desired volumes. The Guarantor's reliability for its system was 99.994% for 2013 and 99.998% for 2014. The near perfect reliability of the system in 2014 was achieved despite a rise in demand in 2014 by 21.2%, as compared to 2013. The Guarantor calculates annual reliability by the energy not delivered as a percentage of total energy delivered in the relevant year.

Attractive growth trends in Oman

The Guarantor expects robust revenue growth on the back of strong demand and increases in connection fees charged to generation and distribution companies and some directly connected customers and use of system charges charged to distribution companies, all as mandated by the AER. In 2014, gross peak demand for electricity in the MIS reached 4,877 MW, reflecting an increase of 13.7% 2013 peak demand. Similarly, in 2014, gross peak demand for electricity in the Dhofar System reached 420 MW, reflecting an increase of 3.6% 2013 peak demand. Factors driving the increase in demand for electricity include population growth, the increase in the number of homes and businesses, the proximity to and overlap of Ramadan with the summer months and the continuance of significant Government subsidies to support distribution companies, which are key customers of the Guarantor, in providing affordable electricity to consumers.

Conservative financial structure

The Guarantor has enjoyed steady, high margins as a result of its regulated business model framework and well-defined cost structure. The Ministry of Finance and EHC, as shareholders of the Guarantor, and the AER, as regulator of the Guarantor, have historically taken a conservative approach in monitoring the Guarantor's financial condition, with the goal of ensuring that the Guarantor maintains acceptable debt to capital and debt service coverage ratios.

Main Business Activities

The Guarantor carries out electricity transmission and dispatch through the day-to-day operation of 70 grid stations in the MIS and in the Dhofar System, thereby coordinating the flow of electricity in the MIS and Dhofar System in order to enable secure and reliable delivery from electricity generators to distributors and direct supply customers. The Guarantor has 63 grid stations in the MIS and seven grid stations in the Dhofar System.

The Guarantor is responsible for:

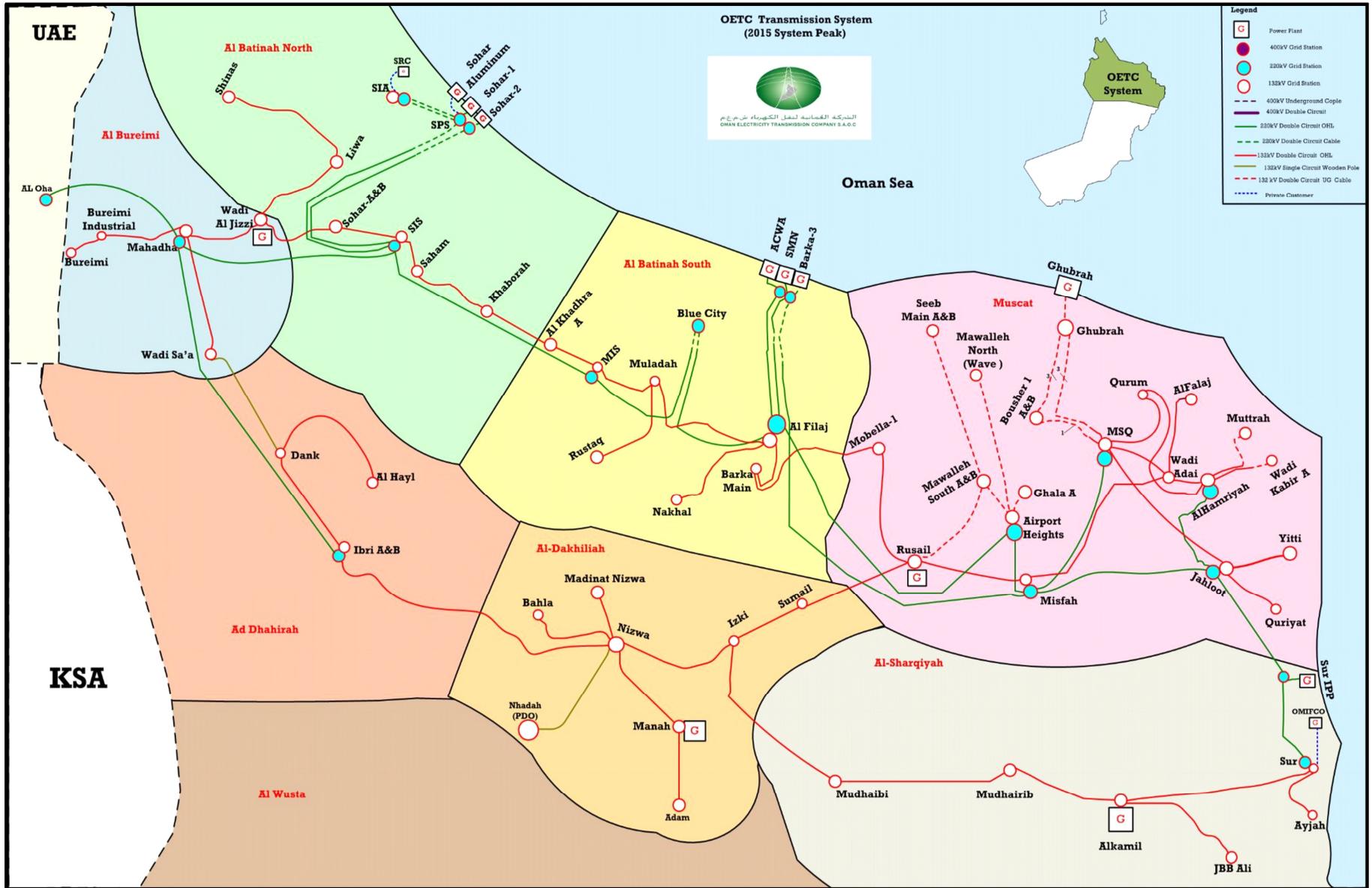
- providing the link between electricity generators and distributors and direct supply customers;
- owning, operating and maintaining the transmission system assets comprising the EHV transmission network in the MIS and the Dhofar System; and
- managing the coordination of the flow of electricity across the MIS and the Dhofar System in order to maintain a reliable, available and safe supply of electricity.

The Guarantor transmits electricity through a transmission network of overhead transmission lines and underground cables connected to grid stations in the regions in Oman where the Guarantor operates, namely northern Oman and the Dhofar Governorate in southern Oman. The distribution companies, which are among the Guarantor's key customers, then distribute the electricity to customers within those regions. To provide transmission coverage to relatively widely scattered areas throughout Oman, the Guarantor has expanded its transmission network from 3,806 km of power lines at the end of 2010 to over 5,633 km at the end of 2014. As at 31 December 2014, the transmission network comprised both underground and overhead transmission lines and cables rated from 132kV to 220kV, including 5,455 km of overhead lines and 176 km of underground cables.

Description of the Transmission Network

The MIS and the Dhofar System consist primarily of overhead transmission lines, underground cables, transformers and grid stations. As at the date of this Prospectus, the MIS has two operating voltages, 220kV and 132kV, while the Dhofar System has one operating voltage, 132kV. The Guarantor is in the process of building a new 400kV line in the MIS, which it expects will become operational in 2015. See "*Description of the Guarantor's Business—Key Capital Expenditure Projects—Expansion and Growth Projects*". The MIS extends across the northern Oman region and interconnects electricity generators and distributors and other bulk consumers in the Governorates of Muscat, Batinah South, Batinah North, Dhahirah, Buraimi, Dakhliyah, Sharqiya South and Sharqiya North. The Dhofar System, which is not connected to the MIS, extends north from Salalah to Harweel.

The below maps illustrate the Guarantor's transmission network comprising the MIS and the Dhofar System, respectively.



MIS as at December 2014



Dhofar System as at December 2014

The MHEW established the first transmission network in Oman in 1983. The transmission network was significantly expanded during the 1990s and 2000s and consequently, much of the Guarantor's property, plant and equipment is relatively new, with 80% of the Guarantor's transmission network being less than 10 years old, as compared to an industry average useful life of transmission lines, underground cables and transformers of 30 to 60 years.

	For the Year Ended 31 December				
	2014	2013	2012	2011	2010
System Availability (%)	98.5	99.2	99.7	99.3	98.5
Power Reliability (%)	99.998	99.994	99.995	99.979	99.996
Grid Stations (<i>number</i>)	70	57	55	44	43
Transformer Capacity (<i>MVA</i>)	26,396	20,641	18,399	15,076	14,393
Total Length of 220 kV circuits (<i>Km</i>)	1,787	1,467	1,344	835	835
Total Length of 132 kV circuits (<i>Km</i>)	3,669	3,051	3,061	2,939	2,899
Total Length of 220 kV cable (<i>Km</i>).....	62	62	55	24	12
Total Length of 132 kV cable (<i>Km</i>).....	114.6	98.7	98.7	60	60
Total Output (GWh)	27,603	21,898	21,040	18,507	16,357
Energy Loss (%).....	2.1	2.7	2.7	2.2	2.7
Peak Gross Load (MW).....	4,877	4,634	4,448	4,000	3,613

The Guarantor's transmission network has been expanded significantly since 2010. In 2014, energy loss, measured as a percentage of the amount of electricity generated over the amount of electricity transmitted and dispatched to distribution companies and direct customers, was 2.1%, which is a five-year low for the Guarantor, despite increases in demand for electricity. In 2014, the peak gross load reached 4,877 MW, a record high for the Guarantor, while the Guarantor continues to maintain system availability of over 98% (and over 99% in three of the past four years). The Guarantor has also continued to expand its transmission network, increasing the number of grid stations, transformer capacity and total length of circuits and cables.

Licence

On 1 May 2005, pursuant to its powers under the Sector Law, the AER granted the Licence to the Guarantor. The Licence has been amended from time to time, including most recently on 1 January 2014, when it was revised to include the Dhofar System in the south of Oman, following the completion of the DPC Acquisition. As at the date of this Prospectus, management believes that the Guarantor is in compliance, in all material respects, with the terms of its Licence.

The Licence authorises the Guarantor to: (i) transmit electricity and to finance, develop, own and/or operate and maintain its transmission network; (ii) develop and operate a system of central dispatch of relevant production facilities which are connected to its transmission system or to a system which is connected to its transmission system; (iii) to the extent permitted by the Sector Law and the Licence, to design, own, operate and maintain international interconnections; (iv) to acquire certain assets of the Rural Areas Electricity Company S.A.O.C in accordance with Article (88) of the Sector Law and the Licence; and (v) to carry out any other function assigned to it by the Sector Law.

The key terms of the Licence include the following:

- Condition 2, which prohibits the Guarantor from undertaking the generation or distribution of electricity, and the acquisition of any other entity that undertakes a regulated activity as per the Sector Law;
- Condition 3, which states that the Guarantor shall, subject to AER approval, implement, maintain, comply with, publish and have in force, the Grid Code. The Grid Code is the set of rules prepared by the Guarantor and approved by the AER that sets out standard technical criteria to be complied with in respect of connection to, use and operation of the Guarantor's transmission system, and in respect of dispatch, pursuant to the Guarantor's Licence;
- Condition 21, which sets out the grounds on which the AER may revoke the Licence, which include: (i) by mutual agreement of the AER and the Guarantor; (ii) if the Guarantor ceases to carry on its licenced activities for more than 90 days; (iii) if certain amounts payable by the Guarantor to the AER remain unpaid; (iv) if the Guarantor fails to perform its statutory duties or licence duties to any material extent; (v) if the Guarantor has been adjudicated insolvent; (vi) if the Guarantor undergoes a change of control without AER's prior approval; (vii) on expiry of the duration of

existence of the Guarantor; and (viii) if it is found that the issue of the Licence was based on inaccurate or incorrect information;

- Condition 23, which states that the Guarantor shall, upon application, offer to enter into an electrical connection agreement for connection with the Guarantor's transmission network or for a modification to an existing connection;
- Condition 26, which sets out the security standards for the transmission system and other requirements for the operation and maintenance of an efficient and economic transmission system; and
- Condition 27, which requires the Guarantor to submit to the AER for approval a TSCS, on an annual basis.

In compliance with Condition 3, the Guarantor is also required to maintain its transmission system frequency and voltage within specified operating limits asset out in the Grid Code, and the Connection Conditions Code. See *“Regulation of the Electricity and Related Water Sector in Oman”*.

The Guarantor mitigates its operational risk through maintaining a transmission security standard that requires the capacity of the Guarantor's transmission network to transmit electricity will not be reduced in the event that a single electric line, transformer or breaker and/or associated plant is not in service provided that during a period in which such single electric line, transformer, breaker and/or associated plant is not in service, the operating voltage of the Guarantor's transmission network may be reduced to any level specified from time to time.

Usufruct Rights

The Guarantor is granted usufruct rights to lands by the Ministry of Housing (the successor to the MHEW) under usufruct agreements with respect to the property where the Guarantor's grid stations are located. These usufruct agreements typically have terms of 25 years at fixed rental rates and are subject to automatic renewal. The usufruct agreements provide the Guarantor rights-of-way over and under the lands occupied by its overhead lines and underground cables.

Key Customers

The Guarantor's key customers include the generation and distribution companies comprising the electricity and related water sector in Oman, as well as some directly connected customers.

Generation Companies

Eleven gas-based power generation stations are connected to the MIS. These power generation plants are located in Ghubrah, Rusail, Wadi Jizzi, Manah, Al Kamil, Barka, Barka SMN, Barka III, Sohar I, Sohar II and Sur IPP. In addition, direct customers, such as Sohar Aluminum, Petroleum Development Oman (“**PDO**”) and Oman Mining Company, are also connected to the MIS. Two gas-based power stations located at Dhofar NPS Power Plant and Salalah IPP connect to the Dhofar System and supply the Dhofar Governate with electricity.

Distribution Companies

Four distribution companies connect to the Guarantor's transmission system, including MEDC, Mazoon Electricity Company SAOC and Majan Electricity Co. (SAOC), which are connected to the MIS, and DPC, which is connected to the Dhofar System. These four companies take 91.5% of the electricity transmitted through the MIS and the Dhofar System.

Directly Connected Customers

The remaining 8.5% of the electricity transmitted by the Guarantor is purchased by directly connected customers. Thirteen private customers are directly connected to the MIS or Dhofar System. These customers are some of Oman's large manufacturing or infrastructure companies and include Sohar Aluminum Company LLC, Jindal Shadeed Iron & Steel LLC, Sohar Steel LLC, PDO, Oman Mining Company, Aromatics Oman LLC, Oman India Fertiliser Company S.A.O.C., VALE, the new Muscat International Airport, Muscat Steel Industries Company LLC, Al Ghubrah Power and Desalination Co. SAOC, Oman Aluminum Rolling Company and the Salalah Airport. Directly connected customers do not contribute materially to the Guarantor's revenue, but are important for the Guarantor reputation and overall economic development of Oman.

Bridge to the UAE; GCCIA

In November 2014, Oman signed an agreement to become part of the Gulf Cooperation Council Interconnection Authority (“GCCIA”), a joint stock company formed by the six member states constituting the Gulf Cooperation Council (“GCC”), Kuwait, Saudi Arabia, Bahrain, Qatar, UAE and Oman. The GCCIA aims to become the driver of an efficient electricity market through electricity trading among its member states. Under the GCCIA, the MIS is interconnected with the transmission system of Abu Dhabi Transco in the United Arab Emirates at the Mahadha grid station through 220kV rated transmission lines. This 220kV interconnection has been operational and in service since 14 November 2011. As at the date of this Prospectus, the use of the bridge is limited to balancing power in emergencies.

The Guarantor is planning to upgrade its GCCIA interconnection to comprise a 400kV rated transmission line by 2017. The new 400kV interconnection will form a part of the GCCIA transmission network linking the electricity supply systems of the GCC countries. The new, high voltage interconnection is designed to provide increased security of supply and cost savings and permit the sharing of reserve capacity and energy resources across the GCCIA member countries.

Price Controls

Transmission Connection Charges and Use of System Charges

The Guarantor derives the majority of its revenue through: (i) transmission connection charges collected from generation and distribution companies and some directly connected customers; and (ii) use of system charges collected from distribution companies. Transmission connection charges for each customer are based on the capital expenditure incurred by connection to the relevant generation company, distribution company or directly connected customer. Transmission use of system charges are calculated in a manner to ensure that the Guarantor achieves its MAR.

The table below sets forth the Guarantor's revenue from: (i) transmission use of system charges and (ii) transmission connection charges, broken down by customer (in the case of transmission use of system charges) and customer type (in the case of transmission connection charges).

	As at 31 December		
	2014	2013	2012
		<i>(OMR thousands)</i>	
Revenue from Transmission Use of System Charges			
Muscat Electricity Distribution Company SAOC.....	26,476	25,763	18,394
Mazoon Electricity Company SAOC	22,250	22,160	15,764
Majan Electricity Company SAOC	19,230	17,240	12,081
Dhofar Power Company SAOC.....	8,124	-	-
TOTAL	76,080	65,163	46,239
Revenue from Transmission Connection Charges			
Distribution Companies.....	14,119	11,298	9,222
Generation Companies	1,567	1,168	880
Directly Connected Customers.....	308	302	191
TOTAL	15,994	12,768	10,293

The Guarantor received OMR 76.1 million in transmission use of system charges and OMR 16.0 million in transmission connection charges in 2014, as compared to OMR 65.2 million and OMR 12.8 million, respectively, in 2013, reflecting increases of 16.8% and 25.3%, respectively. The Guarantor attributes these increases primarily to the DPC Acquisition.

The Guarantor's received OMR 65.2 million in transmission use of system charges and OMR 12.8 million in transmission connection charges in 2013, as compared to OMR 46.2 million and OMR 10.3 million, respectively, in 2012, an increase of 41.1% and 24.3% respectively. The Guarantor attributes the increase in transmission use of system charges to an increase in notified values (as per a new MAR set by the AER in effect from 2013 through 2015), as well as an increase of 4% in electricity transmitted and an increase of 7% in maximum transmission system demand. The Guarantor attributes the increase in transmission connection charges to the completion of new connection points such as the grid stations at Quriyat, the Sur IPP and Muscat Airport.

Indirect Subsidies

Article 18 of the Sector Law states that the Ministry of Finance should provide licenced electricity distribution companies in Oman with subsidies. The Ministry of Finance has reinforced this mandate under Article 18 by reiterating its core policy to provide 100% support to the electricity sector.

Accordingly, the Guarantor has historically, indirectly, benefitted from significant support from the Ministry of Finance in the form of subsidies paid to the distribution companies that are its key customers, several of whom rely on such subsidies in order to pay the transmission connection and use of system charges charged to them by the Guarantor.

For 2014, the Ministry of Finance supported the Omani electricity and related water sector through the payment of subsidies to licensed distribution companies in a total amount of OMR 303 million, which represented 2.24% of the total budgeted Government expenditure for 2014. For 2015, the AER has estimated that a total subsidy of OMR 460.8 million, which represents 3.27% of the total budget for Government expenditure for 2015, will be required to support the distribution companies in the Omani electricity and related water sector at a level similar to the subsidy level provided for 2014.

Key Capital Expenditure Projects

Expansion and Growth Projects

As at the date of this Prospectus, the Guarantor is undertaking a capital expenditure programme, comprising 73 planned transmission projects to be completed over the next five years. As a whole, these projects are designed to increase transmission network capacity to match the anticipated growth in demand across the MIS and the Dhofar System.

The most significant projects in the programme, in terms of both the investment level and the impact on the Guarantor's future operations, comprise the construction of a 400kV transmission line and supporting grid stations. The aggregate investment for these integrated projects is expected to comprise 45% of planned capital expenditure over the next five years.

During the medium-to long-term, the Guarantor also aims to complete further investment in its transmission network with a view to improving the overall 'capacity factors' (measured as the ratio of a power plant's output over a period of time as compared to its output if it had operated at full capacity) of the generation companies in Oman, which are its customers.

Of the 73 planned projects comprising the capital expenditure programme, four have been completed, one is under commissioning, one is in the energization phase, 24 are under construction, 25 are in the design phase and 18 are in various early planning stages. The following are such projects as have been completed during the second half of 2014 or which the Guarantor expects to be completed in the second quarter of 2015:

- constructing a new 132/33 kV grid station at Bureimi Industrial, which is intended to provide load transfer from the existing Bureimi grid station and to accommodate load growth within the area;
- replacing the 132kV Seeb - Mawalleh South overhead line with underground cable, in order to comply with applicable government requirements for transmission security);
- upgrading the Izki grid station from 2x40 MVA to 2x125 MVA transformers, which is required to meet load growth requirements and transmission security standards;
- upgrading the Sumail grid station from 2x63 MVA to 2x125 MVA transformers, which is required to meet load growth requirements and transmission security standards;
- constructing a new 132/33kV grid station at Al Ayjah, which is intended to provide load transfer from the existing Sur grid station and to accommodate load growth at Ras Al Had;
- constructing a new 132/33kV grid station at Madinat Nizwa, which is intended to provide load transfer from the existing Nizwa grid station to accommodate load growth within the area;
- constructing a new 220/132 kV grid station at Al Hamriyah, which is intended generally to increase system reliability and support voltage within the Muscat area grid stations, accommodate load growth in the area, increase security of area 132kV lines and specifically to evacuate power from Sur via the Jahloot grid station;

- constructing a new 132/33 kV grid station at Ghala, which is intended to accommodate load growth within the area and to supply expected Al Arfan area load; and
- constructing a new 132/33 kV grid station at Al Khadhra, which is intended to provide load transfer from the existing Khaborah and MIS grid station due to accommodate increased demand within the area.

Material Contracts

Construction Contracts

The Guarantor has entered into material construction contracts for design, manufacture, procurement, construction, operation, maintenance and other services required to complete the construction of certain new or existing grid stations. The payment terms within the agreements governing these projects generally require the Guarantor to pay the contractor an advance equal to 10% of the contract sum upon awarding a contract, progress payments based on work completed during construction, and a final payment of 5% of the total contract sum upon completing construction of the project. The agreements also contain provisions requiring contractors to deliver a performance bond equal to 5% of the total contract sum, provide a one year warranty on certain equipment and services provided, provide for a definite completion date and requires the contractor to pay liquidated damages of 0.1% of the total contract sum for each day of delay up to 10% of the contract sum. The Guarantor's major construction contracts are described below.

The Guarantor entered into an agreement with Larsen & Toubro (Oman) LLC on 23 March 2015 to complete the construction of the 400/220/132/33kV grid station at Izki, modifying existing grid stations, and running associated overhead transmission lines from Mudaibi to Izki. The initial contract award is OMR 9,575,576, which is subject to change orders. This agreement provides for a commencement date of 23 February 2015 and a completion date of 8 June 2016.

The Guarantor also entered into an agreement with Larsen & Toubro (Oman) LLC on 5 November 2014 to complete the construction of the 400kV grid station at Misfah. The initial contract award is OMR 21,607,000, which is subject to change orders. The agreement provides for a commencement date of 7 August 2014 and a completion date of 17 July 2016.

The Guarantor entered into an agreement with Bahwan Engineering Company LLC on 30 June 2014 to replace the existing 132kV switchyard and renovate the indoor 132kV GIS grid station at Mahada. The initial contract award is OMR 4,726,226, which is subject to change orders. The agreement provides for a commencement date of 28 April 2014 and a completion date of 7 December 2015.

The Guarantor entered into an agreement with Bahwan Engineering Company LLC on 9 July 2014 to complete the construction of the new 132/33kV grid station at Ibra and run associated overhead transmission lines from the Mudhairib grid station to the Ibra grid station. The initial contract award is OMR 10,139,126.630, which is subject to change orders. The agreement provides for a commencement date of 20 April 2014 and a completion date of 10 December 2015.

Short Term Facility Agreements

The Guarantor has entered into a number of short-term term facility agreements with local banks for loans to finance the Guarantor's capital expenditure projects. These facilities, unless otherwise indicated below, accrue interest on a quarterly basis and are bullet loans that require the Guarantor to repay the principal in full on the repayment date. In most cases, the Guarantor may extend the repayment date at its option by up to three months subject to certain conditions. The term facility agreements contain events of default, including payment defaults, breaches of covenants and/or certain representations and warranties, cross-defaults, change of control, bankruptcy or insolvency proceedings and other events of default, which are customary in similar agreements. The remedies for such events of default include the acceleration of the principal amount outstanding under the term facility agreement.

Such short-term facilities of the Guarantor in place as at the date of this Prospectus include the following:

- On 21 April 2012, the Guarantor entered into a term facility agreement, as amended on 18 November 2012, 8 September 2013, and 30 June 2014, with the National Bank of Oman SAOG, Oman Arab Bank SAOC, HSBC Bank Oman SAOG, Ahli Bank SAOG, and Arab Banking Corporation BSC. The term facility agreement, as amended, provides for loans to the Guarantor of up to an aggregate principal amount of OMR 80,000,000, with interest at 1.70% per annum, and a repayment date of 30 June 2015. As at 31 March 2015, OMR 80 million has been drawn down under this facility and remains outstanding.

- On 29 March 2014, the Guarantor entered into a term facility agreement with bank muscat SAOG, which was amended on 22 June 2014. The term facility agreement, as amended, provides for loans of up to an aggregate principal amount of OMR 50,000,000, with interest at 1.8% per annum, and a repayment date of 30 June 2015. As at 31 March 2015, OMR 50 million has been drawn down under this facility.
- On 21 June 2011, the Guarantor entered into a term facility agreement with bank muscat SAOG, which was amended on 22 June 2014. The term facility agreement, as amended, provides for loans of up to an aggregate principal amount of OMR 73,000,000 with interest at 1.00% per annum, and a repayment date of 30 June 2015. As at 31 March 2015, OMR 73 million has been drawn down under this facility and remains outstanding.
- The Guarantor entered into a dual currency term facility agreement with a syndicate of lenders, including the First Gulf Bank (PJSC), BBK (BSC), Gulf International Bank (BSC), Arab Banking Corporation (BSC), Ahli Bank (SAOG), HSBC Bank Oman SAOG, collectively as original lenders, and with National Bank of Oman SAOG, as agent. This dual currency term facility agreement provides for: (i) loans in a principal amount of OMR 17,322,850 (the Tranche A Commitments), which accrue interest at 1.70% per annum payable quarterly; and (ii) US\$ 69,291,299 (the Tranche B Commitments), which accrue interest at 1.70% per annum fixed (inclusive of LIBOR). As at 31 March 2015, OMR 20 million has been drawn down under this facility and remains outstanding.

The Guarantor intends to use a portion of the proceeds of the Notes to repay these facilities at their respective maturity dates. See *“Use of Proceeds”*.

The Guarantor has also entered into an agreement to fund working capital requirements in an overdraft loan. On 18 June 2013, the Guarantor entered into a Facility Agreement with bank muscat SAOG, which sets the overdraft limit for Guarantor’s borrowings up to and including an aggregate amount of OMR 5,000,000. Borrowings of the Guarantor amounting to an overdraft accrue interest monthly at the call deposit rate of 0.75%.

Contracts with Key Customers

The Guarantor enters into electrical connection agreements with its key customers. These electrical connection agreements establish the connection boundaries of the Guarantor and the customer. The customer is responsible for the cost of constructing assets within its boundaries that are necessary for the connection to the Guarantor's transmission network. The Guarantor records these assets as its own, although the customer is permitted to amortize the cost of such assets over the term of the contract (typically 20 years) and offset that cost against transmission connection charges otherwise payable by it to the Guarantor. In addition, the electricity connection agreements provide that the Guarantor may charge an annual operation and maintenance fee equal to 2% of the capital cost of the relevant asset.

Health and Safety

The Guarantor has set a priority to maintain human safety, whether in respect of employees, contractors or third parties. The Guarantor invests heavily in safety training, support, monitoring, equipment and awareness programmes, including holding safety open days in all regions and Governorates within the network concession areas. The Guarantor believes that every incident is preventable and with a combination of proper education, documentation, equipment and monitoring, it can continue to minimise lost-time incidents.

The Guarantor seeks to ensure that employees, contractors, and third parties observe strict health and safety standards throughout its operations and construction sites. The Guarantor has taken steps to obtain ISO 14001 and OHSAS 18001 certifications and expects to receive these certifications in 2016.

The table below sets forth certain key metrics relating to the Guarantor’s performance in health and safety. The Guarantor aims to improve health and safety awareness among its employees and contractors. In 2014, highlights of the Guarantor’s health and safety performance include 260 days without lost-time accidents and a frequency rate of lost-time accidents of 0.25, which meets the Guarantor’s annual goal for such rate to be less than 1.00.

Performance Indicator	2014 Performance
Fatal accidents	1
Lost-time accidents.....	2
Frequency rate of lost-time accidents	0.25
Millions of safe working hours.....	5.8
Number of days without lost-time accidents	260

Environment

MECA is the environmental regulator of the Guarantor. The Guarantor is subject to regulation by MECA and must comply with all applicable provisions of the Law on Environment. See “*Regulation of the Electricity and Related Water Sector in Oman*”.

Insurance

The Guarantor maintains insurance coverage in respect of loss or damage to its grid stations. This coverage includes, but is not limited to, fire, explosion, lightning, windstorms, hurricanes, vandalism, malicious damage, riots, strikes, locked out workmen, labour disturbances, civil unrest, electrical damage and theft. The Guarantor’s insurance, however, does not cover the overhead lines and underground cables that form part of its transmission network, as there is no market for insurance coverage of overhead lines and cables in Oman. The Guarantor also maintains a comprehensive general liability policy with a loss limit of OMR 20 million, which provides cover against legal liability for accidental bodily injury or death to third parties or damage to their property. The Guarantor further maintains motor vehicle insurance for its general fleet of 209 vehicles. The Guarantor maintains insurance coverage on its construction projects through its contractors.

The Guarantor’s exposures are monitored through periodic risk surveys by its underwriters and reinsurers in conjunction with the Guarantor’s management and engineers.

The Guarantor does not carry any insurance cover for business interruption and sabotage or terrorism as the costs of obtaining and maintaining such insurance are uneconomical.

Risk Management and Internal Controls

The Guarantor has an internal audit function that is designed to evaluate the effectiveness of the Guarantor’s risk management activities. Risk management is, generally, the process by which an organization identifies, analyses, responds, gathers information about, and monitors strategic risks that could actually or potentially impact the organization’s ability to achieve its mission and objectives. The Guarantor’s internal audit function issues reports at the end of each audit that summarise its findings and recommends any responses or action plans to the Guarantor’s audit committee.

Legal Proceedings

The Guarantor has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Guarantor is aware) during the last year which may have, or have had, a significant effect on its financial position or profitability.

In addition, the Guarantor believes that it is in material compliance with all laws and regulations to which it is subject.

Information Technology

The Guarantor uses the DIGSILENT PowerFactory software for the analysis of the performance of its transmission network. DIGSILENT PowerFactory uses system modelling capabilities with algorithms and a unique database concept.

The Guarantor uses Oracle Financial Applications version R12 as its financial and accounting software. EHC, as the Guarantor’s parent, hosts and operates the Oracle Financial Applications software, but the Guarantor does all data entry and financial inputs into the software and generates the financial reports.

SHAREHOLDERS, MANAGEMENT AND EMPLOYEES

Shareholders

As at 31 December 2014, the Guarantor's authorised, issued and paid-up share capital consists of 500,000 shares of OMR 1 each. EHC, a wholly-owned subsidiary of the Oman Ministry of Finance, owns 499,950 shares (representing 99.99%) of the Guarantor. The Oman Ministry of Finance owns 50 shares (the remaining 0.01% interest) of the Guarantor directly. EHC is the government vehicle that owns all government-owned constituents of the Omani electricity and related water sector, consisting of procurement, generation/desalination, transmission (for which the Guarantor is responsible), distribution and supply.

As a requirement of the Oman Commercial Companies Law, members of the board of directors of closed joint stock companies are elected to office for a period of three years, it being permissible for such board members to be re-elected or replaced periodically. In accordance with the Oman Commercial Companies Law and in line with EHC and the Ministry of Finance's customary practices, on 15 April 2015, the Ministry of Finance, in accordance with the Sector Law, notified EHC that it will replace the four incumbent directors of EHC and elect five new members to the board. His Excellency Saud Shukeili, who is the Secretary General of Taxation at the Ministry of Finance will be the Chairman of EHC. The other board members of EHC will be Mubarak Mantheri, Saleh Rumhi, Faisal Khamis Al Hashar and Mohammed Khuraisi. The change in board members is expected to be effective as at the date of an ordinary general meeting of the shareholders of EHC on or about 28 April 2015. The Guarantor understands that, notwithstanding the new composition of the EHC board, the policies of EHC with respect to the Guarantor generally will not change, and there will be no resultant changes in management of EHC or at the Guarantor.

Management Structure

The Guarantor's main management structure consists of the Board, which has two committees, and a management team, consisting of the Chief Executive Officer (the "CEO"), senior managers, managers and their staff.

Board of Directors

Overview

The Board is responsible for the overall direction, supervision and control of the business of the Guarantor. The Board has delegated responsibility for overall executive management to the Guarantor's senior management team under the leadership of the CEO. The principal role of the Board is to oversee implementation of the Guarantor's strategic initiatives and its functioning within the agreed framework in accordance with relevant statutory and regulatory structures. The CEO, Financial Controller and other members of management are responsible for the conduct of the Guarantor's business affairs and day-to-day management. The CEO reports to the Board on a regular basis.

The Board consists of five members, one of whom is the direct appointee of the Ministry of Finance and one of whom is the direct appointee of EHC. The Board met eight times in 2014. The majority of the directors of the Guarantor (the "Directors") are required to attend for there to be a quorate Board meeting. A Director may appoint another Director to represent and vote for him in his absence. With limited exceptions, the majority votes of a quorum of Directors present (in person or by proxy) at a Board meeting constitutes a decision of the Board.

Each Director serves for a three year term. Upon expiry of the term, each Director must present himself to the general meeting of shareholders for re-election, however, each of the Ministry of Finance and EHC has the power to appoint one director to the Board. The election or re-election of Board members occurs at the Guarantor's annual general meeting, pursuant to Omani regulations. The election or re-election of the current Board members occurred at the Guarantor's last annual general meeting held on 30 March, 2014.

EHC as the direct holder of substantially all of the Guarantor's issued and outstanding share capital, and the Ministry of Finance which is the direct and indirect holder (through EHC) of all of the Guarantor's issued and outstanding share capital have the power to appoint the members of the Board. As a requirement of the Oman Commercial Companies Law, members of the board of directors of closed joint stock companies are elected to office for a period of three years, it being permissible for such board members to be re-elected or replaced periodically.

The composition of the Board is as follows:

Name	Position	Year of Appointment
Abdul Aziz Mohammed Ahmed Al Balushi.....	Chairman	2014
Ali Abdullah Ali Al-Abri	Deputy Chairman	2011
Humaid Abdullah Ali Al Qatabi.....	Director	2011
Ahmed Jaffer Salim Al Musalmi	Director	2014
Mohammed Nasser Said Al Aghbari.....	Director	2014

Eng. Abdulaziz Mohammed Ahmed Al Balushi - Chairman

Eng. Abdulaziz Al Balushi has been the Chairman of the Board since 2014. Eng. Al Balushi has more than 28 years of experience in banking and capital markets. Eng. Al Balushi is the current Chief Executive Officer of Oman International Development and Investment Co. SAOG and the former Chief Executive Officer of Ahlibank SAOG. During his tenure as CEO of Ahlibank SAOG, Oman Economic Review awarded Ahlibank SAOG best bank of Oman for three consecutive years and World Finance awarded Ahlibank SAOG the Bankers' Award for 2013. Eng. Al Balushi holds other senior leadership positions at organisation such as Oman International Bank and National Bank of Oman. Eng. Al Balushi also served on various corporate boards across the Sultanate, including ONIC Holding, Al Ahlia Insurance Company, National Life Insurance, Oman Investment & Finance Company, and Gulf Hotels Co. Forbes Magazine ranked Eng. Al Balushi the "Second Best CEO in the Arab Banking World." Eng. Al Balushi holds a Master of Science in Finance from University of Strathclyde in the United Kingdom and a Fellow of the Chartered Institute of Bankers in the United Kingdom. Eng. Al Balushi is also a member of the Advisory Board of the College of Agricultural and Marine Sciences at Sultan Qaboos University.

Ali Abdullah Ali Al-Abri - Deputy Chairman (EHC Representative on the Board)

Mr. Abdullah Ali Al-Abri has been the Deputy Chairman of the Board since 2011 and is the EHC representative on the Board. Mr. Al-Abri leads the Strategic Planning and Programme Management group at the EHC. Prior to joining the EHC, Mr. Al-Abri worked in corporate governance, human resources, corporate communications, risk management and mitigation, and corporate finance and risk assurance. Mr. Al-Abri has managed capital programmes totaling OMR 1.3 billion and risk assurance assets valued above OMR 1.6 billion. Mr. Al-Abri also serves on a number of memberships, steering committees and teams. Mr. Al-Abri holds a Master's degree in Banking and Finance from the University of Wales in the United Kingdom.

Humaid Abdullah Ali Al Qatabi - Director (Ministry of Finance Representative on the Board)

Sheikh Humaid Al Qatabi has been a Member of the Board since 2011 and is the Ministry of Finance Representative on the Board. Sheikh Al Qatabi has worked for the Ministry of Finance since 2000, where he is currently Director in the Councils and Committees Department of H.E and oversees reporting and advising on economic trends and financial issues. Sheikh Al Qatabi has served as financial and economic advisor for public and private organisations. Prior to his appointment as Director in the Councils and Committees Department of H.E., Sheikh Al Qatabi worked as a Specialist in the Councils and Committees Department. Sheikh Al Qatabi also served as a member of the Internal Audit and Internal Tender Committees for the Rural Areas Electricity Company, an EHC subsidiary. Sheik Al Qatabi was also a member of the Joint Committee between Oman and an oil exploration company named TAQAH. Sheikh Al Qatabi holds a Master of Business Administration from Hull University in the United Kingdom and a Bachelors degree from Al Yarmouk University in Jordan.

Ahmed Jaffer Salim Al Musalmi - Director

Mr. Ahmed Al-Musalmi has been a member of the Board since 2014. Mr. Al-Musalmi is the Chief Executive Officer of the National Bank of Oman and holds other senior leadership positions at organisations such as the National Bank of Abu Dhabi and Majan International Bank. Mr. Al-Musalmi also sits on the boards of a number of companies, including Oman Takaful and Oman Integrated Tourism Fund. He is also a committee member of the Bank Deposit Insurance Scheme at the Central Bank. Mr. Al-Musalmi is a graduate of the Harvard Business School Advanced Management Programme. He also holds a Masters of Business Administration with distinction from the University of Luton in the United Kingdom. His academic and professional qualifications also include the International Diploma in Financial Services, and he is a Chartered Market Analyst with Financial Analyst Designate, Chartered Portfolio Manager and Chartered Wealth Manager. He is a

fellow of the American Academy of Financial Management-United States of America. He has attended a number of advanced programmes including an intensive high performance leadership programme at the International Institute for Management Development business school in Switzerland.

Eng. Mohammed Nasser Said Al Aghbari - Director

Eng. Mohammed Nasser Said Al Aghbari has been a Director of the Guarantor since 2014. Eng. Mohammed has been the Corporate Function Discipline head of Electrical of the PDO since December 2012, following ten years spent with the PDO, including as a member of the Operation leadership team and Corporate Discipline Focal Point. Eng. Mohammed Al Aghbari has over 29 years of experience in the electrical field, including 16 years in power generation, transmission and control, six years in on-shore oil and gas process and five years in electrical construction projects. Eng. Mohammed also served as a subject matter expert on power transmission and distribution systems for Shell Companies in its overseas undertakings. Eng. Mohammed completed his higher education (HND) from the United Kingdom in 1991.

Board Committees

As at the date of this Prospectus, the Board has two Committees - the Board Executive Strategic Committee and the Internal Audit Committee. There are no conflicts of interest between the private interests of the Directors and their duties to the Guarantor.

Board Executive Strategic Committee

The Board Executive Strategic Committee serves as a link between the management of the Guarantor and the Board to facilitate the operations of the Guarantor and has approval and reviewing authority for all matters. The Board Executive Strategic Committee raises recommendations to the Board for approval or ratification or both. The Board Executive Strategic Committee is comprised of four members from the Board, namely, the Chairman of the Board, the Deputy Chairman of the Board, Mr. Ahmed Al Musalmi and Eng. Mohammed Al Aghbari. The Chairman of the Board is also the Chairman of the Board of Executive Strategic Committee and the Deputy Chairman of the Board is also the Deputy Chairman of the Board of Executive Strategic Committee. The Board Executive Strategic Committee held three meetings during 2014.

Internal Audit Committee

The Board appoints and replaces members of the Internal Audit Committee which consists of three members who the Board selects. The current members of the Internal Audit Committee are Mr. Ahmed Al Musalmi (Chairman of the committee), Sheikh Humaid Al Qatabi and Eng. Mohammed Al Aghbari. The Internal Audit Committee is responsible for monitoring the financial affairs of the Guarantor and its internal corporate governance. The Internal Audit Committee reports to the Board and met five times in 2014.

Management

Overview

The CEO, Financial Controller, Senior Managers and Managers administer the Guarantor’s day-to-day business and affairs. The Guarantor’s management and their respective positions are listed below.

Name	Position	Year of Appointment
Ali Said Nasser Al Hadabi.....	Chief Executive Officer	2012
Ali Mohammed Jawad Ali Al Abdullatif.....	Financial Controller	2006
Younis Ahmed Salim Al Rawahi	Senior Manager - Load Dispatch Centre	2012
Nawaf Al Balushi	Senior Manager - Projects	2015
Masoud Al Reyami.....	Senior Manager - Transmission	2013
Talal Al Amri	Senior Manager - Shared Services	2014
Salim Al Zubaidi	Senior Manager - Transmission Dhofar	2014
Zuhair Al Zadjali	Manager - Human Resources	2011
Adil Al Busaidi.....	Manager - Asset Management & Planning	2013
Asif Ali	Manager - Health, Safety & Environment	2008

Name	Position	Year of Appointment
Mohammed Al Mazroey	Manager - Regulatory & Compliance (Acting)	2014
Qais Al Mafarji	Manager - Internal Audit	2006
Hamdan Al Sakiti	Manager - Business Planning and Risk Management (Acting)	2014

Ali Said Nasser Al Hadabi - Chief Executive Officer

Mr. Ali Said Nasser Al Hadabi has been the CEO since October 2012. Prior to his appointment as CEO, Mr. Al Hadabi served as General Manager of the Guarantor for the previous four years. Prior to joining the Guarantor, Mr. Al Hadabi held senior leadership positions at organisations including Majan Electricity Company and the Electricity Department in the Dhahirah Region of Ibri. Mr. Al Hadabi is also a committee member of the Power Interconnection in Oman. Mr. Al Hadabi is a graduate of the University of Dundee, holding Master of Science in Electrical Power Engineering and Management. He also holds a Postgraduate Diploma in Engineering Management and Maintenance from an educational institution in India and a Bachelor of Science in Electrical Engineering from the Florida Institute of Technology in the United States.

Ali Mohammed Jawad Ali Al Abdullatif - Financial Controller

Mr. Ali Mohammed Jawad Ali Al Abdullatif has been the Financial Controller of the Guarantor since 2006. Prior to becoming the Financial Controller of the Guarantor, Mr. Al Abdullatif was the Section Head for Property Plant & Equipment at EHC, and was responsible for accounting of fixed assets of the electricity sector, keeping effective control over capital work in progress, coordinating with and managing subsidiary companies and liaising with internal and external auditors. Mr. Al Abdullatif began his career in 1997 as Accounts Manager at the National Life and General Insurance Co. S.A.O.C. Mr. Al Abdullatif holds a Bachelors degree in Accounting from Yarmouk University, Jordan, a Certified Public Accountant from the American Institute of Certified Public Accountants in the United States, a Certified Management Accountant from the Institute of Management Accountants, United States.

Younis Ahmed Salim Al Rawahi - Senior Manager of Load Dispatch Centre

Mr. Younis Ahmed Salim Al Rawahi has been the Senior Manager of Load Dispatch Centre of the Guarantor since 2012. Prior to that, Mr. Salam spent more than three decades working for the Guarantor, since 1980 under the MHEW before the Guarantor's privatisation in 2005. Mr. Al Rawahi has more than 30 years experience in management, operation, maintenance, and monitoring of as well as safety procedures for electrical utility systems. Mr. Al Rawahi has a B. Tech Higher National Diploma in Electrical and Electronics Engineering from Oldham College, United Kingdom and an Ordinary Diploma Technician in Mechanical and Electrical Engineering from City & Guilds of London Institute, United Kingdom.

Nawaf Al Balushi - Senior Manager of Projects

Mr. Al Balushi has been the Senior Manager of Projects of the Guarantor since February 2015. Mr. Nawaf has more than nine years of experience in electrical project engineering. Prior to his appointment as Senior Manager of Projects, Mr. Al Balushi was also the Projects Section Head from 2010 to 2015 and the Electrical Project Engineer of the Guarantor from 2007 to 2010. Mr. Al Balushi holds a Bachelor of Engineering in Electrical and Electronics Engineering from Sultan Qaboos University in Oman.

Masoud Al Reyami - Senior Manager of Transmission

Mr. Masoud Al Reyami has been the Senior Manager of Transmission of the Guarantor since January 2013, following almost twenty years spent working for the Guarantor, since 1995 under the MHEW before the Guarantor's privatisation in 2005. Mr. Al Reyami has more than 20 years of experience in management, operation, maintenance, repair as well as safety procedures for electrical utility systems. Mr. Al Reyami holds a Bachelors degree in Electrical and Electronic Engineering from Sultan Qaboos University in Oman.

Talal Al Amri - Senior Manager of Shared Services

Mr. Talal Al Amri has been the Senior Manager of Shared Services of the Guarantor since April 2014, following nine years spent working for the Guarantor, since 1996 under the MHEW before the Guarantor's privatisation in 2005. Mr. Al Amri has more than 18 years of experience in administration, finance, tenders, contracts and human resources. Prior to his

appointment as Senior Manager of Shared Services, Mr. Al Amri served as Manager of Tenders, Procurement and Contracts from 2008 to 2014, as Manager of Finance from 2007 to 2008, and as Manager of Administration and Finance SAOC from 2005 to 2007. Mr. Al Amri also held the position of Secretary of the Board of Directors for the Guarantor from 2005 to 2008. Mr. Al Amri holds a Postgraduate Diploma in Economic Regulation and Competition from City University in London and a degree in Management Science (BMS) specializing in Accountancy and Banking Management from Sadat Academy for Management Sciences in Cairo, Egypt. Mr. Al Amri is a Certified KPI Professional and an Arabic Certificate Public Accountant.

Salim Al Zubaidi - Senior Manager of Transmission Dhofar

Mr. Salim Al Zubaidi has been the Senior Manager of the Dhofar Transmission System of the Guarantor since 2014. Mr. Zubaidi worked ten years for the Guarantor since 1993 under the MHEW before moving to work for the DPC from 2003 to 2013. Mr. Al Zubaidi has more than 21 years of experience in management, operations, maintenance, repair, and monitoring of as well as safety procedures for electrical utility systems. Mr. Al Zubaidi holds a Bachelor of Engineering in both Electrical and Electronic Engineering from Sultan Qaboos University.

Zuhair Al Zadjali - Manager of Human Resources

Mr. Zuhair Al Zadjali has been the Manager of Human Resources of the Guarantor since March 2011, following almost eighteen years spent working for the Guarantor, since 1999 under the MHEW before the Guarantor's incorporation. Mr. Al Zadjali has more than fifteen years of experience in human resources. Mr. Al Zadjali holds a Bachelors in Public Administration from Yarmouk University in Jordan and expects to receive an Executive MBA from Hull University in June 2015.

Adil Al Busaidi - Manager of Asset Management and Planning

Mr. Adil Al Busaidi has been the Manager of Asset Management and Planning of the Guarantor since April 2013. Mr. Al Busaidi has more than nine years of experience in electrical power engineering. Prior to joining the Guarantor, Mr. Al Busaidi held senior engineering positions for companies such as the Value Engineering Centre and the PDO. Mr. Al Busaidi holds a Bachelor of Engineering in Electrical with honours from the University of Teesside in the United Kingdom, a Master of Science in Electrical Power Engineering from the University of Manchester in the United Kingdom, and a Doctorate of Philosophy in Power Systems Control and Optimisation from the University of Teesside in the United Kingdom.

Asif Ali - Manager of Health, Safety and Environment

Mr. Asif Ali has been the Manager of Health, Safety and Environment of the Guarantor since March 2008. Prior to joining the Guarantor, Mr. Asif Ali worked as an Assistant Engineer in Health, Safety and Environment for DEWA for the previous five years. Mr. Asif Ali has worked for both private and public companies and has more than fifteen years experience as a Health, Safety and Environment Professional in the fields of health, safety and environment management. Mr. Ali holds a Bachelor in Mechanical Engineering and an Executive Post Graduate in Business Management.

Mohammed Al Mazroey - Acting Manager of Regulatory Compliance

Mr. Mohammed Al Mazroey has been the Acting Manager of Regulatory Compliance of the Guarantor since August 2014, following more than three decades spent working for the Guarantor, since 1979 under the MHEW before the Guarantor's privatisation in 2005. Mr. Al Mazroey holds a Post Graduate Diploma in Electrical Power from Bradford University in the United Kingdom and a High National Diploma from Oldham College of Technology in the United Kingdom.

Qais Al Mafarji - Manager of Internal Audit

Mr. Qais Al Mafarji has been the Manager of Internal Audit of the Guarantor since August 2006. Mr. Al Mafarji has more than 12 years of experience in the field of audit and finance. Prior to joining the Guarantor, Mr. Al Mafarji was the Internal Auditor for the Ministry of Finance from 2002 to 2006. Mr. Al Mafarji holds a Master in Business Administration, majoring in Finance, from the Modern College of Business Technology in Oman and a Bachelor of Science in Accounting from the College of Commerce and Economics at Sultan Qaboos University. Mr. Al Mafarji is a Certified Management Accountant and a Certified Internal Auditor.

Hamdan Al Sakiti - Acting Manager of Business Planning and Risk Management

Mr. Hamdan Al Sakiti has been the Manager of Business Planning and Risk Management of the Guarantor since June 2014. In addition to his duties as Manager of Business Planning and Risk Management, Mr. Al Sakiti has been the Compliance Officer of the Guarantor since October 2009. Mr. Al Sakiti has more than 23 years of experience in the regulatory, compliance and risk management field. Prior to joining the Guarantor, Mr. Al Sakiti worked for the Oman Telecommunications Company in Oman for the previous eighteen years and held various positions, including Senior Manager of Regulatory Operations from 2008 to 2009 and Section Head of Quality and Telecom Regulation from 2003 to 2008. Mr. Al Sakiti holds a Masters Degree in Communications, Policy and Regulations from the University of Westminster in the United Kingdom, a Bachelor of Electronic Engineering from Staffordshire Polytechnic in the United Kingdom, and a BTEC Diploma in Electrical and Electronic Engineering from Bradford & Ilkey College in the United Kingdom.

Corporate Governance Principles and Policies

EHC, as the Guarantor's controlling shareholder, is influential in the Guarantor's corporate governance principles and policies, and the Guarantor adopts EHC's corporate governance principles and policies as its own. EHC's corporate governance principles seek to create long-term business value for EHC. This is a combination of processes, customs, policies, laws and institutions which ensure positive workplace management, marketplace responsibility, environmental stewardship, community engagement and sustained financial performance. This is an important component in creating and sustaining shareholder value while ensuring corporate behaviour is ethical, legal and transparent. EHC and its subsidiaries follow the idea that corporate governance is primarily concerned with sustaining shareholder value, without ignoring the interests of stakeholders in the company such as employees, customers, suppliers and the community at large. Good governance practices instil in companies the essential vision, processes and structures to make decisions that ensure long-term sustainability. Therefore the way boards of directors oversee the running of a company by its management, highlighting various areas of responsibility and accountability have implications for company behaviour not only to shareholders but also to employees, customers, those financing the company and other stakeholders including the communities in which the business operates. The corporate governance principles for the group would be revised every few years by the EHC and provide a basis for promoting the highest standards of corporate governance with the objective of making the roles and responsibilities of the Board, its committees and the management transparent and institutionally sound.

Compensation of Directors

The remuneration of the Directors is set by a proposal made by the Board to the general meeting of the shareholders of the Guarantor, which has the power to either approve or reject the Board's proposal. For the years ended 2014 and 2013, the aggregate remuneration paid to the Directors was OMR 61,600, and OMR 58,000, respectively.

Summary of Director Compensation

Description	Total Sitting Fees for 2014	Total Sitting Fees for 2013
	<i>(OMR)</i>	
Board Meetings	20,200	12,900
Board Executive Strategic Committee Meetings	2,700	—
Human Resources Committee Meetings.....	—	1,400
Internal Audit Committee Meetings	4,700	4,100
Internal Tender Committee Meetings ⁽¹⁾	4,000 ⁽¹⁾	9,600
Board Bonus Provision.....	30,000	30,000
Total Sitting Fees	61,600	58,000

Note:

(1) The Internal Tender Committee ceased to be a board committee and became a management committee in mid 2014.

Board of Directors Bonus Provision

Description	Member Position	Bonus for 2014	Bonus for 2013
		<i>(OMR)</i>	
Mr. Abdulaziz Mohammed Al Balushi.....	Chairman	10,000	—
Mr. Ali Abdullah Ali Al Abri	Deputy Chairman	5,000	5,000
Sheikh Humaid Abdullah Ali Al Qatabi	Member	5,000	5,000
Mr. Ahmed Jaffer Al Musalmi	Member	5,000	—
Eng. Mohammed Nasser Al Aghbari.....	Member	5,000	—
Eng. Saif Abdullah Rashid Al Sumry	Chairman	—	10,000
Eng. Musallam Mohammed Qetoon Al Shahri.....	Deputy Chairman	—	5,000
Sheikh Khalil Ahmed Mohammed Al Salmi	Director	—	5,000
Total Bonus		30,000	30,000

Employees

As at 31 December 2014, the Guarantor had 318 employees, as compared to 290 employees as at 31 December 2013. The Guarantor has not experienced any work stoppages. Ministerial Decree 248/2014 requires the Guarantor to meet certain percentage thresholds relating to the employment of Omani citizens (as opposed to foreign nationals), a requirement known as Omanisation. As at the date of this Prospectus, the Guarantor meets its Omanisation requirements, as 91% of its employees are Omani citizens.

The Guarantor's employees formed a labour union on 21 January 2013, and as at the date of this Prospectus between 20 to 25% of Guarantor employees are unionised. Although the union is new, the Guarantor believes its relations with union, and with its employees overall, are good.

Continuing or professional education and training is provided for employees through a separate subsidiary company of EHC.

The Guarantor does not provide a separate pension or retirement plan for its employees, however employees participate in the national retirement system like all other employees in Oman.

RELATED PARTY TRANSACTIONS

The Guarantor's related parties are comprised of its shareholders, directors and key management personnel, and the business entities which these related parties have the ability to control or over which they exercise significant influence in financial and operating decisions. The Guarantor enters into transactions in the ordinary course of business with related parties, other affiliates and parties in which certain members and senior management have a significant influence (other related parties). The Guarantor maintains balances with these related parties which arise in the normal course of business from the commercial transactions, and enters into such commercial transactions on terms and conditions which are approved by its management.

For the year ended 31 December 2014, the Guarantor received OMR 90.4 million in transmission use of system and connection charges from related parties and paid OMR 0.5 million of operation expenses to related parties.

For the year ended 31 December 2014, the Guarantor paid OMR 1.7 million in employment compensation and director remuneration and sitting fees to key management personnel.

See "*Report and Financial Statements for the Year Ended 31 December 2014—Note 29—Related Parties*" for additional information.

THE ISSUER

The Issuer, an exempted company incorporated in the Cayman Islands with limited liability, was incorporated on 7 April 2015 with company registration number 00298279 under the Companies Law (as amended) of the Cayman Islands. The registered office of the Issuer is at c/o Deutsche Bank (Cayman) Limited, Boundary Hall, Cricket Square, PO Box 1984, Grand Cayman KY1-1104, Cayman Islands. The telephone number of the Issuer's registered office is +1 345 949 8244.

As set out in Article 3 of its Memorandum of Association, the objects of the Issuer are unrestricted, and the Issuer was incorporated with the capability of a natural person of full capacity. The Issuer is a special purpose entity established to raise capital by the issue of the Notes. It has no employees or subsidiaries.

As at the date of this Prospectus, the Issuer has no prior operating history or prior business and will not have any substantial assets or substantial liabilities other than in connection with the Notes. Since the date of incorporation, no financial statements of the Issuer have been, or were required to be, prepared.

Capitalisation

The authorised share capital of the Issuer is U.S.\$50,000 divided into 50,000 ordinary shares of U.S.\$1.00 each, 100 of which have been issued and the proceeds of which form part of the general assets of the Issuer. All of the issued shares (the "Shares") are fully paid and are held by Deutsche Bank (Cayman) Limited, in its capacity as share trustee (the "Share Trustee"), in trust for charitable purposes under the terms of a declaration of trust.

As at the date of this Prospectus, the Issuer has no borrowings or indebtedness in the nature of borrowings (including loan capital issued or created but unissued), term loans, liabilities under acceptances or acceptance credits, mortgages, charges or guarantees or other contingent liabilities. There has been no change in the capitalisation of the Issuer since the date of its incorporation.

Administrator; Directors

Deutsche Bank (Cayman) Limited will act as the administrator of the Issuer (the "Administrator"). The directors of the Issuer are David Dyer and Alan Corkish. Each of the directors of the Issuer is a director, officer or employee of the Administrator. The business address of each of the directors of the Issuer is c/o Deutsche Bank (Cayman) Limited Boundary Hall, Cricket Square, PO Box 1984, Grand Cayman KY1-1104, Cayman Islands.

The Issuer has no employees and is not expected to have employees in the future.

The directors of the Issuer perform no principal activities outside the Issuer that are significant with respect to either the Issuer or the Guarantor. There are no conflicts of interest between the private interests of the directors of the Issuer and their duties to the Issuer.

Anti-Money Laundering Legislation

The Issuer is subject to anti-money laundering legislation in the Cayman Islands pursuant to the Proceeds of Crime Law (as amended) (the "PCL"). Pursuant to the PCL the Cayman Islands government enacted The Money Laundering Regulations (as amended), which impose specific requirements with respect to the obligation "to know your client". Except in relation to certain categories of institutional investors, the Issuer (and its agents on its behalf) will require a detailed verification of each investor's identity and the source of the payment used by such investor for purchasing the Notes in a manner similar to the obligations imposed under the laws of other major financial centres. In addition, if any person who is resident in the Cayman Islands knows or has a suspicion that a payment to us (by way of investment or otherwise) contains the proceeds of criminal conduct, that person must report such suspicion to the Cayman Islands authorities pursuant to the PCL. If the Issuer were determined by the Cayman Islands government to be in violation of the PCL or The Money Laundering Regulations (as amended), the Issuer could be subject to substantial criminal penalties. The Issuer may be subject to similar restrictions in other jurisdictions.

OVERVIEW OF OMAN

Introduction

Oman is the second largest country by geographical area among the member states of the GCC, after Saudi Arabia. It is spread over 309,500 square kilometres and has a 2,092 kilometre coastline (source: Oxford Business Group's Report: Oman 2014 ("**OBG's 2014 Oman Report**"). It is strategically placed at the mouth of the Arabian Gulf. It is divided into eleven main governorates (Muscat, Musandam, Al Buraimi, Al Dakhiliyah, Al Batinah North, Al Batinah South, Al Sharqiyah North, Al Sharqiyah South, Al Dhahirah, Al Wusta and Dhofar). The governorate of Musandam is an exclave of Oman, separated from the rest of Oman by the United Arab Emirates. The governorates are subdivided into a total of 59 provinces or *wilayats*. Muscat is the political and business capital of Oman. Other prominent cities are Salalah, Sohar, Sur, Nizwa and Khasab. Arabic is the national and official language, but use of English is widespread, especially in business transactions.

His Majesty Sultan Qaboos bin Said Al-Said rules the country through Royal Decrees. His Majesty the Sultan enacted the Basic Statute of the State in 1996, also called the Basic Law, which codifies certain basic rights of both the citizens of Oman and the Government and effectively serves as the Constitution of Oman. The administrative system of Oman comprises the Diwan of Royal Court, the Ministry of Palace Office and the Council of Oman (Majlis Oman). The Council of Oman is a consultative council of two chambers. The upper chamber, the Majlis al Dawla (or the State Council), has advisory powers only and its members are appointed by His Majesty the Sultan. Members of the lower chamber, the Majlis al Shura (or the Consultative council), are elected by popular vote for a term of four years. The most recent elections were held in October 2011 with the next elections planned for October 2015, according to OBG's 2014 Oman Report. Both the Majlis al Shura and the Majlis al Dawla were given greater powers in 2011 in line with His Majesty's pledge to make historic constitutional changes.

The NCSI estimated the population of Oman to be 3.86 million, with Omani nationals comprising 2.17 million (56%) and expatriates comprising 1.68 million (44%) of the overall figure. This represents an increase in population of 28% compared to the 2010 Oman census, which reported a population of 2.77 million. NCSI data estimated that, as at 31 May 2014 the population has grown by a further 4.96% to 4.02 million. The population of Oman is relatively young, with the United States Central Intelligence Agency World Factbook dated 22 June 2014 indicating the population's median age as 24.9 years. A key target of the Government's policy is providing adequate employment opportunities for its young national population.

Oman pursues an independent foreign policy with the aim of fostering good relations with its neighbours and other countries. In addition, Oman has been a member of the United Nations since 1971. Oman became a member of the International Monetary Fund and the International Bank for Reconstruction and Development in 1971. Oman became a member of the World Trade Organisation in 2001.

Oman joined the Arab League in 1971 and the Organisation of the Islamic Conference in 1972. It became a member of the Non-Aligned Movement in 1973. It is a founder member of the GCC, which also includes Saudi Arabia, Kuwait, Bahrain, the UAE and Qatar. It chaired the GCC in 1996 and 2001. While Oman is not a member of the Organisation of Petroleum Exporting Countries, as the other members of the GCC are, Oman is a member of the GCC's Permanent Committee for Petroleum Cooperation.

Oman's current economic focus is on long-term planning. It is in the process of implementing its five-year economic development strategy plan for 2014-2018. Since 1996, the five-year plans have been designed to comply with Vision 2020, which is the Government's economic planning strategy outlining Oman's long-term target of economic diversification, away from reliance on hydrocarbons, and towards, among other strategies, labour sector development (source: OBG's 2014 Oman Report).

Ratings

The most recent long-term credit rating assigned to Oman by Moody's Investors Service Pte. Ltd. ("**Moody's Investors**") is 'A-1 (negative) and by Standard & Poor's Credit Market Services Europe ("**S&P**") is 'A-'. Moody's outlook on Oman was changed to negative as at 20 February 2015.

Each of Moody's Investors and S&P is established in the European Union and is registered under the CRA Regulation.

Economic Overview

The IMF reported Oman had a GDP growth rate of 4.8% in 2010, 4.1% in 2011, 5.8% in 2012 and 4.7% in 2013. The growth in the Oman economy in 2012 and 2013 was supported by high oil prices, as well as increased production, and by fiscal expansion. Preliminary IMF data shows that Oman's GDP grew at a more modest pace of 2.9% in 2014, due primarily to weaker oil prices in the global markets and despite an increase in oil production. Inflation has been contained in Oman with the Consumer Price Index in Oman increasing 3.3% in 2010, 4.0% in 2011, 2.9% in 2012, 1.2% in 2013 and 1.0% in 2014. The Omani Rial has been pegged to the U.S. dollar since 1973 at a fixed rate of one 1.0000 equal to U.S.\$2.6008.

The following table sets out certain economic data for Oman for the years indicated.

	2014 ⁽¹⁾	2013	2012	2011	2010	2009	2008
Gross domestic product, constant prices (% change)	2.9	4.7 ⁽¹⁾	5.8	4.1	4.8	6.1	8.2
Gross domestic product, current prices (US\$ billions)	77.8	77.0 ⁽¹⁾	75.4	67.7	56.8	46.7	59.3
Gross domestic product, deflator (Index).....	115.3	117.5 ⁽¹⁾	120.6	114.5	100.0	86.2	116.0
GDP per capita, current prices (US\$)	19,001.8	21,417 ⁽¹⁾	22,923	22,623	19,698	16,204	21,272
GDP based on purchasing-power-parity share of world total (%).....	0.150	0.151 ⁽¹⁾	0.149 ⁽¹⁾	0.146	0.145	0.146	0.137
Total Investment (% of GDP).....	28.4	28.0 ⁽¹⁾	25.3	19.1	26.2	29.2	37.5
Gross national savings (% of GDP).....	30.6	34.6 ⁽¹⁾	35.6	32.3	35.1	28.1	46.0
Inflation, average consumer prices (index).....	153.4	151.9	150.0	145.7	140.1	135.7	131.0
Inflation, average consumer prices (% change).....	1.0	1.2	2.9	4.0	3.3	3.5	12.6
Inflation, end of period consumer prices (index)	148.2	146.7	146.3	142.2	137.7	132.1	130.9
Inflation, end of period consumer prices (% change).....	1.0	0.3	2.9	3.3	4.2	0.9	11.8
Volume of imports of goods and services (% change)	4.9	24.3	19.8	11.3	3.4	(11.2)	29.1
Volume of imports of goods (% change).....	4.8	26.8	21.4	11.0	2.3	(15.0)	36.3
Volume of exports of goods and services (% change).....	5.1	9.7	10.6	3.5	7.7	2.3	18.6
Volume of exports of goods (% change).....	4.6	9.5	10.8	3.7	8.3	1.3	20.9
Population (Persons, millions).....	4.1	3.6	3.31	3.0	2.9	2.9	2.8
General government revenue (% of GDP).....	47.3	49.2	49.5	48.9	40.6	39.3	47.4
General government total expenditure (% of GDP).....	48.8	45.9	44.8	39.5	35.0	39.6	30.1
General government net lending/borrowing (% of GDP)	(1.5)	3.2	4.7	9.4	5.7	(0.3)	17.3
General government primary net lending/borrowing (% of GDP)	(2.2)	2.6	3.4	9.0	4.8	(1.4)	16.0
General government gross debt (% of GDP)	5.1	5.1	4.9	5.2	5.9	6.9	4.8
Current account balance (US\$ billions).....	1.7	5.1	7.8	8.9	5.0	(0.5)	5.0
Current account balance (% of GDP)	2.2	6.6 ⁽¹⁾	10.3	13.2	8.9	(1.1)	8.5

Notes:

(1) Estimated.

(2) The data and ratios above result from IMF's calculations, drawing on national as well as international sources, reflecting IMF's independent view on the timeliness, coverage, accuracy, credibility and usability of available information.

Source: IMF, World Economic Outlook Database, data published April 2015.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions of the Notes, which, subject to amendment and completion and except for the text in italics, will be endorsed on each Definitive Note Certificate (if issued):

The U.S.\$1,000,000,000 3.958% Guaranteed Notes due 2025 (the “**Notes**”, which expression includes any further notes issued pursuant to Condition 14 (*Further Issues*) and forming a single series therewith) of Lamar Funding Limited (the “**Issuer**”) (a) are issued pursuant to a Fiscal Agency Agreement (as amended and/or supplemented and/or restated from time to time, the “**Fiscal Agency Agreement**”) dated 7 May 2015 among the Issuer, Oman Electricity Transmission Company S.A.O.C (the “**Guarantor**”), Citibank, N.A., London Branch, as fiscal agent and the other agents named therein; and (b) have the benefit of a Deed of Guarantee (as amended and/or supplemented and/or restated from time to time, the “**Deed of Guarantee**”) dated 7 May 2015 and entered into by the Guarantor and a Deed of Covenant (as amended and/or supplemented and/or restated from time to time, the “**Deed of Covenant**”) dated 7 May 2015 and entered into by the Issuer in relation to the Notes. The fiscal agent, the paying and transfer agents and the registrar for the time being are referred to below as the “**Fiscal Agent**”, the “**Paying and Transfer Agents**” and the “**Registrar**”. The expression “**Paying and Transfer Agents**” shall include the Fiscal Agent. The Fiscal Agency Agreement includes the form of Notes. Copies of the Fiscal Agency Agreement, the Deed of Guarantee and the Deed of Covenant are available for inspection during normal business hours at the specified offices of the Paying and Transfer Agents. The holders (as defined below) of Notes are deemed to have notice of all the provisions of the Fiscal Agency Agreement, the Deed of Covenant and the Deed of Guarantee applicable to them.

An amount equal to the gross proceeds received by the Issuer from the sale of the Notes will be on-lent to the Guarantor under a loan, which will mature and become payable on or before the maturity date of the Notes (the “**Loan**”). Interest will accrue on the Loan at a rate at least equal to the interest rate payable on the Notes, with such adjustments as may be agreed between the parties or as are necessary to match any Additional Amounts (as defined below) due thereunder or any default interest payable with respect to the Notes and to comply with applicable law. The Loan is repayable on or before the repayment in full or in part of amounts due under the Notes, whether at maturity, on early redemption or mandatory repurchase or upon acceleration.

1. FORM, DENOMINATION AND TITLE

(a) Form and denomination

The Notes are in fully registered form, serially numbered and without interest coupons attached.

The Notes will be issued in minimum denominations of U.S.\$200,000 or any amount in excess thereof, which is an integral multiple of U.S.\$1,000 (each, an “**Authorised Holding**”).

(b) Title

Title to the Notes will pass by transfer and registration as described in Condition 2 (*Registration and Transfer of Notes*). The holder of any Note will (except as otherwise required by law or as ordered by a court of competent jurisdiction) be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or any other interest in it, any writing thereon by any Person (as defined below) (other than a duly executed transfer thereof in the form endorsed thereon) or any notice of any previous theft or loss thereof; and no Person will be liable for so treating the holder.

In these Conditions, “**Person**” means any individual, company, corporation, firm, partnership, joint venture, association, unincorporated organisation, trust or other judicial entity, including, without limitation, any state or agency of a state or other entity, whether or not having separate legal personality, “**Noteholder**” or “**holder**” means the Person in whose name a Note is for the time being registered in the Register (as defined below) (or, in the case of joint holders, the first named thereof) and “**Noteholders**” and “**holders**” shall be construed accordingly.

Upon issue, the Notes will be represented by Global Notes, which will be registered in the name of nominees for Euroclear, Clearstream, Luxembourg and DTC (as applicable). Ownership interests in the Global Notes will be shown on, and transfers thereof will only be effected through, records maintained by

Euroclear, Clearstream, Luxembourg and DTC (as applicable) and their respective participants. Payments of interest and principal in respect of the Notes will be effected in accordance with investors' holdings through participants in Euroclear, Clearstream, Luxembourg and DTC (as applicable).

2. REGISTRATION AND TRANSFER OF NOTES

(a) Registration

The Issuer will cause a register (the “**Register**”) to be kept at the specified office of the Registrar, outside the United Kingdom, in accordance with the Fiscal Agency Agreement, in which will be entered the names and addresses of all holders of Notes and the particulars of the Notes held by them and all transfers and redemptions of the Notes.

(b) Transfer

Each Note may, subject to the terms of the Fiscal Agency Agreement and to Conditions 2(c) (*Formalities Free of Charge*) and 2(d) (*Closed Periods*), be transferred in whole or in part in an authorised denomination by lodging the relevant Note (with the form of application for transfer in respect thereof duly executed and duly stamped where applicable) at the specified office of the Registrar or any Paying and Transfer Agent.

No transfer of a Note will be valid unless and until entered on the Register. A Note may be registered only in the name of, and transferred only to, a named person (or persons, not exceeding four in number).

The Registrar will within seven business days (as defined below), in the place of the specified office of the Registrar, of any duly made application for the transfer of a Note, deliver a new Note to the transferee (and, in the case of a transfer of part only of a Note, deliver a Note for the untransferred balance to the transferor) at the specified office of the Registrar or (at the risk and, if mailed at the request of the transferee or, as the case may be, the transferor otherwise than by ordinary mail, at the expense of the transferee or, as the case may be, the transferor) mail the Note by uninsured mail to such address as the transferee or, as the case may be, the transferor may request.

(c) Formalities Free of Charge

Any such transfer will be effected without charge subject to (i) the Person making such application for transfer paying or procuring the payment of any taxes, duties and other governmental charges in connection therewith, (ii) the Registrar being satisfied with the documents of title and/or identity of the Person making the application and (iii) such reasonable regulations as the Issuer may from time to time agree with the Registrar.

(d) Closed Periods

Neither the Issuer nor the Registrar will be required to register the transfer of any Note (or part thereof) (i) during the period of 15 calendar days ending on and including the day immediately prior to 7 May 2025 (the “**Maturity Date**”); or (ii) during the period of seven calendar days ending on (and including) any Record Date (as defined in Condition 8(a) (*Method of Payment*)) in respect of any payment of interest on the Notes.

3. STATUS AND GUARANTEE

(a) The Notes constitute direct, unsecured, (subject to Condition 4 (*Negative Pledge*)) unsecured and limited recourse obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves.

(b) The Guarantor has unconditionally and irrevocably guaranteed the due payment of all sums expressed to be payable by the Issuer under the Notes. Its obligations in that respect (the “**Guarantee**”) are contained in the Deed of Guarantee. As provided in the Deed of Guarantee, the obligations of the Guarantor under

the Guarantee constitute (subject to Condition 4 (*Negative Pledge*)) unsecured obligations of the Guarantor and shall at all times rank *pari passu* and without any preference among themselves.

The Guarantor has unconditionally and irrevocably guaranteed in the Deed of Guarantee that if the Issuer does not pay any sum payable by it under the Deed of Covenant or the Notes by the time, in the currency and on the date specified in the Conditions (whether on the normal due date, on acceleration or otherwise), the Guarantor shall pay to each Noteholder on demand that sum payable by the Issuer. As between the Guarantor and the Noteholders but without affecting the Issuer's obligations, the Guarantor shall be liable under the Guarantee as if it were the sole principal debtor and not merely a surety and the Guarantor's obligations shall remain in full force and effect by way of continuing security until no sum remains payable under the Guarantee, the Notes, the Deed of Covenant or the Deed of Guarantee. The Deed of Guarantee is available for inspection from the specified office of the Paying Agent.

- (c) The payment obligations of the Issuer under the Notes and of the Guarantor under the Guarantee shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4 (*Negative Pledge*), at all times rank at least equally with all other unsecured and unsubordinated indebtedness and monetary obligations of the Issuer and the Guarantor, respectively, present and future.
- (d) Each of the Noteholders agrees that no liability for the payment of any amount owing under or in respect of the Notes shall arise against any director, officer, member, administrator, employee or incorporator of the Issuer or their respective successors or assigns.

4. NEGATIVE PLEDGE

4.1 Negative Pledge of the Issuer

So long as any Note remains outstanding (as defined in the Fiscal Agency Agreement), the Issuer shall not create or permit to subsist any Security Interest (as defined below) upon the whole or any part of its present or future undertaking, assets or revenue (including uncalled capital) to secure any Indebtedness (as defined below) of the Issuer or any guarantee of any Indebtedness unless, at the same time or prior thereto, the Issuer's obligations under the Notes are secured equally and rateably therewith or have the benefit of such other arrangement as may be approved by an Extraordinary Resolution (as defined in the Fiscal Agency Agreement) of the Noteholders.

4.2 Negative Pledge of the Guarantor

So long as any Note remains outstanding, the Guarantor shall not, and shall procure that none of its Material Subsidiaries (as defined below) will, create or permit to subsist any Security Interest upon the whole or any part of its present or future undertaking, assets or revenue (including uncalled capital) to secure any Relevant Indebtedness (as defined below) or any guarantee of any Relevant Indebtedness, unless (i) the aggregate amount secured in respect of Relevant Indebtedness or any guarantee of any Relevant Indebtedness by all such Security Interests (including any Security Interest to be then created) is less than 20% of the amount of the consolidated total revenue or assets of the Guarantor and its Subsidiaries taken as a whole, all as calculated in the same manner as is required for the determination of Material Subsidiaries as set out in the definition thereof; or, in any case, (ii) at the same time or prior thereto the Guarantor's obligations under the Guarantee (x) are secured equally and rateably therewith or (y) have the benefit of such other security for the Guarantor's obligations under the Guarantee as may be approved by an Extraordinary Resolution or Written Resolution of the Noteholders.

5. DEFINITIONS

For the purposes of these Conditions:

“**guarantee**” means any guarantee or indemnity in respect of any Relevant Indebtedness or any arrangement having a similar effect;

“**Indebtedness**” means any indebtedness of any Person for money borrowed, whether incurred, assumed or guaranteed, other than trade credit in the ordinary course of business;

“Material Subsidiary” means any Subsidiary of the Guarantor:

- (a) whose revenue (consolidated in the case of a Subsidiary which itself has Subsidiaries) or whose total assets (consolidated in the case of a Subsidiary which itself has Subsidiaries) represent in each case (or, in the case of a Subsidiary acquired after the end of the financial period to which the then latest audited consolidated accounts of the Guarantor and its Subsidiaries relate, are equal to) not less than 10% of consolidated revenue or, as the case may be, not less than 10% of consolidated total assets of the Guarantor and its Subsidiaries taken as a whole, all as calculated respectively by reference to the then latest audited accounts (consolidated or, as the case may be, unconsolidated) of such Subsidiary and the then latest audited consolidated accounts of the Guarantor and its Subsidiaries, provided that in the case of a Subsidiary of the Guarantor acquired after the end of the financial period to which the then latest audited consolidated accounts of the Guarantor and its Subsidiaries relate, the reference to the then latest audited consolidated accounts of the Guarantor and its Subsidiaries for the purposes of the calculation above shall, until consolidated accounts for the financial period in which the acquisition is made have been prepared and audited as aforesaid, be deemed to be a reference to such first-mentioned accounts as if such Subsidiary had been shown in such accounts by reference to its then latest relevant audited accounts, adjusted as deemed appropriate by the Guarantor;
- (b) to which is transferred the whole or substantially the whole of the undertaking and assets of a Subsidiary of the Guarantor which immediately prior to such transfer is a Material Subsidiary, provided that the transferor Subsidiary shall upon such transfer forthwith cease to be a Material Subsidiary and the transferee Subsidiary shall cease to be a Material Subsidiary pursuant to this paragraph (b) on the date on which the consolidated accounts of the Guarantor and its Subsidiaries for the financial period current at the date of such transfer have been prepared and audited as aforesaid but so that such transferor Subsidiary or such transferee Subsidiary may be a Material Subsidiary on or at any time after the date on which such consolidated accounts have been prepared and audited as aforesaid by virtue of the provisions of paragraph (a) above or, prior to or after such date, by virtue of any other applicable provision of this definition; or
- (c) to which is transferred an undertaking or assets which, taken together with the undertaking or assets of the transferee Subsidiary, generated (or, in the case of the transferee Subsidiary being acquired after the end of the financial period to which the then latest audited consolidated accounts of the Guarantor and its Subsidiaries relate, generate revenue equal to) not less than 10% of consolidated revenue, or represent (or, in the case aforesaid, are equal to) not less than 10% of the consolidated total assets, of the Guarantor and its Subsidiaries taken as a whole, all as calculated as referred to in paragraph (a) above, provided that the transferor Subsidiary (if a Material Subsidiary) shall upon such transfer forthwith cease to be a Material Subsidiary unless immediately following such transfer its undertaking and assets generate (or, in the case aforesaid, generate revenue equal to) not less than 10% of consolidated revenue, or its assets represent (or, in the case aforesaid, are equal to) not less than 10% of the consolidated total assets of the Guarantor and its Subsidiaries taken as a whole, all as calculated as referred to in paragraph (a) above, and the transferee Subsidiary shall cease to be a Material Subsidiary pursuant to this paragraph (c) on the date on which the consolidated accounts of the Guarantor and its Subsidiaries for the financial period current at the date of such transfer have been prepared and audited, but so that such transferor Subsidiary or such transferee Subsidiary may be a Material Subsidiary on or at any time after the date on which such consolidated accounts have been prepared and audited as aforesaid by virtue of the provisions of paragraph (a) above or, prior to or after such date, by virtue of any other applicable provision of this definition.

“Relevant Indebtedness” means any present or future Indebtedness (whether being principal or other amounts), which is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, certificate or other instrument that is, or is capable of being, listed, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter market);

“Security Interest” means any mortgage, charge, pledge, lien or other form of encumbrance or security interest, including, without limitation, any other agreement or arrangement having the effect of conferring security (including without limitation any conditional sale or other title retention agreement or lease in the nature thereof, any sale with recourse against the seller or any Subsidiary of the seller, or any agreement to give any security interest) and anything analogous to any of the foregoing under the laws of any jurisdiction; and

“**Subsidiary**” means, in relation to any legal entity (the “**first Person**”) at any particular time, any other legal entity (the “**second Person**”) (i) whose affairs and policies the first Person controls or has the power to control, whether by ownership of share capital, contract, the power to appoint or remove members of the governing body of the second Person or otherwise or (ii) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the first Person.

6. INTEREST

(a) Interest Accrual

Each Note bears interest from and including 7 May 2015 (the “**Issue Date**”) at the rate of 3.958% *per annum*, payable semi-annually in arrear on 7 November and 7 May in each year (each, an “**Interest Payment Date**”), commencing on 7 November 2015. Each Note will cease to bear interest from and including the due date for redemption thereof unless, upon due presentation, payment of principal is improperly withheld or refused. In such event it shall continue to bear interest at such rate (both before and after judgment) up to but excluding whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant holder and (ii) the day which falls seven days after the Fiscal Agent has notified Noteholders of receipt of all sums due in respect of all the Notes up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant Noteholders under these Conditions).

If interest is required to be calculated for a period of less than an Interest Period (as defined below), it will be calculated on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the actual number of days elapsed. The period beginning on and including 7 May 2015 and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date, is called an “**Interest Period**”.

7. REDEMPTION AND PURCHASE

(a) Scheduled Redemption

Unless previously redeemed or purchased and cancelled as provided below, each Note will be redeemed at its principal amount on the Maturity Date, together (if applicable) with interest accrued and unpaid to but excluding the Maturity Date.

(b) Redemption for Taxation Reasons

The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days’ notice to the Noteholders in accordance with Condition 15 (*Notices*) (which notice shall be irrevocable) at their principal amount, together with interest accrued and unpaid to but excluding the date fixed for redemption, if:

- (i) the Issuer has or will become obliged to pay Additional Amounts (as defined below) as provided or referred to in Condition 9 (*Taxation*);
- (ii) the Guarantor would be unable for reasons outside its control to procure that the Issuer is able to make payment and in making payment itself would be required to pay such Additional Amounts; or
- (iii) with respect to any payment by the Guarantor to the Issuer under the Loan to enable the Issuer to make any payment of principal or interest on the Notes, the Guarantor would be required to pay Additional Amounts for, or on account of, any withholding or deduction or any Taxes (as defined below) imposed or levied by or on behalf of the Sultanate of Oman or any political subdivision or any authority thereof having the power to tax,

in each case as a result of any change in, or amendment to, the laws or regulations of the Cayman Islands or the Sultanate of Oman, as the case may be, or any political subdivision or any authority thereof or

therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date; and such obligation cannot be avoided by the Issuer (or, as the case may be, the Guarantor) taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such Additional Amounts if a payment in respect of the Notes were then due.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer or, as the case may be, the Guarantor shall deliver to the Fiscal Agent (x) a certificate signed by, or by an authorised signatory on behalf of, the Issuer or, as the case may be, the Guarantor stating that the obligation referred to in paragraph (i), (ii) or (iii) above cannot be avoided by the Issuer or, as the case may be, the Guarantor taking reasonable measures available to it and (y) an opinion of independent legal advisers of recognised standing to the effect that the Issuer or, as the case may be, the Guarantor has or will become obliged to pay such Additional Amounts as a result of such change of amendment.

Upon the expiry of any such notice as is referred to in this Condition 7(b) (*Redemption for Taxation Reasons*), the Issuer shall be bound to redeem the Notes in accordance with this Condition 7(b) (*Redemption for Taxation Reasons*).

(c) **Redemption upon a Change of Control**

If a Change of Control Event (as defined below) occurs, the Issuer shall, at the option of the holder of any Note, upon the holder of such Note giving notice to the Issuer as provided in this Condition 7(c) (*Redemption upon a Change of Control*) at any time during the Redemption Period (as defined below), redeem such Note on the Redemption Date (as defined below) specified therefor at its principal amount together (if applicable) with interest accrued and unpaid to but excluding the Redemption Date.

The Issuer or the Guarantor will give written notice to the Noteholders (a “**Change of Control Notice**”) in accordance with Condition 15 (*Notices*) immediately upon becoming aware of the occurrence of a Change of Control Event, which notice shall specify the nature of the Change of Control Event and the procedure for exercising the put option contained in this Condition 7(c) (*Redemption upon a Change of Control*).

To exercise the put option pursuant to this Condition 7(c) (*Redemption upon a Change of Control*), a holder must deposit the certificate representing the Note(s) to be redeemed with the Registrar or any Paying and Transfer Agent at its specified office, together with a duly completed option exercise notice (“**Exercise Notice**”) in the form obtainable from any Paying and Transfer Agent or the Registrar within the Redemption Period. An Exercise Notice, once given, shall be irrevocable.

If, following the Redemption Date, 90% or more in principal amount of the Notes then outstanding has been redeemed or purchased pursuant to this Condition 7(c) (*Redemption upon a Change of Control*), the Issuer may, on not less than 30 or more than 60 days’ notice to the Noteholders given within 30 days after the Redemption Date, redeem, at its option, the remaining Notes as a whole at their principal amount, together with interest accrued and unpaid to but excluding the date of such redemption. Such notice to the Noteholders shall specify the date fixed for redemption, the redemption price and the manner in which redemption will be effected.

For the purpose of this Condition 7(c) (*Redemption upon a Change of Control*):

a “**Change of Control Event**” will occur if at any time the Government of the Sultanate of Oman (or any ministry or instrumentality thereof) ceases to own, directly or indirectly, at least 51% of the issued share capital of the Guarantor;

“**Redemption Date**” means, in respect of any Note, the date which falls 14 days after the end of the Redemption Period; and

“**Redemption Period**” means the period from and including the date on which a Change of Control Event occurs (whether or not the Issuer has given a Change of Control Notice in respect of such event) to and including the date falling 60 days after the date on which a Change of Control Notice is given in respect of such Change of Control Event, provided that, if no Change of Control Notice is given, the Redemption Period shall not terminate.

If this Note is represented by a Global Note or is in definitive form and held through Euroclear or Clearstream, Luxembourg or DTC, in order to exercise the right to require redemption of this Note, the holder of this Note must, within the notice period, give notice to the Paying and Transfer Agent of such exercise in accordance with the standard procedures of Euroclear, Clearstream, Luxembourg and DTC (which may include notice being given on his instruction by Euroclear or Clearstream, Luxembourg or DTC or any common depositary for them to the Paying and Transfer Agent by electronic means) in a form acceptable to Euroclear, Clearstream, Luxembourg and DTC from time to time and, if this Note is represented by a Global Note, at the same time present or procure the presentation of the relevant Global Note to the Paying and Transfer Agent for notation accordingly.

(d) **No other redemption**

The Issuer shall not redeem the Notes otherwise than as provided in Conditions 7(a) (*Scheduled Redemption*), 7(b) (*Redemption for Taxation Reasons*) or 7(c) (*Redemption upon a Change of Control*) above.

(e) **Purchase**

The Issuer (on behalf of the Guarantor) or the Guarantor or any of the Guarantor’s Subsidiaries or affiliates may at any time purchase or procure others to purchase for its account Notes in the open market or otherwise and at any price. The Notes so purchased, while held by or on behalf of the Issuer, the Guarantor or any of the Guarantor’s Subsidiaries or affiliates, shall not entitle the holder to vote at any meeting of the Noteholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Noteholders or for any other purpose pursuant to Conditions 11 (*Events of Default*) or 13 (*Meetings of Noteholders, Written Resolutions*).

(f) **Cancellation of Notes**

All Notes purchased by or on behalf of the Issuer, the Guarantor or any of the Guarantor’s Subsidiaries or affiliates may be cancelled or held and resold. Any Notes so purchased and cancelled may not be re-issued or resold.

8. PAYMENTS

(a) **Method of Payment**

Payment of principal in respect of the Notes will be made to the Persons shown in the Register at the close of business on the Record Date and subject to the surrender of the Notes at the specified office of any Paying and Transfer Agent. Payments of interest will be made to the Persons shown in the Register at close of business on the relevant Record Date. For this purpose, “**Record Date**” means the seventh business day, in the place of the specified office of the Registrar, before the due date for the relevant payment. Each such payment will be made by transfer to a U.S. Dollar account maintained by the payee with a bank outside the United States.

If this Note is represented by a Global Note or is in definitive form and held through Euroclear or Clearstream, Luxembourg or DTC, each payment in respect of the Notes will be made in accordance with the standard procedures of Euroclear, Clearstream, Luxembourg and DTC.

(b) **Payments subject to fiscal laws**

All payments are subject in all cases to any applicable fiscal or other laws and regulations, but without prejudice to the provisions of Condition 9 (*Taxation*). No commissions or expenses shall be charged to the Noteholders in respect of such payments.

(c) **Delay in payment**

Noteholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due (i) as a result of the due date not being a business day or (ii) if the holder is late in surrendering (where so required) the relevant Note(s).

(d) **Business days**

In these Conditions “**business day**” means a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including in foreign exchange and foreign currency deposits) in New York City, London, the Cayman Islands and Muscat and (where surrender or presentation of a Note is required by these Conditions) in the place of the specified office of the relevant Paying and Transfer Agent to whom the relevant Note is surrendered or presented.

(e) **Paying and Transfer Agents**

The initial Registrar and Paying and Transfer Agents and their initial specified offices are listed below. The Issuer reserves the right at any time to vary or terminate the appointment of any Paying and Transfer Agent and/or the Registrar and appoint additional or other Paying and Transfer Agents, provided that it will maintain (i) a Registrar and a Fiscal Agent, (ii) Paying and Transfer Agents having specified offices in at least two major European cities and (iii) a Paying and Transfer Agent with a specified office in a European Union member state that will not be obliged to withhold or deduct tax pursuant to any law implementing European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000, to the extent such a Paying and Transfer Agent is not already maintained pursuant to (ii) above.

9. TAXATION

All payments of principal and interest in respect of the Notes shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the Cayman Islands or the Sultanate of Oman or any political subdivision thereof or any authority therein or thereof having power to tax (collectively, “**Taxes**”), unless such withholding or deduction is required by law. In that event, the Issuer or, as the case may be, the Guarantor, shall pay such additional amounts (“**Additional Amounts**”) as will result in receipt by the Noteholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Note:

- (a) **Other connection:** to a holder, or to a third-party on behalf of a holder, who is liable to such Taxes in respect of such Note by reason of its having some connection with the Cayman Islands or the Sultanate of Oman, as the case may be, other than the mere holding of the Note; or
- (b) **Provision of information:** to or on behalf of a holder who is able to avoid such Taxes in respect of such Note by providing information concerning the nationality, residence or identity of the holder or by making a declaration of non-residence or other claim for exemption to the relevant tax authority; or
- (c) **Surrendered for payment more than 30 days after the Relevant Date:** surrendered for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such additional amounts on surrender of such Note for payment on the last day of such period of 30 days; or

- (d) **Payment to individuals:** where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (e) **Payment by another Paying and Transfer Agent:** by or on behalf of a Noteholder who would have been able to avoid such withholding or deduction by surrendering the relevant Note to another Paying and Transfer Agent in a Member State of the European Union.

In these Conditions “**Relevant Date**” means whichever is the later of (i) the date on which such payment first becomes due and (ii) if the full amount payable has not been received by the Fiscal Agent as provided in the Fiscal Agency Agreement on or prior to such due date, the date on which, the full amount having been so received, notice to that effect shall have been given to the Noteholders. Any reference in these Conditions to principal and/or interest shall be deemed to include any additional amounts which may be payable under this Condition 9 (*Taxation*).

If the Issuer or, as the case may be, the Guarantor becomes subject at any time to any taxing jurisdictions other than the Cayman Islands or the Sultanate of Oman, respectively, references in this Condition 9 (*Taxation*) to the Cayman Islands or the Sultanate of Oman, respectively, shall be construed as references to the Cayman Islands or the Sultanate of Oman, respectively, and such other jurisdictions.

Any reference in these Conditions to principal or interest shall be deemed to include any additional amounts, which may be payable under this Condition or the Guarantee or any undertakings given in addition to or substitution for it under the Fiscal Agency Agreement.

10. PRESCRIPTION

Claims in respect of principal and interest shall be prescribed and will become void unless made within a period of 10 years in the case of principal and five years in the case of interest from the appropriate Relevant Date.

11. EVENTS OF DEFAULT

If any of the following events (each an “**Event of Default**”) has occurred and is continuing:

(a) Non-payment

The Issuer or the Guarantor, as the case may be, fails to pay any amount of principal in respect of the Notes or the Loan, or any agreement, document or instrument relating thereto, on the due date for payment when the same becomes due and payable, whether at maturity, by declaration or otherwise or the Issuer or the Guarantor, as the case may be, is in default with respect to the payment of interest or any additional amount payable in respect of any of the Notes or the Loan, or any agreement, document or instrument relating thereto, and such default continues for a period of 14 days (in the case of interest or additional amounts) or seven days (in the case of principal); or

(b) Breach of Other Obligations

The Issuer or the Guarantor, as the case may be, defaults in the performance or observance of, or is otherwise in breach of, any of its obligations under the Notes, the Guarantee or the Loan, or any agreement, document or instrument relating thereto, which default is incapable of remedy or, if capable of remedy, is not remedied within 30 days after notice of such default shall have been given to the Issuer or the Guarantor, as the case may be, (with a copy to the Fiscal Agent at its specified office) by any Noteholder; or

(c) **Cross-default**

(i) Any Indebtedness of the Issuer, the Guarantor or any of the Guarantor's Subsidiaries for or in respect of moneys borrowed or raised becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), (ii) any such Indebtedness is not paid when due or, as the case may be, within any applicable grace period, or (iii) the Issuer, the Guarantor or any of the Guarantor's Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised, *provided that* the aggregate amount of the Indebtedness, or guarantees and indemnities in respect of Indebtedness, in respect of which one or more of the events mentioned above in this paragraph (c) have occurred equals or exceeds U.S.\$40,000,000 or its equivalent (on the basis of the middle spot rate for the relevant currency against the U.S. dollar as quoted by any leading bank on the day on which this paragraph operates); or

(d) **Judgments**

The failure by the Issuer, the Guarantor or any of the Guarantor's Subsidiaries to pay any final judgment in excess of U.S.\$40,000,000 or its equivalent (on the basis of the middle spot rate for the relevant currency against the U.S. dollar as quoted by any leading bank on the day on which this paragraph operates), which final judgment remains unpaid, and undischarged, and unwaived and unstayed for a period of more than 30 consecutive days after such judgment becomes final and non-appealable, and, in the event such judgment is covered by insurance, an enforcement proceeding has been commenced by any creditor upon such judgment that is not promptly stayed; or

(e) **Winding up or Dissolution**

Any order is made by any competent court or resolution passed for the winding up or dissolution of the Issuer, the Guarantor or any of the Guarantor's Material Subsidiaries, save for the purposes of reorganisation on terms previously approved by an Extraordinary Resolution of the Noteholders; or

(f) **Cessation of Business**

The Issuer, the Guarantor or any of the Guarantor's Material Subsidiaries ceases or threatens to cease to carry on the whole or substantially all of its business, save for the purposes of reorganisation on terms previously approved by an Extraordinary Resolution, or the Issuer, the Guarantor or any of the Guarantor's Material Subsidiaries stops or threatens to stop payment of, or is unable to, or admits inability to, pay its debts (or any class of its debts) as they fall due, or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent; or

(g) **Liquidation Proceedings etc.**

Any court or other formal proceedings are initiated against the Issuer, the Guarantor or any of the Guarantor's Material Subsidiaries under any applicable liquidation, insolvency, composition, reorganisation or other similar laws, or an application is made (or documents filed with a court) for the appointment of an administrative or other receiver, manager, administrator or other similar official (and such proceedings are not being actively contested in good faith by the Issuer, the Guarantor or any of the Guarantor's Material Subsidiaries, as the case may be), or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the Issuer, the Guarantor or any of the Guarantor's Material Subsidiaries or, as the case may be, in relation to the whole or substantially all of the undertaking or assets of any of them, or an encumbrancer takes possession of the whole or substantially all of the undertaking or assets of any of them, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or substantially all of the undertaking or assets of any of them and in any case (other than the appointment of an administrator) is not discharged within 60 days; or

(h) **Consent to Proceedings**

The Issuer, the Guarantor or any of the Guarantor's Material Subsidiaries initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including the obtaining of a moratorium) or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors); or

(i) **Analogous Events**

Any event occurs which under the laws of the Sultanate of Oman, the Cayman Islands or any other jurisdiction has an analogous effect to any of the events referred to in paragraphs (e) to (h) above; or

(j) **Authorisation and Consents**

Any action, condition or thing (including the obtaining, effecting or maintaining of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration, and including the compliance in every material respect with any applicable laws or regulations (including any foreign exchange rules or regulations) of any governmental or other regulatory authority) at any time required to be taken, fulfilled, done or maintained in order (i) to enable the Issuer or the Guarantor lawfully to enter into, exercise its rights and perform and comply with its obligations under the Notes, the Deed of Guarantee, the Deed of Covenant or the Loan (as the case may be), or any agreement, document or instrument relating thereto, (ii) to ensure that those obligations are legally binding and enforceable and (iii) to make the Notes admissible in evidence in the courts of the Cayman Islands or the Sultanate of Oman is not taken, fulfilled, done or maintained in full force and effect; or

(k) **Invalidity or Unenforceability**

(i) The validity of the Notes, the Fiscal Agency Agreement, the Guarantee, the Deed of Guarantee, the Deed of Covenant or the Loan is contested by the Issuer or the Guarantor or the Issuer or the Guarantor shall deny any of its obligations under the Notes, the Fiscal Agency Agreement, the Guarantee, the Deed of Guarantee, the Deed of Covenant or the Loan (in each case, to the extent applicable) (whether by a general suspension of payments or a moratorium on the payment of debt or otherwise) or (ii) it is or becomes unlawful for the Issuer or the Guarantor to perform or comply with all or any of its obligations set out in the Notes, the Fiscal Agency Agreement, the Guarantee, the Deed of Guarantee, the Deed of Covenant or the Loan (in each case, to the extent applicable) or (iii) all or any of the Issuer's or the Guarantor's obligations set out in the Notes, the Fiscal Agency Agreement, the Guarantee, the Deed of Guarantee, the Deed of Covenant or the Loan (in each case, to the extent applicable) shall be or become unenforceable or invalid; or

(l) **Government Intervention**

(i) All or substantially all of the undertaking, assets and revenue of the Issuer or the Guarantor or any of the Guarantor's Subsidiaries is condemned, seized or otherwise appropriated by any Person acting under the authority of any national, regional or local government or (ii) the Issuer, the Guarantor or any of the Guarantor's Subsidiaries is prevented by any such Person from exercising normal control over all or substantially all of its undertaking, assets, revenue.

then the holders of at least 25% in aggregate principal amount of the outstanding Notes may, by notice in writing to the Issuer at its registered office (with a copy to the Fiscal Agent), declare all the Notes to be, and whereupon they shall become, immediately due and payable at their principal amount together with accrued but unpaid interest thereon without further action or formality. Notice of any such declaration shall promptly be given to all other Noteholders by the Fiscal Agent (acting on behalf of the Issuer) in accordance with Condition 15 (*Notices*).

12. REPLACEMENT OF NOTES

If any Note is lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Fiscal Agent, subject to all applicable laws and stock exchange or other relevant authority requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer and the Guarantor may reasonably require. Mutilated or defaced Notes must be surrendered before replacements will be issued.

13. MEETINGS OF NOTEHOLDERS; MODIFICATION, WAIVER AND SUBSTITUTION

(a) Meetings of Noteholders

The Fiscal Agency Agreement contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including (subject to Condition 13(c) (*Written Resolutions*) below) the modification of any provision of these Conditions or the provisions of the Fiscal Agency Agreement, the Deed of Covenant and the Deed of Guarantee. Such a meeting may be convened by the Issuer and the Guarantor (acting together) or the Fiscal Agent in their discretion and shall be convened by the Issuer, the Guarantor or the Fiscal Agent at any time upon the request in writing of holders of at least 10% of the aggregate principal amount of the outstanding Notes. For the avoidance of doubt, notwithstanding any provision contained in these Conditions, the Notes or in the Fiscal Agency Agreement, the Deed of Covenant or the Deed of Guarantee, no modification or amendment of these Conditions, the Notes or the Fiscal Agency Agreement, the Deed of Covenant or the Deed of Guarantee may be made without the prior written consent of the Issuer and the Guarantor.

(b) Quorum

The quorum for any meeting convened to consider an Extraordinary Resolution will be two or more persons holding or representing a clear majority in principal amount of the Notes for the time being outstanding or for any adjourned meeting, two or more persons being or representing Noteholders whatever the principal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to modify the maturity of the Notes or the dates on which interest is payable in respect of the Notes, (ii) to reduce or cancel the principal amount of or interest on or to vary the method of calculating the rate of interest on, the Notes, (iii) to modify or cancel the Guarantee, (iv) to change the currency of payment of the Notes, or (v) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass an Extraordinary Resolution, in which case the necessary quorum will be two or more persons holding or representing not less than 75%, or at any adjourned meeting not less than 25%, in principal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed).

(c) Written Resolutions

The Fiscal Agency Agreement provides that a resolution in writing signed by or on behalf of the holders of not less than 75% in principal amount of the Notes outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders. Notwithstanding any provision contained in these Conditions, the Notes or in the Fiscal Agency Agreement, the Deed of Covenant or the Deed of Guarantee, no modification or amendment of these Conditions, the Notes or the Fiscal Agency Agreement, the Deed of Covenant or the Deed of Guarantee may be made without the prior written consent of the Issuer and the Guarantor.

(d) Modification without Noteholders' Consent

The Notes, these Conditions and the provisions of the Fiscal Agency Agreement, the Deed of Covenant and the Deed of Guarantee may be amended without the consent of the Noteholders to correct a manifest error or to make any other modification of a minor or technical nature; provided that, for the avoidance of

doubt, no modification or amendment of the Notes, these Conditions and the provisions of the Fiscal Agency Agreement, the Deed of Covenant and the Deed of Guarantee may be made without the prior written consent of the Issuer and the Guarantor and the Issuer and the Guarantor shall only permit any modification of, or any waiver or authorisation of any breach or proposed breach of or any failure to comply with, these Conditions, the Notes, the Fiscal Agency Agreement, the Deed of Covenant and the Deed of Guarantee, if to do so could not reasonably be expected to be prejudicial to the interests of the Noteholders.

14. FURTHER ISSUES

The Issuer may from time to time without the consent of the Noteholders create and issue further securities either having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with the outstanding securities of any series (including the Notes) or upon such terms as the Issuer may determine at the time of their issue. References in these Conditions to the Notes include (unless the context requires otherwise) any other securities issued pursuant to this Condition and forming a single series with the Notes.

Any such further securities, even if they are treated for non-tax purposes as part of the same series as the Notes, in some cases may be treated as a separate series for U.S. federal income tax purposes. In such a case, the further securities may be considered to have been issued with original issue discount (“OID”) even if the Notes had no OID. These differences may affect the market value of the Notes if the further securities are not otherwise distinguishable from the Notes.

15. NOTICES

All notices to Noteholders shall be mailed to them at their respective addresses appearing in the Register and shall be deemed to have been given on the fourth weekday (excluding Saturday and Sunday) after the date of mailing.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together with the relative Note, with the Fiscal Agent or, if the Notes are held in a clearing system, may be given through the clearing system in accordance with its standard rules and procedures.

16. CURRENCY INDEMNITY

U.S. Dollars (the “**Contractual Currency**”) is the sole currency of account and payment for all sums payable by the Issuer, or the Guarantor, as the case may be, under or in connection with the Notes, including damages. Any amount received or recovered in a currency other than the Contractual Currency (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction or otherwise) by any Noteholder in respect of any sum expressed to be due to it from the Issuer or the Guarantor, as the case may be, shall only constitute a discharge to the Issuer or the Guarantor, as the case may be, to the extent of the Contractual Currency amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If that Contractual Currency amount is less than the Contractual Currency amount expressed to be due to the recipient under any Note, the Issuer or the Guarantor, as the case may be, shall indemnify such recipient against any loss sustained by it as a result. In any event, the Issuer or the Guarantor, as the case may be, shall indemnify the recipient against the cost of making any such purchase. For the purposes of this Condition, it will be sufficient for the Noteholder to demonstrate that it would have suffered a loss had an actual purchase been made. These indemnities constitute a separate and independent obligation from the Issuer’s and the Guarantor’s other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Noteholder and shall continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note or any other judgment or order, until paid in full.

17. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

18. GOVERNING LAW AND DISPUTE RESOLUTION

(a) **Governing law**

The Fiscal Agency Agreement, the Notes, the Deed of Covenant and the Deed of Guarantee, including any non-contractual obligations arising out of or in connection therewith, are governed by, and shall be construed in accordance with, English law.

(b) **Arbitration**

The Issuer and the Guarantor have irrevocably and unconditionally agreed for the benefit of the Noteholders that any dispute which may arise out of or in connection with the Fiscal Agency Agreement, the Notes, the Deed of Covenant and the Deed of Guarantee (including any dispute regarding their existence, validity or termination and any dispute relating to non-contractual obligations arising out of or in connection with the Fiscal Agency Agreement, the Notes, the Deed of Covenant and the Deed of Guarantee) (a “**Dispute**”) shall be referred to and finally resolved by arbitration under the Rules of Arbitration of the International Chamber of Commerce (the “**Rules**”). The place of such arbitration shall be London and the language English.

The arbitral tribunal shall be composed of three (3) arbitrators. The claimant(s), irrespective of number, shall nominate jointly one arbitrator and the respondent(s), irrespective of number, shall nominate jointly the second arbitrator, in accordance with the Rules, for confirmation by the ICC Court. If a party or parties fail(s) to nominate an arbitrator, the appointment shall be made by the ICC Court. The third arbitrator, who shall serve as president of the arbitral tribunal, shall be nominated, for confirmation by the ICC Court, by agreement of the two party-nominated arbitrators within 15 days of the nomination of the second arbitrator, or, in default of such agreement, shall be appointed by the ICC Court as soon as possible.

(c) **Waiver of Immunity**

The Guarantor irrevocably agrees that, should any proceedings be taken anywhere (whether for an injunction, specific performance, damages or otherwise), no immunity (to the extent that it may at any time exist, whether on the grounds of sovereignty or otherwise) in relation to those proceedings (including without limitation, immunity from the jurisdiction of any court or tribunal, suit, service of process, injunctive or other interim relief, any order for specific performance, any order for recovery of land, any attachment (whether in aid of execution, before judgment or otherwise) of its assets, any process for execution of any award or judgment or other legal process) shall be claimed by it or on its behalf or with respect to its assets, any such immunity being irrevocably waived. The Guarantor irrevocably agrees that it and its assets are, and shall be, subject to such proceedings, attachment or execution in respect of its obligations under this Agreement.

(d) **Consent**

The Issuer and the Guarantor irrevocably and generally consent in respect of any proceedings anywhere to the giving of any relief or the issue and service on it of any process in connection with those proceedings including, without limitation, the making, enforcement or execution against any assets whatsoever (irrespective of their use or intended use) of any order or judgment which may be made or given in those proceedings.

PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

The Global Notes contain the following provisions which apply to the Notes in respect of which they are issued whilst they are represented by the Global Notes, some of which modify the effect of the Terms and Conditions of the Notes. Terms defined in the Terms and Conditions of the Notes have the same meaning in paragraphs 1 to 6 below.

1. Accountholders

For so long as any of the Notes are represented by one or more Global Notes, each person (other than another clearing system) who is for the time being shown in the records of DTC or Euroclear or Clearstream, Luxembourg (as the case may be) as the holder of a particular aggregate principal amount of such Notes (each an “**Accountholder**”) (in which regard any certificate or other document issued by DTC or Euroclear or Clearstream, Luxembourg (as the case may be) as to the aggregate principal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes) shall be treated as the holder of such aggregate principal amount of such Notes (and the expression “**Noteholders**” and references to “**holding of Notes**” and to “**holder of Notes**” shall be construed accordingly) for all purposes other than with respect to payments on such Notes, the right to which shall be vested, as against the Issuer solely in the nominee for the relevant clearing system (the “**Relevant Nominee**”) in accordance with and subject to the terms of the Global Notes. Each Accountholder must look solely to DTC or Euroclear or Clearstream, Luxembourg, as the case may be, for its share of each payment made to the Relevant Nominee.

2. Cancellation

Cancellation of any Note following its purchase by the Issuer or the Guarantor will be effected by reduction in the aggregate principal amount of the relevant Global Note in the Register.

3. Payments

Payments of principal and interest in respect of Notes represented by a Global Note will be made, in the case of payment of principal, against presentation and surrender of such Global Note to or to the order of the Fiscal Agent, or such other Agent as shall have been notified to the holders of one or more Global Note for such purpose.

All payments in respect of the Notes represented by a Global Note will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the Clearing System Business Day immediately prior to the date for payment, where “**Clearing System Business Day**” means a day on which each clearing system for which a Global Note is being held is open for business.

Holders of book-entry interests in the Notes held through DTC will receive, to the extent received by the Fiscal Agent, all distributions of amounts with respect to book-entry interests in such Notes from the Fiscal Agent through DTC. Distributions in the United States will be subject to relevant U.S. tax laws and regulations.

A record of each payment made will be entered in the Register by or on behalf of the Fiscal Agent and shall be *prima facie* evidence that payment has been made.

4. Notices

So long as the Notes are represented by a Global Note and such Global Note is held on behalf of a clearing system, notices to Noteholders may be given by delivery of the relevant notice to that clearing system for communication by it to entitled Accountholders in substitution for delivery as required by Condition 15 as set forth herein. Any such notice shall be deemed to have been given to the Noteholders on the day after the day on which such notice is delivered to the relevant clearing system.

Whilst any of the Notes held by a Noteholder are represented by a Global Note, notices to be given by such Noteholder may be given by such Noteholder (where applicable) through the relevant clearing system and otherwise in such manner as the Fiscal Agent and the relevant clearing system may approve for this purpose.

Notices must be duly given or published in a manner, which complies with the rules and regulations of any stock exchange or other relevant authority on which the Notes are for the time being listed. Any notice shall be deemed to have been given on the day after being so mailed or on the date of publication or, if so published more than once or on different dates, on the date of the first publication.

5. Transfers

Transfers of book-entry interests in the Notes will be effected through the records of Euroclear, Clearstream, Luxembourg and DTC and their respective participants in accordance with the rules and procedures of Euroclear, Clearstream, Luxembourg and DTC and their respective) direct and indirect participants, as more fully described under “*Clearing and Settlement Arrangements*”.

6. Exchange

The Unrestricted Global Note will be exchangeable, free of charge to the holder, in whole (but not in part), for Note Certificates if: (i) it is held by or on behalf of a clearing system and such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so, by the holder giving notice to the Registrar; or (ii) any of the circumstances described in Condition 9 (Events of Default) occurs, by the holder giving notice to the Registrar; or (iii) the Issuer, at its option, elects to terminate the book entry system through the relevant clearing systems, by the Issuer giving notice to the Registrar and the holders, in each case of its intention to exchange interests in the Unrestricted Global Note for Note Certificates.

Each Restricted Global Note will be exchangeable, free of charge to the holder, in whole (but not in part), for Note Certificates if: (i) DTC notifies the Issuer that it is no longer willing or able to discharge properly its responsibilities as depository with respect to the Restricted Global Note or ceases to be a “clearing agency” (as defined under the United States Securities Exchange Act of 1934, as amended) or is at any time no longer eligible to act as such, and the Issuer is (in the case of DTC ceasing to be a depository) unable to locate a qualified successor within 90 days of receiving notice or becoming aware of such ineligibility on the part of DTC, by the Issuer giving notice to the Registrar and the holders; or (ii) any of the circumstances described in Condition 9 (Events of Default) occurs, by the holder giving notice to the Registrar, in each case of its intention to exchange interests in the Restricted Global Note for Note Certificates.

The Issuer (and, failing whom, the Guarantor) has agreed to notify Noteholders of the occurrence of any of the events specified in the previous two paragraphs as soon as practicable thereafter.

CLEARING AND SETTLEMENT ARRANGEMENTS

The Issuer and the Guarantor have obtained the information in this section from third-party sources including DTC, Euroclear and Clearstream, Luxembourg. Such information has been accurately reproduced and as far as the Issuer and the Guarantor are aware and are able to ascertain from information published by DTC, Euroclear and Clearstream, Luxembourg, no facts have been omitted which would render the reproduced information inaccurate or misleading, however, neither the Issuer nor the Guarantor takes any responsibility for the accuracy of this information. Although DTC, Euroclear and Clearstream, Luxembourg have agreed to the following procedures in order to facilitate transfers of interests in the Unrestricted Global Note and in the Restricted Global Notes among participants of DTC, Euroclear and Clearstream, Luxembourg, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. Neither the Issuer, the Guarantor nor the Fiscal Agent will have any responsibility for the performance by DTC, Euroclear or Clearstream, Luxembourg or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

DTC

DTC is a limited-purpose trust company organised under the New York Banking Law, a “banking organisation” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code and a “clearing agency” registered pursuant to the provisions of Section 17A of the U.S. Securities Exchange Act of 1934, as amended (the “**Exchange Act**”). DTC was created to hold securities for its participating organisations (“**DTC Participants**”) and to facilitate the clearance and settlement of securities transactions between DTC Participants through electronic book-entry changes in accounts of its DTC Participants, thereby eliminating the need for physical movement of certificates. DTC Participants include securities brokers and dealers, brokers, banks, trust companies and clearing corporations and may include certain other organisations. Indirect access to the DTC system is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a DTC Participant, either directly or indirectly (“**Indirect DTC Participants**”).

Because DTC can only act on behalf of DTC Participants, who in turn act on behalf of Indirect DTC Participants and certain banks, the ability of a person having a beneficial interest in a Note to pledge such interest to persons or entities that do not participate in the DTC system, or otherwise take actions in respect of such interest, may be affected by the lack of a physical certificate of such interest. The Rules applicable to DTC and its Participants are on file with the U.S. Securities and Exchange Commission.

Registration of Title

Registration of title to Notes in a name other than that of the Relevant Nominee will not be permitted unless DTC notifies the Issuer that it is unwilling or unable to continue as a clearing system in connection with a Global Note or DTC ceases to be a clearing agency registered under the Exchange Act and in each case a successor clearing system is not appointed by the Issuer within 90 days after receiving such notice from DTC or becoming aware that DTC is no longer so registered. In these circumstances, title to a Note may be transferred into the names of holders notified by the Relevant Nominee in accordance with the Conditions, except that Certificates in respect of Notes so transferred may not be available until 21 days after the request for transfer is duly made.

The Registrar will not register title to the Notes in a name other than that of the Relevant Nominee for a period of 15 calendar days preceding the due date for any payment of principal, or interest in respect of the Notes.

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg hold securities for participating organisations, and facilitate the clearance and settlement of securities transactions between their respective participants, through electronic book entry changes in accounts of such participants. Euroclear and Clearstream, Luxembourg provide to their participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg interface with domestic securities markets. Euroclear and Clearstream, Luxembourg participants are recognised financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and certain other organisations and include the Joint Lead Managers. Indirect access to Euroclear or Clearstream, Luxembourg is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodian relationship with a Euroclear or Clearstream, Luxembourg participant, either directly or indirectly.

Book-Entry Ownership

Euroclear and Clearstream, Luxembourg

The Unrestricted Global Note will have an ISIN and a Common Code and will be registered in the name of a nominee for, and deposited with a common depository on behalf of Euroclear and Clearstream, Luxembourg. The address of Euroclear is 1 Boulevard du Roi Albert II. B1210 Brussels, Belgium, and the address of Clearstream, Luxembourg is 42 Avenue J.F. Kennedy. L-1855, Luxembourg.

DTC

The Restricted Global Notes will have a CUSIP number and will be deposited with a custodian (the “**Custodian**”) for and registered in the name of Cede & Co., as nominee of DTC. The Custodian and DTC will electronically record the principal amount of the Notes held within the DTC system. The address of DTC is 55 Water Street, New York, NY 10041, USA.

Relationship of Participants with Clearing Systems

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or DTC as the holder of a Note evidenced by a Global Note must look solely to Euroclear, Clearstream, Luxembourg or DTC (as the case may be) for his share of each payment made by the Issuer, to the holder of such Global Note and in relation to all other rights arising under the Global Note, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg or DTC (as the case may be). The Issuer expects that, upon receipt of any payment in respect of Notes evidenced by a Global Note, the common depository by whom such Global Note is held, or nominee in whose name it is registered, will immediately credit the relevant participants’ or account holders’ accounts in the relevant clearing system with payments in amounts proportionate to their respective beneficial interests in the principal amount of the relevant Global Note as shown on the records of the relevant clearing system or its nominee. The Issuer also expects that payments by direct participants in any clearing system to owners of beneficial interests in any Global Note held through such direct participants in any clearing system will be governed by standing instructions and customary practices. Save as aforesaid, such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are evidenced by such Global Note and the obligations of the Issuer will be discharged by payment to the registered holder of such Global Note in respect of each amount so paid. None of the Issuer, the Fiscal Agent or any Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of ownership interests in any Global Note or for maintaining, supervising or reviewing any records relating to such ownership interests.

Settlement and Transfer of Notes

Subject to the rules and procedures of each applicable clearing system, purchases of Notes held within a clearing system must be made by or through direct participants, which will receive a credit for such Notes on the clearing system’s records. The ownership interest of each actual purchaser of each such Note (the “**Beneficial Owner**”) will in turn be recorded on the direct and indirect participants’ records. Beneficial Owners will not receive written confirmation from any clearing system of their purchase, but are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the direct or indirect participant through which such Beneficial Owner entered into the transaction. Transfers of ownership interests in Notes held within the clearing system will be effected by entries made on the books of participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in such Notes, unless and until interests in any Global Note held within a clearing system are exchanged for interests evidenced by a Note Certificate.

No clearing system has knowledge of the actual Beneficial Owners of the Notes held within such clearing system and their records will reflect only the identity of the direct participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by the clearing systems to direct participants, by direct participants to indirect participants, and by direct participants and indirect participants Beneficial Owners, will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

The laws of some jurisdictions may require that certain persons take physical delivery in definitive form of securities. Consequently, the ability to transfer interests in a Global Note to such persons may be limited. Because DTC can only act on behalf of DTC Participants, who in turn act on behalf of Indirect DTC Participants, the ability of a person having an

interest in a Restricted Global Note to pledge such interest to persons or entities that do not participate in DTC, or otherwise take actions in respect of such interest, may be affected by a lack of physical certificate in respect of such interest.

Investors that hold their interests in the Notes through DTC will follow the settlement practices applicable to global bond issues. Investors' securities custody accounts will be credited with their holdings against payment in same-day funds on the settlement date.

Investors that hold their interests in the Notes through Clearstream, Luxembourg or Euroclear accounts will follow the settlement procedures applicable to conventional Eurobonds in registered form. The interests will be credited to the securities custody accounts on the settlement date against payment in same-day funds.

Secondary Market Trading

Since the purchaser determines the place of delivery, it is important to establish at the time of trade where both the purchaser's and seller's accounts are located to ensure that settlement can be made on the desired value date.

Trading between DTC Participants

Secondary market trading between DTC Participants will be settled using the procedures applicable to global bond issues in same-day funds.

Trading between Euroclear and/or Clearstream, Luxembourg participants

Secondary market trading between Euroclear participants and/or Clearstream, Luxembourg participants will be settled using the procedures applicable to conventional Eurobonds in same-day funds.

Trading between DTC seller and Euroclear or Clearstream, Luxembourg purchaser

When Notes are to be transferred from the account of a DTC Participant to the account of a Clearstream, Luxembourg or Euroclear participant, the purchaser will send instructions to Clearstream, Luxembourg or Euroclear through a Clearstream, Luxembourg or Euroclear participant, as the case may be, at least one business day prior to settlement. Clearstream, Luxembourg or the Euroclear operator will instruct its respective depository to receive the Notes against payment. Payment will include interest accrued on such beneficial interest on the Note from and including the last interest payment date to and excluding the settlement date. Payment will then be made by the depository to the DTC Participant's account against delivery of Notes. After settlement has been completed, the Notes will be credited to the respective clearing system, and by the clearing system, in accordance with its usual procedures, to the Clearstream, Luxembourg or Euroclear participant's account. The securities credit will appear the next day (European time) and the cash debit will be back-valued to, and the interest on the Note will accrue from, the value date (which would be the preceding day when settlement occurred in New York). If settlement is not completed on the intended value date (*i.e.*, the trade fails), the Clearstream, Luxembourg or Euroclear cash debit will be valued instead as at the actual settlement date.

Euroclear and Clearstream, Luxembourg participants will need to make available to the respective clearing system the funds necessary to process same-day funds settlement. The most direct means of doing so is to pre-position funds for settlement, either from cash on-hand or existing lines of credit. Under this approach, participants may take on credit exposure to the Euroclear operator or Clearstream, Luxembourg until the interests in the Note are credited to their accounts one day later.

As an alternative, if Clearstream, Luxembourg or Euroclear has extended a line of credit to a Clearstream, Luxembourg or Euroclear participant, as the case may be, such participant may elect not to pre-position funds and may allow that credit line to be drawn upon to finance settlement. Under this procedure, Clearstream, Luxembourg participants or Euroclear participants purchasing interests in a Note would incur overdraft charges for one day, assuming they cleared the overdraft when the interest in the Note was credited to their accounts. However, interest on the Note would accrue from the value date. Therefore, in many cases, the investment income on the interest in the Note would accrue from the value date and the investment income on the interest in the Note earned during that one-day period may substantially reduce or offset the amount of such overdraft charges, although this result will depend on each participant's particular cost of funds.

Since the settlement is taking place during New York business hours, DTC Participants can employ their usual procedures for transferring interests in the Global Notes to the respective depositories of Clearstream, Luxembourg or Euroclear for the

benefit of Clearstream, Luxembourg participants or Euroclear participants. The sale proceeds will be available to the DTC seller on the settlement date. Thus, to the DTC Participants, a cross-market sale transaction will settle no differently than a trade between two DTC Participants.

Trading between Clearstream, Luxembourg or Euroclear Seller and DTC purchaser

Due to time zones differences in their favour, Clearstream, Luxembourg and Euroclear participants may employ their customary procedures for transactions in which interests in a Note are to be transferred by their respective clearing system, through its respective depository, to a DTC Participant, at least one business day prior to settlement. In these cases, Clearstream, Luxembourg or Euroclear will instruct its respective depository to deliver the interest in the Note to the DTC Participant's account against payment. Payment will include interest accrued on such beneficial interest in the Note from and including the last interest payment date to and excluding the settlement date. The payment will then be reflected in the account of the Clearstream, Luxembourg participant or Euroclear participant the following day, and receipt of the cash proceeds in the Clearstream, Luxembourg or Euroclear participant's account would be back-valued at the value date (which would be the preceding day, when settlement occurred in New York). Should the Clearstream, Luxembourg or Euroclear participant have a line of credit in its respective clearing system and elect to be in debit in anticipation of receipt of the sale proceeds in its account, the back-valuation will extinguish any overdraft charges incurred over that one-day period. If settlement is not completed on the intended value date (*i.e.*, the trade fails), receipt of the cash proceeds in the Clearstream, Luxembourg or Euroclear participant's account would instead be valued as at the actual settlement date.

Finally, day traders that use Clearstream, Luxembourg or Euroclear to purchase interests in a Note from DTC Participants for delivery to Clearstream, Luxembourg participants or Euroclear participants should note that these trades will automatically fail on the sale side unless affirmative action is taken. At least three techniques should be available to eliminate this potential problem:

- borrowing through Clearstream, Luxembourg or Euroclear for one day (until the purchase side of the day trade is reflected in their Clearstream, Luxembourg or Euroclear accounts) in accordance with the clearing system's customary procedures;
- borrowing the interests in the United States from a DTC Participant no later than one day prior to settlement, which would give the interests sufficient time to be reflected in their Clearstream, Luxembourg or Euroclear account in order to settle the sale side of the trade; or
- staggering the value date for the buy and sell sides of the trade so that the value date for the purchase from the DTC Participant is at least one day prior to the value date for the sale to the Clearstream, Luxembourg participant or Euroclear participant.

Settlement of Pre-issue Trades

It is expected that delivery of Notes will be made against payment therefor on the Issue Date, which could be more than three business days following the date of pricing. Under Rule 15c6-1 under the Exchange Act, trades in the United States secondary market generally are required to settle within three business days (T+3), unless the parties to any such trade expressly agree otherwise.

Accordingly, purchasers who wish to trade Notes in the United States on the date of pricing or the next succeeding business days until three days prior to the Issue Date will be required, by virtue of the fact the Notes initially may settle beyond T+3, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Settlement procedures in other countries will vary.

Purchasers of Notes may be affected by such local settlement practices and purchasers of Notes between the relevant date of pricing and the Issue Date should consult their own advisers.

SUBSCRIPTION AND SALE

The Joint Lead Managers have, in a subscription agreement dated 5 May 2015 (the “**Subscription Agreement**”), and upon the terms and subject to the conditions contained therein, jointly and severally agreed to subscribe and pay for the Notes.

The Issuer (or, failing which, the Guarantor) has agreed to pay to the Joint Lead Managers a commission in respect of their agreement to subscribe and pay for the Notes. The Joint Lead Managers are entitled in certain circumstances to be released and discharged from their obligations under the Subscription Agreement prior to the closing of the issue of the Notes. The Issuer and the Guarantor have in the Subscription Agreement agreed to indemnify the Joint Lead Managers against certain liabilities incurred in connection with the Notes and to reimburse the Joint Lead Managers for certain costs and expenses incurred in connection with the Notes.

Stabilisation

In connection with the issue of the Notes, the Stabilising Manager (or any person acting for the Stabilising Manager) may over-allot notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail; however, there is no assurance that the Stabilising Manager (or any person acting on behalf of the Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the initial allotment of the Notes. Any stabilisation action or over-allotment must be conducted by the Stabilising Manager (or any person acting on behalf of the Stabilising Manager) in accordance with all applicable laws and rules.

U.S. Registered Broker Dealer Affiliates

Each of the Issuer and the Guarantor have agreed and acknowledged that (to the extent authorised) the Joint Lead Managers may make offers and sales into the United States through U.S. registered broker dealer affiliates in order to fulfil their obligations under the Subscription Agreement and to ensure compliance with U.S. securities laws and regulations with respect to U.S. investors.

Other Relationships

The Joint Lead Managers and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage services, for which they receive customary fees and expenses.

The Joint Lead Managers and their respective affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, the Issuer, the Guarantor and their respective affiliates in the ordinary course of business. In addition, in the ordinary course of their business activities, the Joint Lead Managers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or the Guarantor. The Joint Lead Managers and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

To the extent that the Joint Lead Manager or their respective affiliates have a lending relationship with the Issuer or the Guarantor, they may routinely hedge their credit exposure to the Issuer or the Guarantor consistent with their customary risk management policies. Typically, the Joint Lead Manager and their respective affiliates would hedge such exposure by entering into positions in securities, including potentially the Notes. Any such short positions could adversely affect future trading prices of the Notes.

United States

The Notes and the Guarantee have not been and will not be registered under the Securities Act or the laws of any State of the United States and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

The Notes are being offered and sold by the Joint Lead Managers outside the United States in accordance with Regulation S. The Subscription Agreement provides that each Joint Lead Manager may (through its U.S. affiliates, if any, if the Joint Lead Manager is not a U.S. registered broker-dealer) resell a portion of the Notes within the United States only to QIBs in reliance on Rule 144A.

Accordingly, each Joint Lead Manager has agreed to offer the Notes for resale in the United States initially only (1) to persons it reasonably believes to be QIBs purchasing for their own account or for the account of a QIB in reliance on Rule 144A or (2) outside the United States in offshore transactions in reliance on Regulation S. Terms used in this paragraph have the respective meanings given to them by Regulation S.

In addition, until 40 days after the commencement of the offering, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A under the Securities Act.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “**Relevant Member State**”), each Joint Lead Manager has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “**Relevant Implementation Date**”) it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Prospectus to the public in that Relevant Member State other than:

- (a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) to fewer than 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the Joint Lead Managers; or
- (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes shall require the Issuer, the Guarantor or any Joint Lead Manager to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an “**offer of Notes to the public**” in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State. The expression “**Prospectus Directive**” means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU) and includes any relevant implementing measure in the Relevant Member State.

United Kingdom

Each Joint Lead Manager has represented and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act (the “**FSMA**”) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Oman

Each Joint Lead Manager has represented and agreed that:

- (a) the Prospectus has not been approved by nor registered as a prospectus with the Capital Market Authority of the Sultanate of Oman pursuant to Article 3 of the Capital Market Law (Royal Decree 80/98, as amended) and will not be offered or sold as a public offer of securities in the Sultanate of Oman; and
- (b) accordingly, the Notes have not been and will not be offered, sold or delivered, and no invitation to subscribe for or to purchase the Notes has been or will be made, directly or indirectly, nor may any document or other material in connection therewith be distributed in the Sultanate of Oman to any person in Oman other than by an entity duly licenced by the Capital Market Authority of Oman to market non-Omani securities in Oman and then only in accordance with all applicable laws and regulations including Article 139 of the Executive Regulations of the Capital Market Law (issued by Decision 1/2009, as amended).

Cayman Islands

Each Joint Lead Manager has represented and agreed, that it has not made and will not make any offer or invitation (whether directly or indirectly) to the public of the Cayman Islands to subscribe for the Notes.

Saudi Arabia

No action has been or will be taken in Saudi Arabia that would permit a public offering of the Notes, or possession or distribution of any offering materials in Saudi Arabia in relation thereto, in Saudi Arabia.

Each Joint Lead Manager has represented and agreed that the Notes may only be offered and sold in Saudi Arabia to “sophisticated investors” in accordance with Article 10 of the “**Offers of Securities Regulations**” as issued by the Board of the Capital Market Authority resolution number 2-11-2004 dated 4 October 2004 and amended by the Board of the Capital Market Authority resolution number 1-28-2008 dated 18 August 2008 (the “**KSA Regulations**”), and that any offer of Notes to an investor in Saudi Arabia that who is a Saudi person will be made in compliance with the KSA Regulations.

Investors are informed that Article 17 of the KSA Regulations place restrictions on secondary market activity with respect to the Notes, including as follows:

- (a) a Saudi Investor (referred to as a “**transferor**”) who has acquired Notes pursuant to a private placement may not offer or sell Notes to any person (referred to as a “**transferee**”) unless the offer or sale is made through an authorised person where one of the following requirements is met:
 - (i) the price to be paid for the Notes in any one transaction is equal to or exceeds one million Saudi Riyals or an equivalent amount;
 - (ii) the Notes are offered or sold to a sophisticated investor; or
 - (iii) the Notes are being offered or sold in such other circumstances as the Capital Market Authority may prescribe for these purposes;
- (b) if the requirement of paragraph (a)(i) above cannot be fulfilled because the price of the Notes being offered or sold to the transferee has declined since the date of the original private placement, the transferor may offer or sell the Notes to the transferee if their purchase price during the period of the original private placement was equal to or exceeded one million Saudi Riyals or an equivalent amount;
- (c) if the requirement in paragraph (b) above cannot be fulfilled, the transferor may offer or sell Notes if he/she sells his entire holding of Notes to one transferee; and
- (d) the provisions of paragraphs (a), (b) and (c) above shall apply to all subsequent transferees of the Notes.

The United Arab Emirates (Excluding the Dubai International Financial Centre)

Each Joint Lead Manager has represented and agreed that the Notes have not been and will not be offered, sold or publicly promoted or advertised by it in the United Arab Emirates other than in compliance with any laws applicable in the United Arab Emirates governing the issue, offering and sale of securities.

The Dubai International Financial Centre

Each Joint Lead Manager has represented and agreed that it has not offered and will not offer the Notes to any person in the DIFC unless such offer is:

- (a) an “Exempt Offer” in accordance with the Markets Rules (MKT) module of the Dubai Financial Services Authority (the “DFSA”); and
- (b) made only to persons who meet the Professional Client criteria set out in Rule 2.3.2 of the DFSA Conduct of Business Manual.

The State of Qatar (Excluding the Qatar Financial Centre)

Each Joint Lead Manager has represented and agreed that it has not offered or sold, and will not offer or sell, directly or indirectly, any Notes in Qatar, except (a) in compliance with all applicable laws and regulations of Qatar and (b) through persons or corporate entities authorised and licenced to provide investment advice and/or engage in brokerage activity and/or trade in respect of foreign securities in Qatar.

Qatar Financial Centre

Each Joint Lead Manager has represented and agreed that this Prospectus: (i) has not been, and will not be, registered with or approved by the Qatar Financial Centre Regulatory Authority and may not be publicly distributed in the Qatar Financial Centre; (ii) is intended for the original recipient only and must not be provided to any other person; and (iii) is not for general circulation in the Qatar Financial Centre and may not be reproduced or used for any other purpose.

Bahrain

Each Joint Lead Manager has represented, warranted and undertaken, that it has not offered or sold, and will not offer or sell any Notes except on a private placement basis to persons in Bahrain who are “**accredited investors**”.

For this purpose, an “accredited investor” means:

- (a) an individual holding financial assets (either singly or jointly with a spouse) of U.S.\$1,000,000 or more;
- (b) a company, partnership, trust or other commercial undertaking which has financial assets available for investment of not less than U.S.\$1,000,000; or
- (c) a government, supranational organisation, central bank or other national monetary authority or state organisation whose main activity is to invest in financial instruments (such as a state pension fund).

Hong Kong

Each Joint Lead Manager has represented and agreed that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Certificates other than: (i) to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the “SFO”) and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and

- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to the Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made under the SFO.

Singapore

This Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”). Accordingly, each Joint Lead Manager has represented and agreed that it has not offered or sold and that it will not offer or sell any Notes or cause such Notes to be made the subject of an invitation for subscription or purchase, nor will it circulate or distribute this Prospectus or any other document or material in connection with the offer or sale or invitation for subscription or purchase of the Notes, whether directly or indirectly, to any person in Singapore other than:

- (a) to an institutional investor pursuant to Section 274 of the SFA;
- (b) to a relevant person, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA; or
- (c) pursuant to, and in accordance with the conditions of, any other applicable provisions of the SFA.

Where Notes are subscribed or purchased under Section 275 of the SFA by a relevant person, which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries’ rights and interests (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA, except:

- (i) to an institutional investor or to a relevant person (as defined in Section 275(2) of the SFA), or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (ii) where no consideration is or will be given for the transfer;
- (iii) where the transfer is by operation of law; or
- (iv) pursuant to Section 276(7) of the SFA or Regulation 32 of the Securities and Futures (Offer of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Malaysia

Each Joint Lead Manager has represented and agreed that:

- (a) this Prospectus has not been registered as a prospectus with the Securities Commission of Malaysia (the “SC”) under the Capital Markets and Services Act 2007 of Malaysia. While a copy of this Prospectus will be deposited with the SC, the SC takes no responsibility for its content; and
- (b) accordingly, the Notes have not been and will not be issued, offered for subscription or purchase, sold or delivered, nor will any invitation to subscribe for or purchase the Notes be made, directly or indirectly, nor may this Prospectus, any application for the Notes or any document or other material in connection with the offering, this Prospectus or the

Notes be circulated or distributed in Malaysia, other than to persons falling within any one of the categories of persons specified under: (i) Schedule 6 or Section 229(1)(b) and Schedule 7 or Section 230(1)(b); and (ii) Schedule 8 or Section 257(3), read together with Schedule 9 or Section 257(3) of the Capital Markets and Services Act 2007 of Malaysia, subject to any law, order, regulation, or official directive of the Central Bank of Malaysia, the Securities Commission of Malaysia and/or any other regulatory authority from time to time.

Residents of Malaysia may be required to obtain relevant regulatory approvals including approval from the Controller of Foreign Exchange to purchase the Notes. The onus is on the Malaysian residents concerned to obtain such regulatory approvals and neither of the Joint Lead Managers is responsible for any invitation, offer, sale or purchase of the Notes as aforesaid without the necessary approvals being in place.

General

Each Joint Lead Manager has acknowledged that no representation is made by the Issuer, the Guarantor or such Joint Lead Manager that any action has been or will be taken in any jurisdiction by the Issuer, the Guarantor or such Joint Lead Manager that would permit a public offering of the Notes, or possession or distribution of the Prospectus, in any country or jurisdiction where action for that purpose is required. Each Joint Lead Manager has undertaken that it will comply to the best of its knowledge and belief in all material respects with all applicable securities laws and regulations in each jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes the Prospectus, in all cases at its own expense unless agreed otherwise.

TRANSFER RESTRICTIONS

Restricted Notes

Each purchaser of Restricted Notes, by accepting delivery of this Prospectus and the Notes, will be deemed to have represented, agreed and acknowledged that:

1. It is (a) a QIB, (b) acting for its own account, or for the account of a QIB, (c) not formed for the purpose of investing in the Issuer or the Guarantor, and (d) aware, and each beneficial owner of such Notes has been advised, that the sale of such Notes to it is being made in reliance on Rule 144A.
2. It understands that the Restricted Notes are being offered only in a transaction not involving any public offering in the United States within the meaning of the Securities Act, and that the Restricted Notes have not been and will not be registered under the Securities Act and may not be offered, sold, pledged or otherwise transferred except (a) in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or for the account of a QIB or (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S under the Securities Act, in each case in accordance with any applicable securities laws of any state or another jurisdiction of the United States.
3. It acknowledges that the Notes offered and sold hereby in the manner set forth in paragraph 1 are “restricted securities” within the meaning of Rule 144(a)(3) under the Securities Act, are being offered and sold in a transaction not involving any public offering in the United States within the meaning of the Securities Act and that no representation is made as to the availability of the exemption provided by Rule 144 for resales of the Notes.
4. If it is acquiring any Notes for the account of one or more QIBs, it represents that it has sole investment discretion with respect to each such account and that it has full power to make (and does make) the foregoing acknowledgments, representations and agreements on behalf of each such account. The Issuer, the Guarantor, the Registrar, the Joint Lead Managers and their respective affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements.
5. It understands that the Issuer has the right to refuse to honour the transfer of an interest in the Restricted Notes to a United States person who is not a QIB.
6. It understands that the Restricted Notes, unless otherwise agreed between the Issuer, the Guarantor and the Fiscal Agent in accordance with applicable law, will bear a legend to substantially the following effect:

THIS NOTE AND THE GUARANTEE IN RESPECT HEREOF HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933 (THE “**SECURITIES ACT**”), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT (“**RULE 144A**”) TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A (A “**QIB**”), THAT IS ACQUIRING THIS NOTE FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QIBS, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT OR (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER, IF AVAILABLE, IN EACH CASE, IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THE RESALE RESTRICTIONS REFERRED TO ABOVE. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF ANY EXEMPTION UNDER THE SECURITIES ACT FOR REALES OF THE NOTES.

7. It acknowledges that the Issuer, the Guarantor, the Registrar, the Joint Lead Managers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements and agrees that, if any of the acknowledgments, representations or agreements deemed to have been made by it by

its purchase of Restricted Notes is no longer accurate, it shall promptly notify the Issuer, the Guarantor and the Joint Lead Managers. If it is acquiring any Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each of those accounts and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each account.

8. It understands that the Restricted Notes will be evidenced by the Restricted Global Note. Before any interest in a Restricted Global Note may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in an Unrestricted Global Note, it will be required to provide a Paying and Transfer Agent with a written certification (in the form provided in the Fiscal Agency Agreement) as to compliance with applicable securities laws.
9. Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

Unrestricted Notes

Each purchaser of Unrestricted Notes, by accepting delivery of this Prospectus and the Notes, will have been deemed to have represented, agreed and acknowledged that:

1. It is, or at the time the Unrestricted Notes are purchased will be, the beneficial owner of such Unrestricted Notes and (a) that it is located outside the United States (within the meaning of Regulation S) and (b) it is not an affiliate of the Issuer or the Guarantor or a person acting on behalf of such an affiliate.
2. It understands that the Unrestricted Notes have not been and will not be registered under the Securities Act and may not be offered, sold, pledged or otherwise transferred except (a) in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or for the account of one or more QIBs or (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, in each case, in accordance with any applicable securities laws of any state of the United States.
3. It understands that the Unrestricted Notes will be evidenced by an Unrestricted Global Note. Before any interest in an Unrestricted Global Note may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the corresponding Restricted Global Note, it will be required to provide a Paying and Transfer Agent with a written certification (in the form provided in the Fiscal Agency Agreement) as to compliance with applicable securities laws.
4. It acknowledges that the Issuer, the Guarantor, the Registrar, the Joint Lead Managers and their affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that, if any of the acknowledgements, representations or agreements deemed to have been made by it by its purchase of the Unrestricted Notes is no longer accurate, it shall promptly notify the Issuer, the Guarantor and the Joint Lead Managers. If it is acquiring any Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each of those accounts and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each account.

TAXATION

The following discussion summarises certain Cayman Islands and Omani tax considerations that may be relevant to holders of Notes. It also includes a limited discussion of certain European Union considerations and certain material United States federal income tax considerations. This summary is based on the Issuer's and the Guarantor's understanding of laws, regulations, rulings and decisions now in effect and is subject to changes in, and differing interpretations of, tax law and practice, including changes, interpretations and applications that could have a retroactive effect. Certain statements made below as to the possible tax treatment of holders of Notes should be read in this context.

This summary does not describe all of the tax considerations that may be relevant to holders of Notes, particularly holders of Notes subject to special tax rules. Holders of Notes are advised to consult their own professional advisers as to the consequences of purchasing Notes under the tax laws of the country of which they are resident.

Cayman Islands

There are no income, corporation, capital gains or other taxes in effect in the Cayman Islands on the basis of present legislation. The Issuer has applied for and expects to receive from the governor-in-cabinet of the Cayman Islands, pursuant to the Tax Concessions Law (as revised) of the Cayman Islands, that for a period of 20 years from the date of grant of that undertaking no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Issuer or its operation and in addition, that no tax to be levied on profits, income, gains or appreciations which is in the nature of estate duty or inheritance tax or other duty inheritance tax shall be payable on or in respect of the shares, debentures or other obligations (which include the Notes) of the Issuer or by way of the withholding in whole or part of any relevant payment. No capital or stamp duties are levied in the Cayman Islands on the issue, transfer or redemption of Notes. However, an instrument transferring title to such Notes, if brought to or executed in the Cayman Islands, would be subject to Cayman Islands stamp duty. An annual registration fee is payable by the Issuer to the Cayman Islands Registrar of Companies which is calculated by reference to the nominal amount of its authorised capital. At current rates, this annual registration fee is U.S.\$853.66. The foregoing is based on current law and practice in the Cayman Islands and this is subject to change therein.

Omani Tax

The statements herein regarding taxation are based on the laws in effect in Oman as at the date of this Prospectus and are subject to any changes of law occurring after such date. The following is a summary only of the material Omani tax consequences: (i) of the purchase, ownership, and disposition of Notes for beneficial owners resident in Oman; and (ii) of payments made by an Omani guarantor under a guarantee. The following summary does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with the tax consequences applicable to all categories of investors, some of which may be subject to special rules. Prospective purchasers of the Notes are advised to consult their own tax advisors concerning the overall tax consequences of their acquiring, holding, and disposing of Notes, including in particular the effect of any local laws.

Omani Resident Holders

The Income Tax Law (Sultani Decree No. 28//2009) and its Executive Regulations (MD 30/2012) ("**Omani Tax Law**") levies a corporate income tax on the business profits of corporates and individuals. However, interest received by a resident in Oman not part of a business is not subject to corporate income tax.

Non-Omani Resident Holders

Interest and other proceeds paid in respect of Notes by a non-Omani resident issuer to a beneficial owner who is not a tax payer in Oman is not subject to any Omani taxation.

Payments Made by an Omani Guarantor

There is a withholding tax levy on certain income accrued in Oman as provided by the Income Tax Law. Such income includes consideration towards rental of equipment, management fees, royalties, right to use of computer software, transfer of technical expertise and research and development. There is no precise definition of 'management fees'. It is not clear whether management fees would include any arrangement fee, commitment fee or agency fee. Companies in Oman making

payment to foreign based companies of the nature specified above are obliged to deduct withholding tax at source at the rate of 10% on the gross amount and to remit it to the Tax Department. Foreign companies that do not have a permanent establishment in Oman and those that carry on business through a permanent establishment but do not include the accrued income in the gross income are liable to pay withholding tax on such accrued income in Oman. Should withholding tax be applied to arrangement, agency or commitment fees, any provision providing for gross up protects against the withholding.

Capital Gains in Oman

Under the Tax Law, gain on the sale or redemption of the Notes made by Noteholders who are tax payers in Oman will be subject to a tax of 12% over and above OMR 30,000 of the annual taxable profits of the tax payers, if such income forms part of the business profits and the Noteholders are not exempted otherwise under the Tax Law.

Other Taxes in Oman

No stamp, issue, registration fees or similar direct or indirect taxes or duties will be payable in Oman in connection with the issuance, delivery, or execution of the Notes by the Issuer. Enforcement will entail filing of legal proceedings before the courts of Oman, which requires the payment of court fees.

Certain United States Federal Income Taxation Considerations

The following summary describes certain U.S. federal income tax consequences of the acquisition, ownership and disposition of the Notes by a U.S. Holder (as defined below) that acquires the Notes as part of the Offering at a price equal to the issue price of the Notes and holds it as a capital asset. The following summary is based upon the Internal Revenue Code of 1986, as amended (the “Code”), U.S. Treasury regulations thereunder, and judicial and administrative interpretations thereof, all as in effect as at the date of this Prospectus and any of which may at any time be repealed, revoked or modified or subject to differing interpretations, potentially retroactively, so as to result in U.S. federal income tax consequences different from those discussed below. There can be no assurances that the Internal Revenue Service (the “IRS”) will not challenge one or more of the tax consequences described herein, and we have not obtained, nor do we intend to obtain, a ruling from the IRS with respect to the U.S. tax consequences of purchasing, owning or disposing of the Notes.

This summary does not address all aspects of U.S. federal income taxation that may be applicable to particular U.S. Holders subject to special U.S. federal income tax rules, including, but not limited to, tax-exempt organisations, financial institutions, dealers and traders in securities or currencies, traders in securities that elect to use a mark-to-market method of accounting, thrifts, regulated investment companies, real estate investment trusts, insurance companies, tax-deferred or other retirement accounts, U.S. Holders that will hold the Notes as part of a “straddle,” hedging transaction, “conversion transaction” or other integrated transaction for U.S. federal income tax purposes, U.S. Holders that enter into “constructive sale” transactions with respect to the Notes, U.S. Holders liable for alternative minimum tax or the tax on net investment income, U.S. Holders whose functional currency is not the U.S. Dollar, investors holding the Notes in connection with a trade or business conducted outside the United States and certain former citizens and long-term residents. In addition this summary does not address consequences to U.S. Holders of the acquisition, ownership or disposition of the Notes under any other U.S. federal tax laws (including, but not limited to, estate or gift tax laws) or under the tax laws of any state, locality or other political subdivision of the United States or of other countries or jurisdictions. This summary does not address U.S. tax consequences to persons other than U.S. Holders of the acquisition, ownership or disposition of Notes.

The summary of the U.S. federal income tax consequences set out below is for general information only and is not tax advice with respect to any specific investor. Prospective investors should consult their own tax advisers as to the particular tax consequences to them of the acquisition, ownership and disposition of the Notes, including the applicability and effect of state, local, non-U.S. and other tax laws and possible changes in tax law.

As used herein, the term “U.S. Holder” means a beneficial owner of the Notes that is for U.S. federal income tax purposes: (a) an individual who is a citizen or resident of the United States, (b) a corporation created or organised in or under the laws of the United States, any state thereof or the District of Columbia, (c) an estate, the income of which is subject to U.S. federal income taxation regardless of its source or (d) a trust if it (x) is subject to the primary supervision of a U.S. court and the control of one or more U.S. persons or (y) has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

If a partnership (or any entity or arrangement treated as a partnership for U.S. federal income tax purposes) holds the Notes, the U.S. federal income tax treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership. Therefore, a beneficial owner of a Note that is a partnership, and partners in such partnership, should consult their own tax advisers regarding the U.S. federal income tax consequences of the acquisition, ownership and disposition of the Notes.

Payments of interest

The notes are expected to be issued without original issue discount. In such case, payments of interest on the Notes (and payments of any Additional Amounts) generally will be taxable to a U.S. Holder as ordinary income at the time such payments are received or accrued, in accordance with such U.S. Holder's method of accounting for U.S. federal income tax purposes. Interest paid by the Issuer on the Notes will generally constitute income from sources outside the United States, subject to the rules regarding the U.S. foreign tax credit allowable to a U.S. Holder (and the limitations imposed thereon).

Should any non-U.S. tax be withheld, the amount withheld and the gross amount of any Additional Amounts paid to a U.S. Holder (see "*Description of the Notes—Additional Amounts*") will be included in such holder's income as ordinary income at the time such amount is received or accrued in accordance with such holder's method of tax accounting. Non-U.S. withholding tax, if any, imposed on a U.S. Holder would, subject to limitations and conditions and at the election of such holder, be treated as foreign income tax eligible for credit against such holder's U.S. federal income tax liability or a deduction in computing taxable income, to the extent such tax is not otherwise refundable.

Sale, exchange, redemption or other disposition of Notes

Upon the sale, exchange, redemption, retirement at maturity or other taxable disposition of the Notes, a U.S. Holder generally will recognise taxable gain or loss equal to the difference between the amount realised (i.e., the amount of cash and the fair market value of any property received on the disposition (except to the extent the cash or property received is attributable to accrued and unpaid interest not previously included in income, which will be taxable as ordinary income to the extent not previously included in income)) and the U.S. Holder's adjusted tax basis in the Note. A U.S. Holder's adjusted tax basis in the Notes generally will equal the amount paid for the Notes reduced by the pre-issuance accrued stated interest such U.S. Holders previously received. Gain or loss recognised by a U.S. Holder on the sale, exchange or other disposition of the Notes will be capital gain or loss and will be long-term capital gain or loss if the Note was held by the U.S. Holder for more than one year. Gain or loss realised by a U.S. Holder on the sale or retirement of the Notes generally will be U.S. source. The deductibility of capital losses is subject to limitations.

Information reporting and backup withholding

In general, payments of principal, interest on, and the proceeds of the sale, exchange or other taxable disposition of, the Notes, payable to a U.S. Holder by a U.S. paying agent or other U.S. related intermediary will be reported to the IRS and to the U.S. Holder as may be required under applicable regulations. Backup withholding will apply to these payments if the U.S. Holder fails to provide an accurate taxpayer identification number or certification of exempt status, or otherwise fails to comply with the applicable backup withholding requirements. Certain U.S. Holders (including corporations) are not subject to information reporting and backup withholding. Backup withholding is not an additional tax. The amount of any backup withholding imposed on a payment will be allowed as a credit against any U.S. federal income tax liability of a U.S. Holder and may entitle the U.S. Holder to a refund, provided the required information is timely furnished to the IRS. U.S. Holders should consult their own tax advisers regarding any filing and reporting obligations they may have as a result of their acquisition, ownership or disposition of the Notes.

Specified foreign financial assets

Certain United States persons that own "specified foreign financial assets", including securities issued by any foreign person, either directly or indirectly or through certain foreign financial institutions, may be subject to additional reporting obligations if the aggregate value of all of those assets exceeds U.S.\$50,000 on the last day of the taxable year or U.S.\$75,000 at any time during the taxable year. The new reporting requirement applies to individuals and, if specified by the IRS, domestic entities formed or availed of for the purpose of holding, directly or indirectly, specified foreign financial assets. The Notes may be treated as specified foreign financial assets, and investors may be subject to this information reporting regime. Significant penalties and an extended statute of limitations may apply to an investor subject to the new

reporting requirement that fails to file information reports. Each prospective investor that is a United States person should consult its own tax advisor regarding the new information reporting obligation.

EU Savings Directive

Under the EU Savings Directive, EU Member States are required to provide to the tax authorities of another EU Member State details of payments of interest (or similar income) paid by a person established within its jurisdiction to (or for the benefit of) an individual resident, or certain types of entity established, in that other EU Member State. However, for a transitional period, Austria will (unless during that period it elects otherwise) instead operate a withholding system in relation to such payments. The current rate of withholding under the EU Savings Directive is 35%. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to exchange information procedures relating to interest and other similar income.

A number of non-EU countries and certain dependent or associated territories of certain EU Member States have adopted similar measures to the EU Savings Directive.

The Council of the EU has adopted the Amending Directive which will, when implemented, amend and broaden the scope of the requirements of the EU Savings Directive described above. The Amending Directive will expand the range of payments covered by the EU Savings Directive, in particular to include additional types of income payable on securities, and the circumstances in which payments must be reported or paid subject to withholding. For example, payments made to (or for the benefit of) (i) an entity or legal arrangement effectively managed in an EU Member State that is not subject to effective taxation, or (ii) a person, entity or legal arrangement established or effectively managed outside of the EU (and outside any third country or territory that has adopted similar measures to the EU Savings Directive) which indirectly benefit an individual resident in an EU Member State, may fall within the scope of the EU Savings Directive, as amended. The Amending Directive requires EU Member States to adopt national legislation necessary to comply with it by 1 January 2016, which legislation must apply from 1 January 2017.

The Proposed Financial Transactions Tax

On 14 February 2013, the European Commission issued a proposal (the “**Commission’s Proposal**”), including a draft directive, for a financial transaction tax (“**FTT**”) to be adopted in certain participating EU Member States (Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia) (the “**participating Member States**”).

The Commission’s Proposal has very broad scope and could, if introduced, apply to certain dealings in Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

Under the Commission’s Proposal, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, “established” in a participating Member State in a broad range of circumstances, including: (i) by transacting with a person established in a participating Member State; or (ii) where the financial instrument which is subject to the dealings is issued in a participating Member State.

Joint statements issued by participating Member States indicate an intention to implement the FTT by 1 January 2016. However, the FTT proposal remains subject to negotiation between the participating Member States and the scope of any such tax is uncertain. Additional EU Member States may decide to participate.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

GENERAL INFORMATION

Authorisation

The Issuer and the Guarantor have obtained all necessary consents, approvals and authorisations in the Cayman Islands and Oman in connection with the offering, issue and performance of the Notes and the Guarantee. The issue of the Notes was authorised by a resolution of the board of directors of the Issuer passed on 20 April 2015 and the giving of the Guarantee by the Guarantor was authorised by a resolution of the shareholders of the Guarantor pursuant to Article 102 of the Oman Commercial Companies Law passed on 20 April 2015 and a resolution of the board of directors of the Guarantor passed on 20 April 2015.

Listing

Application has been made to the Irish Stock Exchange for the Notes to be admitted to listing on the Official List and to trading on the Main Securities Market. The Main Securities Market is a regulated market for the purposes of Markets in Financial Instruments Directive 2004/39/EC (“**MiFID**”). It is expected that the listing of the Notes on the Official List and admission of the Notes to trading on the Main Securities Market will be granted on or around 7 May 2015.

This Prospectus has been approved by the Central Bank as competent authority under the Prospectus Directive. Such approval relates only to Notes, which are to be admitted to trading on the Main Securities Market. The Central Bank only approves this Prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive.

Walkers Listing & Support Services Limited is acting solely in its capacity as listing agent for the Issuer in relation to the Notes and is not itself seeking admission of the Notes to the Official List of the Irish Stock Exchange or to trading on the regulated market of the Irish Stock Exchange for the purposes of the Prospectus Directive.

The expenses in relation to the admission of the Notes to trading on the Main Securities Market will be €6,540.

Litigation

Neither the Issuer, since its incorporation, nor the Guarantor, in the 12 months preceding the date of this Prospectus, is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer or the Guarantor is aware) which may have or have in such period had a significant effect on the financial position or prospects of the Issuer or the Guarantor.

No Significant Change

There has been no significant change in the financial or trading position of the Issuer since its incorporation which occurred on 7 April 2015 and no material adverse change in the financial position or prospects of the Issuer since its incorporation. There has been no significant change in the financial or trading position of the Guarantor since 31 December 2014 and no material adverse change in the financial position or prospects of the Guarantor since 31 December 2014.

Clearing Systems

The Notes have been accepted for clearance through Euroclear, Clearstream, Luxembourg and DTC. The Common Code and ISIN for the Unrestricted Notes and the Common Code, ISIN and CUSIP number for the Restricted Notes are as follows:

Unrestricted Notes

ISIN: XS1117297355
Common Code: 111729735

Restricted Notes

ISIN: US513063AA53
Common Code: 098266348
CUSIP: 513063 AA5

The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium, The address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855 Luxembourg. The address of DTC is 55 Water Street, New York, NY 10041, United States.

Indication of Yield

The indication of yield in relation to the Notes is 3.958% per annum. This yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

Documents

For the life of this Prospectus, copies (and English translations where the documents in question are not in English) of the following documents will be available in physical form, during usual business hours on any weekday (Saturdays and public holidays excepted), for inspection at the offices of the Guarantor:

- (a) the respective constitutional documents of the Issuer and the Guarantor;
- (b) the Financial Statements;
- (c) a copy of this Prospectus, together with any supplement to this Prospectus or further prospectus;
- (d) the Fiscal Agency Agreement;
- (e) the Deed of Covenant; and
- (f) the Deed of Guarantee.

This Prospectus will also be published on the website of the Irish Stock Exchange at <http://www.ise.ie/>.

In addition, the Guarantor will continue to publish its Annual Report, which contains its audited annual financial statements, on its website. For so long as the Notes remain outstanding, copies of the audited annual financial statements of the Guarantor (consolidated, if applicable) for each financial year will be available in physical form, during usual business hours on any weekday (Saturdays and public holidays excepted), for inspection at the offices of the Guarantor.

The Issuer does not intend to provide post-issuance transaction information regarding the Notes or the performance of the Loan.

Auditors

Since the date of its incorporation, no financial statements of the Issuer have been prepared. The Issuer is not required by Cayman Islands law, and does not intend, to publish audited financial statements or appoint any auditors.

Deloitte & Touche (M.E.) & Co. LLC, MBD Area, Muscat International Center, Muscat PO Box 258, Oman, has audited, and in each case rendered an unqualified audit report on, the Financial Statements of the Guarantor years ended 31 December 2013 and 31 December 2014. Deloitte & Touche (M.E.) & Co. LLC is regulated in Oman by the Ministry of Commerce and Industry, which has issued Deloitte & Touche (M.E.) & Co. LLC a licence to practice as an auditor in Oman.

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**Independent auditor's report
to the shareholders of
Oman Electricity Transmission Company SAOC**

Report on the financial statements

We have audited the accompanying financial statements of **Oman Electricity Transmission Company SAOC** (the "**Company**") which comprise the statement of financial position as at 31 December 2014, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 3 to 39.

Board of Director's responsibility for the financial statements

The Board of Directors (the "**Board**") is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the Commercial Companies Law of 1974, as amended, and for such internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Independent auditor's report
to the shareholders of
Oman Electricity Transmission Company SAOC (continued)**

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Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the **Oman Electricity Transmission Company SAOC** as of 31 December 2014 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements

Also, in our opinion the financial statements comply, in all material aspects, with the relevant disclosure requirements of the Commercial Companies Law of 1974, as amended.



Deloitte & Touche (M.E.) & Co. LLC
Muscat, Sultanate of Oman
24 February 2015



OMAN ELECTRICITY TRANSMISSION COMPANY SAOC

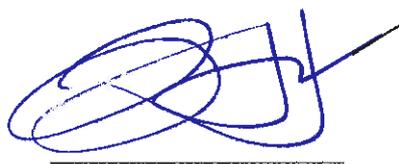
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Statement of financial position at 31 December 2014

	Notes	2014 RO '000	2013 RO '000
ASSETS			
Non-current assets			
Property, plant and equipment	6	780,568	635,877
Prepaid lease rentals	7	-	-
Total non-current assets		780,568	635,877
Current assets			
Inventories	8	3,633	3,312
Trade and other receivables	9	30,991	33,262
Cash and cash equivalents	10	4	3,591
Total current assets		34,628	40,165
Total assets		815,196	676,042
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	11	500	500
Legal reserve	12	167	167
General reserve	13	250	250
Retained earnings		139,177	96,017
Shareholder's funds	14	134,428	134,428
Total equity		274,522	231,362
Non-current liabilities			
Amounts due to Holding company	15	132,928	132,928
Finance lease liabilities	16	401	941
Provisions	17	904	849
Deferred tax liability	18	27,085	23,018
Deferred revenue	19	70,880	58,244
Trade and other payables	20	11,232	8,372
Total non-current liabilities		243,430	224,352
Current liabilities			
Deferred revenue	19	1,625	1,037
Trade and other payables	20	69,520	63,506
Current portion of finance lease liabilities	16	540	565
Provisions	17	285	681
Short-term borrowings	21	222,851	153,000
Provision for taxation	28	2,423	1,539
Total current liabilities		297,244	220,328
Total liabilities		540,674	444,680
Total equity and liabilities		815,196	676,042



Abdulaziz Mohammed Al Balushi
Chairman



Ahmed Jaffer Al Musalmi
Director



Ali Said Nasser Al Hadabi
Chief Executive Officer

The accompanying notes form an integral part of these financial statements.

OMAN ELECTRICITY TRANSMISSION COMPANY SAOC

Statement of profit or loss and other comprehensive income for the year ended 31 December 2014

	Notes	2014 RO '000	2013 RO'000
Revenue	22	92,074	77,931
Operating costs	23	<u>(24,244)</u>	<u>(18,132)</u>
Gross profit		67,830	59,799
General and administrative expenses.....	24	(15,475)	(13,867)
Other income	26	<u>1,757</u>	<u>8,576</u>
Profit from operations.....		54,112	54,508
Finance income.....	27	40	89
Finance costs	27	<u>(3,367)</u>	<u>(1,899)</u>
Profit before tax.....		50,785	52,698
Taxation.....	28	<u>(6,325)</u>	<u>(6,524)</u>
Profit for the year and total comprehensive income.....		<u>44,460</u>	<u>46,174</u>

The accompanying notes form an integral part of these financial statements.

OMAN ELECTRICITY TRANSMISSION COMPANY SAOC

Statement of changes in equity for the year ended 31 December 2014

	Share capital RO'000	Legal reserve RO'000	General reserve RO'000	Retained earnings RO'000	Share holder's funds RO'000	Total RO'000
At 1 January 2013	500	167	250	50,843	131,490	183,250
Profit for the year and total comprehensive income	-	-	-	46,174	-	46,174
Change in shareholders' fund on recognition of finance lease related to Manah ITF transmission assets (Note 16)	-	-	-	-	2,938	2,938
Transactions with owners:						
Dividend paid (Note 30).....	-	-	-	(1,000)	-	(1,000)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 1 January 2014	500	167	250	96,017	134,428	231,362
Profit for the year and total comprehensive income	-	-	-	44,460	-	44,460
Transactions with owners:.....						
Dividend paid (Note 30).....	-	-	-	(1,300)	-	(1,300)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2014	500	167	250	139,177	134,428	274,522

The accompanying notes form an integral part of these financial statements.

OMAN ELECTRICITY TRANSMISSION COMPANY SAOC

Statement of cash flows for the year ended 31 December, 2014

	2014 RO '000	2013 RO'000
Cash flows from operating activities		
Profit before tax	50,785	52,698
Adjustments for:		
Depreciation	20,981	15,829
Loss on sale of property, plant and equipment	160	912
Provision for inventory obsolescence	7	-
Write back of provision / accruals	(131)	(7,900)
Provision for employee benefits	263	252
Interest on short term borrowings	3,228	1,694
Interest on finance lease liabilities	139	205
Operating cash flows before working capital changes	75,432	63,690
Deferred revenue	13,224	7,512
Inventories	(328)	(497)
Trade and other receivables	2,319	(13,641)
Trade and other payables	8,953	(5,473)
Cash from operating activities	99,600	51,591
Payment of employee benefits	(652)	(66)
Income tax paid	(1,374)	(181)
Cash generated from operations	97,574	51,344
Cash flows from investing activities		
Purchase of property, plant and equipment	(165,841)	(76,020)
Proceeds from sale of property, plant and equipment	10	477
Repayment of principal amount on finance lease liabilities	(565)	(588)
Payment of interest on finance lease liabilities	(139)	(205)
Net cash used in investing activities	(166,535)	(76,336)
Cash flows from financing activities		
Proceeds from borrowings obtained from bank	69,851	20,000
Interest paid on short term borrowings	(3,177)	(1,465)
Dividends paid	(1,300)	(1,000)
Net cash from financing activities	65,374	17,535
Net decrease in cash and cash equivalents	(3,587)	(7,457)
Cash and cash equivalents at the beginning of the year	3,591	11,048
Cash and cash equivalents at the end of the year (Note 10)	4	3,591

The accompanying notes form an integral part of these financial statements.

OMAN ELECTRICITY TRANSMISSION COMPANY SAOC

Notes to the financial statements for the year ended 31 December 2014

1. General

Oman Electricity Transmission Company SAOC (the “company”) is a closed Omani joint stock company registered under the Commercial Companies Law of Oman.

The establishment and operations of the company are governed by the provisions of the Law for the Regulation and Privatisation of the Electricity and Related Water Sector (the “Sector Law” as amended) promulgated by Royal Decree 78/2004.

The principal activities of the company are electricity transmission and dispatch in the north of Oman (“Main Interconnected System”) under a Licence issued by the Authority for Electricity Regulation, Oman (the “AER”). The Licence is amended effective 1 January 2014 to include the area of Dhofar in the south of Oman, following a reorganisation of the operations of Dhofar Power Company SAOC as disclosed in Note 33.

The company commenced its commercial operations on 1 May 2005 (the “Transfer Date”) following the implementation of a decision of the Ministry of National Economy (the “Transfer Scheme”) issued pursuant to Royal Decree 78/2004.

Oman Electricity Transmission Company SAOC is a 99.99% subsidiary of Electricity Holding Company SAOC (the “Holding company”), a company registered in the Sultanate of Oman, and 0.01% is held by the Ministry of Finance, of the Government of Sultanate of Oman.

2. Adoption of new and revised International Financial Reporting Standards (IFRS)

2.1 New and revised IFRSs applied with no material effect on the financial statements

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2014, have been adopted in these financial statements. The application of these revised and new IFRSs have not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- Amendments to IAS 32 Financial Instruments: Presentation relating to application guidance on the offsetting of financial assets and financial liabilities.
- Amendments to IAS 36 recoverable amount disclosures: The amendments restrict the requirements to disclose the recoverable amount of an asset or CGU to the period in which an impairment loss has been recognised or reversed. They also expand and clarify the disclosure requirements applicable when an asset or CGU’s recoverable amount has been determined on the basis of fair value less costs of disposal.
- Amendments to IAS 39 Financial Instruments: Recognition and Measurement, Novation of Derivatives and Continuation of Hedge Accounting.
The amendment allows the continuation of hedge accounting when a derivative is novated to a clearing counterparty and certain conditions are met.
- Amendments to IFRS 10, IFRS 12 and IAS 27 – Guidance on Investment Entities on 31 October 2012, the IASB published a standard on investment entities, which amends IFRS 10, IFRS 12, and IAS 27 and introduces the concept of an investment entity in IFRSs.

OMAN ELECTRICITY TRANSMISSION COMPANY SAOC

Notes to the financial statements for the year ended 31 December 2014 (continued)

2. Adoption of new and revised International Financial Reporting Standards (IFRS) (continued)

2.2 New and revised IFRSs in issue but not yet effective and not early adopted

The Company has not early applied the following new standards, amendments and interpretations that have been issued but are not yet effective:

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IFRS 7 <i>Financial Instruments</i> : Disclosures relating to disclosures about the initial application of IFRS 9.	When IFRS 9 is first applied
IFRS 7 <i>Financial Instruments</i> : Additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9.	When IFRS 9 is first applied
IFRS 9 Financial Instruments (2009) issued in November 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 Financial Instruments (2010) revised in October 2010 includes the requirements for the classification and measurement of financial liabilities, and carrying over the existing derecognition requirements from IAS 39 Financial Instruments: Recognition and Measurement.	1 January 2018
IFRS 9 Financial Instruments (2013) was revised in November 2013 to incorporate a hedge accounting chapter and permit the early application of the requirements for presenting in other comprehensive income the own credit gains or losses on financial liabilities designated under the fair value option without early applying the other requirements of IFRS 9.	
Finalised version of IFRS 9 (IFRS 9 Financial Instruments (2014)) was issued in July 2014 incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition.	
IFRS 9 (2009) and IFRS 9 (2010) were superseded by IFRS 9 (2013) and IFRS 9 (2010) also superseded IFRS 9 (2009). IFRS 9 (2014) supersedes all previous versions of the standard. The various standards also permit various transitional options. Accordingly, entities can effectively choose which parts of IFRS 9 they apply, meaning they can choose to apply: (1) the classification and measurement requirements for financial assets; (2) the classification and measurement requirements for both financial assets and financial liabilities; (3) the classification and measurement requirements and the hedge accounting requirements provided that the relevant date of the initial application is before 1 February 2015.	

OMAN ELECTRICITY TRANSMISSION COMPANY SAOC

Notes to the financial statements for the year ended 31 December 2014 (continued)

2. Adoption of new and revised International Financial Reporting Standards (IFRS) (continued)

2.2 New and revised IFRSs in issue but not yet effective and not early adopted (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
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IFRS 15 Revenue from Contracts with Customers	1 January 2017
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In May 2014, IFRS 15 was issued which established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

Annual Improvements to IFRSs 2012 - 2014 Cycle that include amendments to IFRS 5, IFRS 7, IAS 19 and IAS 34.	1 July 2016
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Amendments to IAS 16 and IAS 38 to clarify the acceptable methods of depreciation and amortization.	1 January 2016
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Amendments to IFRS 11 to clarify accounting for acquisitions of Interests in Joint Operations.	1 January 2016
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Amendments to IAS 16 and IAS 41 require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with IAS 16.	1 January 2016
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OMAN ELECTRICITY TRANSMISSION COMPANY SAOC

Notes to the financial statements for the year ended 31 December 2014 (continued)

2. Adoption of new and revised International Financial Reporting Standards (IFRS) (continued)

2.2 New and revised IFRSs in issue but not yet effective and not early adopted (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IFRS 10 and IAS 28 clarify that the recognition of the gain or loss on the sale or contribution of assets between an investor and its associate or joint venture depends on whether the assets sold or contributed constitute a business.	1 January 2016
Amendments to IAS 27 allow an entity to account for investments in subsidiaries, joint ventures and associates either at cost, in accordance with IAS 39/IFRS 9 or using the equity method in an entity's separate financial statements.	1 January 2016
Amendments to IFRS 10, IFRS 12 and IAS 28 clarifying certain aspects of applying the consolidation exception for investment entities.	1 January 2016
Amendments to IAS 1 to address perceived impediments to preparers exercising their judgment in presenting their financial reports.	1 January 2016
Annual Improvements to IFRSs 2010 - 2012 Cycle that includes amendments to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 38 and IAS 24.	1 July 2014
Annual Improvements to IFRSs 2011 - 2013 Cycle that includes amendments to IFRS 1, IFRS 3, IFRS 13 and IAS 40.	1 July 2014
Amendments to IAS 19 Employee Benefits clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service.	1 July 2014

The Board anticipates that these new standards, interpretations and amendments will be adopted in the Company's financial statements for the period beginning 1 January 2015 or as and when they are applicable and adoption of these new standards, interpretations and amendments, except for IFRS 9 and IFRS 15, may have no material impact on the financial statements of the Company in the period of initial application.

OMAN ELECTRICITY TRANSMISSION COMPANY SAOC

Notes to the financial statements for the year ended 31 December 2014 (continued)

3. Summary of significant accounting policies Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards, (IFRS) and the requirements of the Commercial Companies Law of 1974, as amended.

Basis of preparation

These financial statements are prepared on the historical cost basis except for certain financial instruments which are measured at fair value.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for leasing transactions that are within the scope of IAS 17.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

As at 31 December 2014, the company's current liabilities exceeded its current assets by RO 262 million (2013 - RO 180 million). The holding company has confirmed that it will provide the necessary financial support to enable the company to continue to operate as a going concern for the foreseeable future and to discharge its liabilities to other parties, as they fall due. Accordingly, these financial statements are prepared on a going concern basis.

OMAN ELECTRICITY TRANSMISSION COMPANY SAOC

Notes to the financial statements for the year ended 31 December 2014 (continued)

3. Summary of significant accounting policies (continued)

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation. The cost of property, plant and equipment is their purchase price together with any incidental expenses necessary to bring the assets to its intended condition and location. Borrowing costs which are directly attributable to the acquisition of items of property, plant and equipment, are capitalised. Subsequent costs are included in the asset's carrying amount are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit or loss in the year in which they are incurred.

The cost of property, plant and equipment is written down to residual value in equal installments over the estimated useful lives of the assets. The estimated useful lives are:

<u>Assets</u>	<u>Years</u>
Buildings	30
Transmission lines, switch gears and transformers	30 - 60
Other plant and machinery	12 - 40
Furniture, vehicles and equipment	2 - 7
Plant spares	20

When an asset has to be replaced as per instruction from Ministry, then the asset is depreciated over remaining period under which the asset is to be replaced.

Capital work-in-progress is not depreciated until it is transferred to one of the above categories at the time when it is available for use.

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting position date.

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount it is written down immediately to its recoverable amount.

Gains and losses on disposals of property, plant and equipment are determined by reference to their carrying amounts and are taken into account in determining operating profits for the year.

Financial instruments

Financial assets and financial liabilities are recognised on the company's statement of financial position when the company becomes a party to the contractual provisions of the instrument.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than twelve months after the end of the reporting period. These are classified as non-current assets. The company's loans and receivables comprise trade and other receivables and cash and cash equivalents in the statement of financial position.

OMAN ELECTRICITY TRANSMISSION COMPANY SAOC

Notes to the financial statements for the year ended 31 December 2014 (continued)

3. Summary of significant accounting policies (continued)

Impairment

Financial assets

Financial assets are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For financial assets, objective evidence of impairment could include:

- significant financial difficulty of the counterparty;
- default or delinquency in payments; or
- it becomes probable that the borrower will enter bankruptcy or financial reorganisation.

For certain categories of financial assets, such as trade receivables that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis.

Objective evidence of impairment for a portfolio of receivables could include the company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period as well as observable changes in national or local economic conditions that correlate with default on receivables.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of allowance account.

When a trade receivable is considered uncollectible, it is directly written off after obtaining appropriate approvals. Subsequent recoveries of amounts previously written off are credited to the profit or loss.

Non-financial assets

The carrying amounts of the company's non-financial assets other than inventories are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indications exist then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or cash generating unit exceeds its value in use and its fair value less costs to sell. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specified to the asset. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

OMAN ELECTRICITY TRANSMISSION COMPANY SAOC

Notes to the financial statements for the year ended 31 December 2014 (continued)

3. Summary of significant accounting policies (continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs comprise purchase costs and where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated principally using the weighted average method. Allowance is made for slow moving and obsolete inventory items where necessary, based on management's assessment.

Trade and other receivables

Trade and other receivables are stated at their fair value. Trade receivables are initially recognised at fair value and subsequently are stated at amortised cost using the effective interest rate method less impairment losses. An allowance for impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the statement of profit or loss and other comprehensive income within 'general and administration expenses'.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amount of cash, which are subject to an insignificant risk of changes in value and have maturity of three months or less at the date of placement.

Trade and other payables

Trade and other payables are initially recognized at fair value and subsequently measured at cost. Liabilities are recognised for amounts to be paid for goods and services received, whether or not billed to the company.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the profit or loss in the year in which they are incurred.

OMAN ELECTRICITY TRANSMISSION COMPANY SAOC

Notes to the financial statements for the year ended 31 December 2014 (continued)

3. Summary of significant accounting policies (continued)

Employee benefits

Provision for employee benefits is accrued having regard to the requirements of the Oman Labour Law 2003, as amended, or in accordance with the terms and conditions of the employment contract with the employees. Employee entitlements to annual leave and leave encashment are recognised when they accrue to employees and an accrual is made for the estimated liability arising as a result of services rendered by employees up to the reporting date. These accruals are included in current liabilities, while that relating to end of service benefits is disclosed as a non-current liability.

Gratuity for Omani employees who transferred from Ministry of Housing, Electricity and Water on the transfer date is contributed in accordance with the terms of the Social Securities Law 1991 and Civil Service Employees Pension Fund Law.

Contributions to a defined contribution retirement plan for Omani employees in accordance with the Omani Social Insurance Law 1991 are recognised in the profit or loss.

Provisions

Provisions are recognised in the statement of financial position when the company has a legal or constructive obligation as a result of a past event and it is probable that it will result in an outflow of economic benefit that can be reliably estimated.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. Where some or all of the economic benefits required to settle a provision are expected to be recovered from third-party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Dividends

Dividends are recognised as a liability in the year in which they are approved by the company's shareholders.

Dividends for the year that are approved after the reporting date are dealt with as an event after the reporting date.

OMAN ELECTRICITY TRANSMISSION COMPANY SAOC

Notes to the financial statements for the year ended 31 December 2014 (continued)

3. Summary of significant accounting policies (continued)

Leases

Finance leases

Leases of property, plant and equipment, where the company has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. The related property, plant and equipment is capitalised and depreciated in accordance with the applicable accounting policies of the company.

Each lease payment is allocated between the liability and finance charges. The interest element of the finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the profit or loss on a straight-line basis over the period of the lease.

Lease incentives

In the event that lease incentives are received to enter into operating lease, such incentives are recognised as a liability. The aggregate benefits of incentives are recognised as a reduction of operating lease expenses on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Government grants

Grants from the Government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the company will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to construction of assets are included in deferred revenue within non-current liabilities and are credited to the profit or loss on a straight line basis over the expected useful lives of related assets.

OMAN ELECTRICITY TRANSMISSION COMPANY SAOC

Notes to the financial statements for the year ended 31 December 2014 (continued)

3. Summary of significant accounting policies (continued)

Revenue

Revenue comprises (a) Transmission Connection Charges (TCC) charged to the generation and distribution companies and some directly connected customers in accordance with the terms of Electrical Connection Agreements entered into with them and (b) Transmission Use of System Charges (TUS) charged to the distribution companies (related parties), in accordance with the Price Control Maximum Allowed Revenue for the relevant year as approved by the Authority for Electricity Regulation, Oman.

Revenue is recognised to the extent of maximum allowed revenue (MAR) computed as per regulatory formula in accordance with the Company's licencing requirements.

Foreign currency translation

Items included in the company's financial statements are measured and presented using Rials Omani which is the currency of the Sultanate of Oman, being the economic environment in which the company operates (the "functional currency"). The financial statements are prepared in Rials Omani, rounded to the nearest thousand.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the transaction date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss as they arise.

Finance income

Finance income comprises interest received or receivable on funds invested. Interest income is recognised in the profit or loss as it accrues taking into account the effective yield on the asset.

Taxation

Income tax is calculated as per the fiscal regulations of the Sultanate of Oman.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous year.

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax is calculated on the basis of the tax rates that are expected to apply to the year when the asset is realised or the liability is settled based on tax rates and tax laws that have been enacted or substantially enacted by the reporting date. The tax effects on the temporary differences are disclosed under non-current liabilities as deferred tax liability.

OMAN ELECTRICITY TRANSMISSION COMPANY SAOC

Notes to the financial statements for the year ended 31 December 2014 (continued)

3. Summary of significant accounting policies (continued)

Taxation (continued)

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits can be utilised. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset as there is a legally enforceable right to offset these in Oman.

Current and deferred tax is recognised as an expense or benefit in profit or loss except when they relate to items credited or debited directly to equity, in which case the tax is also recognised directly in equity.

4 Significant accounting estimates and judgment

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the company's accounting policies. The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas requiring a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are set out below:

Depreciation

Depreciation is charged so as to write off the cost of assets over their estimated useful lives. The calculation of useful lives is based on management's assessment of various factors such as the operating cycles, the maintenance programmes, and normal wear and tear using its best estimates.

Lease classification

The Company has entered into the power purchase agreements with the Power Generation Companies. In accordance with the criteria provided in IFRIC 4, "Determining Whether an Arrangement Contains a Lease" ("IFRIC 4"), the Company assesses whether PPA agreement conveys a right to use an asset meets the definition of a lease. The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement. Based on the assessment the PPA is classified either as finance leases or operating leases. Leases are classified according to the arrangement and to the underlying risks and rewards specified therein in line with IAS 17.

OMAN ELECTRICITY TRANSMISSION COMPANY SAOC

Notes to the financial statements for the year ended 31 December 2014 (continued)

5. Financial risk management

The company's activities expose it to a variety of financial risks: market risk (including price risk, foreign currency risk and interest rate risk), liquidity risk and credit risk. However, the company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance.

Credit risk management is carried out by the company and liquidity risk and market risk by the holding company's treasury department under policies approved by the Board of Directors. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Financial risk factors

Market risk

Price risk

The prices for the use of company's transmission facilities are determined by the Authority for Electricity Regulation, Oman and are governed by long term agreements with its customers. Hence, the company is not subject to significant price risk.

Foreign exchange risk

Foreign exchange risk arises when commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. The company is exposed to foreign exchange risk arising from currency exposures primarily with respect to the US Dollar. The Rial Omani is pegged to the US Dollar. Since most of the foreign currency transactions are in the US dollar other currencies linked to the US Dollar, management believes that the exchange rate fluctuations would have an insignificant impact on the pre-tax profit.

Interest rate risk

At the reporting date the interest rate risk profile of the company's interest bearing financial instruments was:

	2014 RO'000	2013 RO'000
Short term borrowings	<u>222,851</u>	<u>153,000</u>

A 1% increase in interest rates at the reporting date would have decreased borrowing costs, on an annual basis, by the amounts shown below.

	2014 RO'000	2013 RO'000
Interest expense on short term borrowings	<u>2,229</u>	<u>1,530</u>

A 1% decrease in interest rates would have had the equal but opposite effect to the amounts shown above, on the basis that all other variables remain constant.

OMAN ELECTRICITY TRANSMISSION COMPANY SAOC

Notes to the financial statements for the year ended 31 December 2014 (continued)

5. Financial risk management (continued)

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding from an adequate amount of committed credit facilities. The management maintains flexibility in funding by maintaining availability under committed credit lines.

The table below analyses the company's financial liabilities and net-settled derivative financial liabilities that will be settled on a net basis into relevant maturity grouping based on the remaining period at the reporting date to the contractual maturities date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within twelve months equal their carrying balances, as the impact of discounting is not significant.

31 December 2014	Carrying Amount	1 month to 3 months	3 months to 1 year	1 year and above
	RO'000	RO'000	RO'000	RO'000
Non-interest bearing				
<i>Trade payables</i>	34,626	23,888	10,738	-
<i>Accruals and other payables</i>	45,701	13,109	21,360	11,232
<i>Amount due to related parties</i>	425	425	-	-
<i>Amount due to Holding Company</i>	132,928	-	-	132,928
	<u>213,680</u>	<u>37,422</u>	<u>32,098</u>	<u>144,160</u>
Interest bearing				
Bank overdraft	9,847	9,847	-	-
Finance lease liabilities	1,040	160	460	420
Borrowings	213,000	-	213,000	-
	<u>223,887</u>	<u>10,007</u>	<u>213,460</u>	<u>420</u>
31 December 2013				
Non-interest bearing				
<i>Trade payables</i>	29,747	21,565	8,182	-
<i>Accruals and other payables</i>	41,635	12,810	20,453	8,372
<i>Amount due to related parties</i>	496	496	-	-
<i>Amount due to Holding Company</i>	132,928	-	-	132,928
	<u>204,806</u>	<u>34,871</u>	<u>28,635</u>	<u>141,300</u>
Interest bearing				
Finance lease liabilities	1,748	177	531	1,040
Borrowings	153,000	-	153,000	-
	<u>154,748</u>	<u>177</u>	<u>153,531</u>	<u>1,040</u>

OMAN ELECTRICITY TRANSMISSION COMPANY SAOC

Notes to the financial statements for the year ended 31 December 2014 (continued)

5. Financial risk management (continued)

Credit risk

Credit risk is the risk that a loss will be incurred if counterparty defaults or fails to honour a financial obligation as it falls due. It takes into account the probability of involuntary default, where the counterparty does not possess the financial means to repay as well as strategic default, where counterparty with the ability to repay deliberately defaults. The credit risk of the company is primarily attributable to trade and other receivables and bank balances.

Trade and other receivables

The company's exposure to credit risk on trade and other receivables is influenced mainly by the individual characteristics of each customer. The company has established credit policies and procedures that are considered appropriate and commensurate with the nature and size of receivables. Trade receivables primarily represent amount due from generation and distribution companies and related parties. The company does not consider this as an undue exposure since obligation of generation and distribution companies is considered fully recoverable.

The exposure to credit risk for trade receivables at the reporting date by type of customer is:

	2014	2013
	RO'000	RO'000
<i>Trade receivables from related parties</i>	14,426	17,903
<i>Trade receivables others</i>	5,003	9,508
	<u>19,429</u>	<u>27,411</u>

The age of trade receivables and related impairment loss at the reporting date is:

	<u>31 December 2014</u>			<u>31 December 2013</u>		
	<u>Gross</u>	<u>Not over due</u>	<u>Past due but not impaired</u>	<u>Gross</u>	<u>Not over due</u>	<u>Past due but not impaired</u>
	<u>RO '000</u>	<u>RO '000</u>	<u>RO '000</u>	<u>RO '000</u>	<u>RO '000</u>	<u>RO '000</u>
Not past due	12,010	12,010	-	21,328	21,328	-
Less than 1 month	3,323	3,323	-	3,230	3,230	-
1 month to 3 months	159	-	159	250	-	250
3 months to 1 year	3,937	2,710	1,227	2,603	-	2,603
	<u>19,429</u>	<u>18,043</u>	<u>1,386</u>	<u>27,411</u>	<u>24,558</u>	<u>2,853</u>

Trade receivables are due within one month from the date of invoicing.

There is no impairment assessed for trade and other receivables as these are considered fully recoverable.

OMAN ELECTRICITY TRANSMISSION COMPANY SAOC

Notes to the financial statements for the year ended 31 December 2014 (continued)

5. Financial risk management (continued)

Financial risk factors (continued)

Credit risk (continued)

Trade and other receivables (continued)

The carrying amount of financial assets represents maximum credit exposure. The exposure to credit risk at the reporting date is on account of:

	2014	2013
	RO'000	RO'000
<i>Trade receivables</i>	19,429	27,411
<i>Bank balance</i>	2	3,590
	19,431	31,001
	NR	86
<i>bank muscat SAOG</i>	2	3,504
	2	3,590

Name of the Bank

Rating

Bank Sohar SAOG	NR	-	86
<i>bank muscat SAOG</i>	A1	2	3,504
		2	3,590

The ratings are based on Moody's rating (NR is not rated in Moody's Investors Services).

The call deposits carry an interest rate of 0.75%

The rest of the statement of financial position item, 'cash and cash equivalent' is cash on hand.

Categories of financial instruments

Financial assets

	2014	2013
	RO'000	RO'000
Loans and receivable		
Trade receivables	14,426	17,903
Other receivables	5,003	9,508
Cash at bank	2	3,590
	19,431	31,001

OMAN ELECTRICITY TRANSMISSION COMPANY SAOC

Notes to the financial statements for the year ended 31 December 2014 (continued)

5 Financial risk management (continued)

Financial liabilities

	2014	2013
	RO'000	RO'000
Financial liabilities at amortised cost		
Amount due to Holding company	132,928	132,928
<i>Trade payables (Non - Current)</i>	11,232	8,372
<i>Trade payables (Current)</i>	34,626	29,747
<i>Accruals and other payables</i>	34,469	33,263
<i>Amount due to related parties</i>	425	496
Finance lease liabilities	941	1,506
Borrowings	222,851	153,000
	437,472	359,312

Fair value estimation

The carrying amounts of financial assets and liabilities with a maturity of less than one year are assumed to approximate to their fair values. In respect of amounts due to Holding company, it is not practicable to determine the fair value as the amounts do not carry interest does not have a fixed repayment schedule.

Capital risk management

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern and to provide an adequate return to shareholders.

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the holding company and Group defines as net operating income divided by the total shareholders' equity. The Board of Directors also monitors the level of dividends paid to ordinary shareholders.

The capital structure of the company comprises of the share capital, shareholder's fund and retained earnings. There were no changes in the company's approach to capital management during the year. The company is not subject to externally imposed capital requirements other than the requirements of the Commercial Companies Law of 1974, as amended.

OMAN ELECTRICITY TRANSMISSION COMPANY SAOC

Notes to the financial statements for the year ended 31 December 2014 (continued)

6. Property, plant and equipment

Certain of the company's property, plant and equipment are constructed on lands leased from Ministry of Housing, Government of Sultanate of Oman under Usufruct agreements.

	Buildings RO '000	Lines and cables RO '000	Substation assets RO '000	Other plant and machinery RO '000	De- commissionin g asset RO '000	Finance lease assets RO '000	Furniture, vehicles and equipment RO '000	Plant spares RO '000	Work-in- progress RO '000	Total RO '000
<i>Cost</i>										
1 January 2013.....	35,575	241,308	137,556	47,753	13,873	-	4,013	622	151,926	632,626
Additions	909	8,805	3,810	1,349	-	9,374	404	-	60,743	85,394
Transfers	7,236	73,068	22,008	8,724	-	-	185	10,624	(121,845)	-
Reversal of decommissioning provision (Note 17).....	-	-	-	-	(13,873)	-	-	-	-	(13,873)
Disposals / retirement	-	(1,854)	(1,580)	-	-	-	(72)	-	-	(3,506)
1 January 2014.....	43,720	321,327	161,794	57,826	-	9,374	4,530	11,246	90,824	700,641
Taken over from DPC	4,601	11,618	10,746	5,430	-	-	73	-	16,418	48,886
Additions	3,839	17,372	5,779	2,325	-	-	1,816	304	85,520	116,955
Transfers	6,321	10,626	14,520	3,161	-	-	417	(4,952)	(30,093)	-
Disposals / retirement	-	(177)	-	-	-	-	(297)	-	-	(474)
31 December 2014	58,481	360,766	192,839	68,742	-	9,374	6,539	6,598	162,669	866,008

OMAN ELECTRICITY TRANSMISSION COMPANY SAOC

Notes to the financial statements for the year ended 31 December 2014 (continued)

6. Property, plant and equipment (continued)

	Buildings RO '000	Lines and cables RO '000	Substati on assets RO '000	Other plant and machinery RO '000	De- commissionin g asset RO '000	Finance lease assets RO '000	Furniture, vehicles and equipment RO '000	Plant spares RO '000	Work-in- progress RO '000	Total RO '000
Depreciation										
1 January 2013.....	5,393	19,598	17,269	7,298	2,522	-	1,445	49	-	53,574
Charge for the year	1,356	4,824	3,871	2,339	-	2,500	723	216	-	15,829
Transfers	-	-	-	15	-	-	-	(15)	-	-
Reversal of decommissioning provision (Note 17)	-	-	-	-	(2,522)	-	-	-	-	(2,522)
Disposals.....	-	(1,658)	(405)	-	-	-	(54)	-	-	(2,117)
1 January 2014.....	6,749	22,764	20,735	9,652	-	2,500	2,114	250	-	64,764
Charge for the year	1,800	7,726	4,676	3,075	-	2,500	960	244	-	20,981
Transfers	-	-	169	7	-	-	-	(176)	-	-
Disposals.....	-	(19)	-	-	-	-	(286)	-	-	(305)
31 December 2014.....	8,549	30,471	25,580	12,734	-	5,000	2,788	318	-	85,440
Net book value										
31 December 2014.....	49,932	330,295	167,259	56,008	-	4,374	3,751	6,280	162,669	780,568
31 December 2013.....	36,971	298,563	141,059	48,174	-	6,874	2,416	10,996	90,824	635,877

OMAN ELECTRICITY TRANSMISSION COMPANY SAOC

Notes to the financial statements for the year ended 31 December 2014 (continued)

7. Prepaid lease rentals

Prepaid lease rentals represent the excess of actual payments made to Oman Power and Water Procurement Company SAOC (OPWP) from 1 May 2005 to date, over the operating lease expenses charged to date on a straight line basis, in respect of certain interconnection and transmission facilities.

	2014 RO '000	2013 RO '000
At 1 January	-	4,342
Less: adjustments in respect of Manah ITF assets (Note 16).....	-	(4,342)
At 31 December	-	-

8. Inventories

<i>General spares</i>	3,640	3,312
<i>Provision for inventory obsolescence</i>	(7)	-
	3,633	3,312

Movement in provision for inventory obsolescence

<i>At 1 January</i>	-	42
<i>Recognised during the year</i>	7	-
<i>Write-off</i>	-	(42)
At 31 December	7	-

9. Trade and other receivables

<i>Trade and other receivable from related parties (Note 29)</i>	14,426	17,817
<i>Trade receivable others</i>	5,003	9,508
<i>Advances</i>	11,019	5,451
<i>Prepayments</i>	543	486
	30,991	33,262

Trade and other receivables are denominated in Rials Omani and do not contain any impaired assets as at 31 December 2014 (2013 - nil).

OMAN ELECTRICITY TRANSMISSION COMPANY SAOC

Notes to the financial statements for the year ended 31 December 2014 (continued)

10. Cash and cash equivalents

	2014 RO '000	2013 RO '000
<i>Cash at bank</i>	2	3,590
<i>Cash on hand</i>	2	1
	<u>4</u>	<u>3,591</u>

11. Share capital

The company's authorised, issued and paid-up share capital consists of 500,000 shares of RO 1 each. The details of the shareholders are as follows:

	Percentage of Shareholding	Number of Shares issued	2014 RO	2013 RO
Electricity Holding Company SAOC...	99.99%	499,950	499,950	499,950
Ministry of Finance	0.01%	50	50	50
	<u>100%</u>	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>

12. Legal reserve

The legal reserve, which is not available for distribution is accumulated in accordance with Article 154 of the Commercial Companies Law 1974, as amended. The annual appropriation must be 10% of the net profit for each year after taxes, until such time as the reserve amounts to at least one third of the share capital. No portion from the profit has been made during the year as the company has already achieved this minimum amount required in the legal reserve. This reserve is not available for distribution.

13. General reserve

In accordance with the company's policy, an amount not exceeding 20% of the profit after transfer to legal reserve should be transferred to a general reserve until the balance of the general reserve reaches one half of the share capital.

OMAN ELECTRICITY TRANSMISSION COMPANY SAOC

Notes to the financial statements for the year ended 31 December 2014 (continued)

14. Shareholder's funds

Following the implementation of a decision of the Sector Law and in accordance with the transfer scheme, the Electricity Holding Company SAOC (the holding company) received certain assets and liabilities from the Ministry of Housing, Electricity and Water (MHEW) on the transfer date (1 May 2005).

Subsequently, part of the assets and liabilities were transferred to the company. The value of the net assets transferred is represented in the books as shareholder's funds and there is no contractual obligation to repay this amount and there are no fixed repayment terms.

15. Amount dues to Holding company

Amounts due to Holding company, represent the interest free loans provided to the company for capital expenditure projects. The loans do not have a fixed repayment terms and are unsecured.

16. Finance lease liabilities

In 2013 the company entered into an agreement with Oman Power and Water Procurement Company SAOC in respect of transmission assets relating to Manah Interconnection Transmission Facilities (ITF) assets. (As per the agreement the ownership of transmission assets will be transferred to OETC at the end of the term). Accordingly the lease has been classified as finance lease and a finance lease asset has been recorded by the company. The power purchase agreement is a part of a BOOT arrangement with United Power Company scheduled to expire in 2016. The effect of this arrangement has the following effect on the financial statements:

	2014	2013
	RO '000	RO '000
<i>Recognition of finance lease assets (Note 6).....</i>	-	9,374
<i>Recognition of finance lease payable.....</i>	-	(2,094)
<i>De-recognition of prepaid lease rentals (Note 7)</i>	-	(4,342)
	<hr/>	<hr/>
Change in the shareholder's fund	-	2,938
	<hr/>	<hr/>

OMAN ELECTRICITY TRANSMISSION COMPANY SAOC

Notes to the financial statements for the year ended 31 December 2014 (continued)

16. Finance lease liabilities (continued)

Amounts payable under finance leases are as follows:

	2014 RO '000	2013 RO '000
<i>Gross finance lease liabilities - minimum lease payments</i>		
Not later than 1 year.....	620	708
Later than 1 year and not later than 5 years	420	620
Later than 5 years.....	-	420
	<u>1,040</u>	<u>1,748</u>
Less: future finance charges on lease liabilities	(99)	(242)
Present value of finance lease liabilities	<u>941</u>	<u>1,506</u>

At the commencement of each lease, the company has recognised assets and liabilities to an amount equal to the estimated fair value of the finance leased assets. The finance expense on the lease liability is determined based on the effective interest method.

The present value of finance lease liabilities is as follows:

	2014 RO '000	2013 RO '000
Not later than 1 year.....	540	565
Later than 1 year and not later than 5 years	401	541
Later than 5 years.....	-	400
	<u>941</u>	<u>1,506</u>

17. Provisions

Non-current

Employee benefits.....	<u>904</u>	<u>849</u>
Employee benefits.....	<u>285</u>	<u>681</u>

OMAN ELECTRICITY TRANSMISSION COMPANY SAOC

Notes to the financial statements for the year ended 31 December 2014 (continued)

17. Provisions (continued)

Movement in provision for employee benefits

	2014	2013
	RO '000	RO '000
At 1 January	1,530	1,344
Taken over from Dhofar Power Company SAOC	48	-
Charge for the year (Note 25)	263	252
Payments made during the year	(652)	(66)
	<hr/>	<hr/>
At 31 December	1,189	1,530
	<hr/> <hr/>	<hr/> <hr/>

Movement in provision for decommissioning costs

At 1 January	-	19,251
Decrease due to adjustment in estimated costs	-	-
Additional provision for new grid stations	-	-
Unwinding of discount	-	-
Adjusted against net book value of decommissioning assets (Note 6)	-	(11,351)
Write back of provision during the year	-	(7,900)
	<hr/>	<hr/>
At 31 December	-	-
	<hr/> <hr/>	<hr/> <hr/>

The decommissioning costs was the present value of management's best estimate of the future sacrifice of economic benefits that will be required to remove the facilities and restore the affected area at the company's rented sites.

In the previous year management assessed the basis of provision and decided to derecognise provision for decommissioning cost, as the eventuality of incurring decommissioning costs by the company appears to be remote at present, given the present set of circumstances, and will become a liability if and when a notice to this effect is issued by the government of Sultanate of Oman or its representative to the company. Further, since the eventual outflow of resources embodying economic benefits to settle the obligation of decommissioning cost is remote rather than a possibility, the company is in view that the obligation need not be disclosed as a contingent liability.

18. Deferred tax liability

Deferred income taxes are calculated on all temporary differences under the balance sheet liability method using a principal tax rate of 12%. The net deferred tax liability in the statement of financial position and the net deferred tax charge to profit or loss are attributable to the following items:

OMAN ELECTRICITY TRANSMISSION COMPANY SAOC

Notes to the financial statements for the year ended 31 December 2014 (continued)

18. Deferred tax liability (continued)

	At 1 January 2014 RO '000	Charge / (credit) for the year RO '000	At 31 December 2014 RO '000
Assets			
Provision for inventory obsolescence	-	(1)	(1)
Liability			
Accelerated tax depreciation	23,018	4,068	27,086
	<u>23,018</u>	<u>4,067</u>	<u>27,085</u>
	<u>RO '000</u>	<u>RO '000</u>	<u>RO '000</u>
Assets			
Provision for inventory obsolescence	(5)	5	-
Net decommissioning provision	(948)	948	-
	<u>(953)</u>	<u>953</u>	<u>-</u>
Liability			
Accelerated tax depreciation	18,795	4,223	23,018
	<u>17,842</u>	<u>5,176</u>	<u>23,018</u>
	<u>RO '000</u>	<u>RO '000</u>	<u>RO '000</u>

19. Deferred revenue

Deferred revenue represents sponsored project funding and customer contributions towards the cost of the property, plant and equipment (connection assets). Customer contributions are deferred over the life of the relevant property, plant and equipment as these relate to connecting the customer to the company's network as well as providing the customer with ongoing access to the company's network as per the terms of Electrical Connection Agreements (ECA).

Non-current

	2014 RO '000	2013 RO '000
Connection charges	8,212	7,194
Funding for government sponsored projects	62,668	51,050
	<u>70,880</u>	<u>58,244</u>
	<u>RO '000</u>	<u>RO '000</u>

OMAN ELECTRICITY TRANSMISSION COMPANY SAOC

Notes to the financial statements for the year ended 31 December 2014 (continued)

19. Deferred revenue (Continued)

Current	2014	2013
	RO '000	RO '000
<i>Connection charges</i>	497	221
Funding for government sponsored projects	1,128	816
	<u>1,625</u>	<u>1,037</u>

20. Trade and other payables

Non-current		
Other payables	<u>11,232</u>	<u>8,372</u>
Current		
Trade payables	34,626	29,747
Accruals and other payables	34,469	33,263
Due to related parties (Note 29)	<u>425</u>	<u>496</u>
	<u>69,520</u>	<u>63,506</u>

Other payables represent retention payables for capital work-in-progress contracts.

21. Short-term borrowings

	2014	2013
	RO '000	RO '000
Short term borrowings	213,000	153,000
Bank overdraft	<u>9,851</u>	<u>-</u>
	<u>222,851</u>	<u>153,000</u>

The exposure of the company's borrowings to interest rate changes and the contractual repricing dates at the reporting date are as follows:

	2014	2013
	RO '000	RO '000
6 months to 1 year	<u>222,851</u>	<u>153,000</u>

OMAN ELECTRICITY TRANSMISSION COMPANY SAOC

Notes to the financial statements for the year ended 31 December 2014 (continued)

21. Short-term borrowings (Continued)

The Company has short term bridge loan facilities form local banks. The loans carry fixed rates of interest of 1.7% & 1.8% per annum (2013 : 1.7%) on commercial terms and are repayable by 30 June 2015. During the year 2014, the Company arranged new bridge loan of RO 50 million for acquiring assets from Dhofar Power Company. The company is not required to pay any arrangement or commitment fees.

Borrowings are secured by letter of comfort given by the holding company.

22. Revenue

	2014 RO'000	2013 RO'000
Transmission use of system charges (Note 29)	76,080	65,163
Transmission connection charges	15,994	12,768
	<u>92,074</u>	<u>77,931</u>

23. Operating costs

Depreciation	20,021	15,105
Interconnection and transmission facilities charges	233	233
Maintenance and repairs expenses	2,870	1,934
Spares and consumable expenses	463	262
Other direct costs	657	598
	<u>24,244</u>	<u>18,132</u>

24. General and administrative expenses

Employee benefit expenses (Note 25)	7,586	6,513
Service expenses	5,375	4,463
Depreciation	960	723
Directors remuneration and sitting fees (Note 29)	62	58
Inventory obsolescence charge	7	-
Loss on disposal / retirement of property, plant and equipment	160	912
Other expenses	1,325	1,198
	<u>15,475</u>	<u>13,867</u>

OMAN ELECTRICITY TRANSMISSION COMPANY SAOC

Notes to the financial statements for the year ended 31 December 2014 (continued)

25. Employee benefit expenses

	2014 RO'000	2013 RO'000
Salaries and wages	3,407	3,021
Allowances and other benefits	3,405	2,869
Termination and other benefits (Note 17)	263	252
Contribution towards pension and long term benefits	511	371
	<u>7,586</u>	<u>6,513</u>

26. Other income

Sale of scrap, government contract forms and tenders	765	54
Deferred revenue recognition from government sponsored projects	857	617
Write back of accruals / provisions	131	7,900
Penalties, fines and forfeits	4	5
	<u>1,757</u>	<u>8,576</u>

27. Finance income / costs

Finance costs		
Interest on borrowings	(3,223)	(1,688)
Finance charges on leased assets	(139)	(205)
Interest on bank overdrafts	(5)	(6)
	<u>(3,367)</u>	<u>(1,899)</u>
Finance income		
Interest on deposits	<u>40</u>	<u>89</u>

Interest income is earned on call deposits at commercial rates of interest.

OMAN ELECTRICITY TRANSMISSION COMPANY SAOC

Notes to the financial statements for the year ended 31 December 2014 (continued)

28. Taxation

Income tax is provided as per the provisions of the “Law of Income Tax on Companies” in the Sultanate of Oman after adjusting for items which are non-taxable or disallowed. The deferred tax on all temporary differences have been calculated and dealt with in the profit or loss.

	2014 RO'000	2013 RO'000
Current tax	2,258	1,348
Deferred tax (Note 18)	4,067	5,176
	<u>6,325</u>	<u>6,524</u>

Movement in tax provisions

At 1 January	1,539	372
Charge for the year	2,258	1,348
Payments made during the year	(1,374)	(181)
At 31 December	<u>2,423</u>	<u>1,539</u>

The company is liable to income tax in accordance with the income tax law of the Sultanate of Oman at the enacted tax rate of 12% (2013 - 12%) on taxable income in excess of RO 30,000. The following is a reconciliation of income taxes calculated on accounting profits at the applicable tax rate with the income tax expense for the year:

	2014 RO '000	2013 RO '000
Accounting profit before tax	50,785	52,698
Tax on accounting profit before tax at 12%	6,090	6,320
Add / (less) tax effect of:		
Tax impact of non-deductible expense	235	204
Tax charge as per statement of profit or loss	<u>6,325</u>	<u>6,524</u>

Tax assessments for the years 2009 to 2013 are pending agreement with the Oman taxation authorities. The company has no carried forward tax losses as at 31 December 2014 (2013 - NIL).

The management considers that the amount of additional taxes, if any, that may become payable on finalisation of assessment of the open tax years would not be significant to the company's financial position at 31 December 2014.

OMAN ELECTRICITY TRANSMISSION COMPANY SAOC

Notes to the financial statements for the year ended 31 December 2014 (continued)

29. Related parties

Related parties comprise the shareholders, directors, key management personnel and business entities in which these related parties have the ability to control or exercise significant influence in financial and operating decisions.

The company entered into transactions in the ordinary course of business with related parties, other affiliates and parties in which certain members and senior management have a significant influence (other related parties).

The company maintains balances with these related parties which arise in the normal course of business from the commercial transactions, and are entered into at terms and conditions which are approved by the management.

The details of transactions with related parties are as follows:

Following is the summary of significant transactions with related parties during the year:

(i) Revenue

	2014 RO '000	2013 RO '000
Transmission use of system charges (Note 22)	76,080	65,163
Transmission connection charges	14,358	11,392
	<u>90,438</u>	<u>76,555</u>

(ii) Expenses

Accounting service charges to Electricity Holding Company SAOC	83	86
Finance charges on leased assets	139	205
Inter-connection and transmission facilities charges to Oman Power and Water Procurement Company SAOC	233	233
	<u>455</u>	<u>524</u>

OMAN ELECTRICITY TRANSMISSION COMPANY SAOC

Notes to the financial statements for the year ended 31 December 2014 (continued)

29. Related parties (Continued)

(iii) Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the company, directly or indirectly, including any director (whether executive or otherwise). The compensation for key management personnel during the year is as follows:

	2014	2013
	RO '000	RO '000
Short term employee benefits	1,496	840
Post-employment benefits	127	71
Directors remuneration and sitting fees (Note 24)	62	58
	1,685	969

(iv) Amount due from related parties (Note 9)

Muscat Electricity Distribution Company SAOC	3,150	3,955
Mazoon Electricity Company SAOC	4,217	8,029
Majan Electricity Company SAOC	5,984	5,799
Electricity Holding Company SAOC	-	1
Wadi Al Jizzi Power Company SAOC	-	33
Al Ghubrah Power and Desalination Company SAOC	61	-
Dhofar Power Company SAOC	987	-
Dhofar Generating Company SAOC	27	-
	14,426	17,817

(v) Amount due to related parties (Note 20)

Oman Power and Water Procurement Company SAOC	74	82
Electricity Holding Company SAOC	131	233
Muscat Electricity Distribution Company SAOC	194	176
Mazoon Electricity Company SAOC	5	5
Dhofar Power Company SAOC	19	-
Rural Areas Electricity Company SAOC	2	-
	425	496

(vi) Loans

Amount due to Electricity Holding Company SAOC (Note 15)	132,928	132,928
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These balances represent costs incurred by the company on behalf of other entities of the group.

OMAN ELECTRICITY TRANSMISSION COMPANY SAOC

Notes to the financial statements for the year ended 31 December 2014 (continued)

29. Related parties (continued)

(vii) Finance lease liabilities

	2014	2013
	RO '000	RO '000
Amount due to Oman Power and Water Procurement Company SAOC (Note 16)	941	1,506

30. Dividend

The Board of Directors of the company at their meeting held on 24 February 2015 have proposed a cash dividend of RO 3.0 per share aggregating to RO 1.5 million on the company's existing share capital, (2013 - RO 2.6 per share aggregating RO 1.3 million was proposed and paid as dividend). This dividend is subject to the approval of the company's shareholders in the company's Annual General Meeting.

31. Commitments

	2014	2013
	RO '000	RO '000
Operating lease commitments		
Not more than 1 year	843	729
More than 1 year but not more than 5 years	2,570	2,497
More than 5 years	8,107	8,025
	11,520	11,251

At 31 December 2014, the company had commitments of RO 137.789 million (2013-RO 103.302 million), towards assets under construction.

32. Contingent liabilities

As at 31st December 2014, there were eight civil cases filed against the Company by citizens seeking compensation amounting in total to RO 267,700 (2013- five cases amounting in total to RO 289,100), for electricity lines passing through their lands. The Management believes that the claims are not tenable as the payment of compensation, if any, is the responsibility of the concerned Government authorities. Previous similar cases filed against the Company have been awarded in favor of the Company. Accordingly no provision has therefore been made in the Financial Statements.

OMAN ELECTRICITY TRANSMISSION COMPANY SAOC

Notes to the financial statements for the year ended 31 December 2014 (continued)

33. Transfer of transmission assets of Dhofar Power Company SAOC to the Company

In line with the decision of the Council of Ministers in 2009, the Public Authority for Electricity and Water, pursuant to its powers under Royal Decree No. 58/2009 “Promulgating the By-Law of Public Authority for Electricity and Water (as amended)” and Royal Decree No. 78/2004 “Promulgating the Law for the Regulation and Privatisation of the Electricity and Related Water Sector (as amended)”, has decided to reorganise the existing Salalah concession business to form separate generation, high voltage transmission and distribution and retail supply businesses (the “Reorganisation/Restructuring plan”).

Pursuant to the above Restructuring plan, the Shareholders of the company approved takeover / transfer of Dhofar Power Company SAOC’s (DPC) transmission assets and related liabilities (at their respective book values in DPC books) in the Ordinary General Meeting held on 30 September 2013 and authorised the Board of Directors to take all necessary steps to implement the transfer of assets and related liabilities as per the Restructuring plan. Effective date of transfer of assets and related liabilities is 1 January 2014.

Pursuant to above, the company and DPC have signed an “Asset Transfer Agreement” (the “Agreement”) whereby the assets of RO 49,103,702 has been transferred from DPC to the company in the current year.

34. Approval of financial statements

The financial statements were approved by the Board and authorised for issue on 24 February 2015.

**Independent auditor's report
to the shareholders of
Oman Electricity Transmission Company SAOC**

Report on the financial statements

We have audited the accompanying financial statements of **Oman Electricity Transmission Company SAOC** (the "**Company**") which comprise the statement of financial position as at 31 December 2013, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 3 to 40.

Board of director's responsibility for the financial statements

The board is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the Commercial Companies Law of 1974, as amended, and for such internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Independent auditor's report
to the shareholders of
Oman Electricity Transmission Company SAOC (continued)**

2

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the **Oman Electricity Transmission Company SAOC** as of 31 December 2013 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements

Also, in our opinion the financial statements comply, in all material aspects, with the relevant disclosure requirements of the Commercial Companies Law of 1974, as amended.

Other matter

The financial statements of the Company for the year ended 31 December 2012 were audited by another auditor who expressed an unmodified opinion on those statements on 13 March 2013.

Deloitte & Touche

Deloitte & Touche (M.E.) & Co. LLC
Muscat, Sultanate of Oman
24 February 2014

OMAN ELECTRICITY TRANSMISSION COMPANY SAOC

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Statement of financial position at 31 December 2013

	Notes	2013 RO '000	2012 RO '000
ASSETS			
Non-current assets			
Property, plant and equipment	6	635,877	579,052
Prepaid lease rentals	7	-	4,342
Total non-current assets		635,877	583,394
Current assets			
Inventories	8	3,312	2,815
Trade and other receivables	9	33,262	19,621
Cash and cash equivalents	10	3,591	11,048
Total current assets		40,165	33,484
Total assets		676,042	616,878
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	11	500	500
Legal reserve	12	167	167
General reserve	13	250	250
Retained earnings		96,017	50,843
Shareholder's funds	14	134,428	131,490
Total equity		231,362	183,250
Non-current liabilities			
Amounts due to Holding company	15	132,928	132,928
Finance lease liabilities	16	941	-
Provisions	17	849	20,041
Deferred tax liability	18	23,018	17,842
Deferred revenue	19	59,281	51,769
Trade and other payables	20	8,372	8,131
Total non-current liabilities		225,389	230,711
Current liabilities			
Trade and other payables	20	63,506	68,991
Current portion of finance lease liabilities	16	565	-
Provisions	17	681	554
Short-term borrowings	21	153,000	133,000
Provision for taxation	28	1,539	372
Total current liabilities		219,291	202,917
Total liabilities		444,680	433,628
Total equity and liabilities		676,042	616,878


Saif Abdullah Rashid Al Sumry
Chairman


Khalil Ahmed Mohamed Al Salmi
Director


Ali Said Nasser Al Hadabi
Chief Executive Officer

The accompanying notes form an integral part of these financial statements.

OMAN ELECTRICITY TRANSMISSION COMPANY SAOC

Statement of profit or loss and other comprehensive income for the year ended 31 December 2013

	Notes	2013	2012
		RO'000	RO'000
Revenue	22	77,931	56,534
Operating costs	23	(18,132)	(15,042)
		<hr/>	<hr/>
Gross profit		59,799	41,492
General and administrative expenses	24	(13,867)	(10,849)
Other income	26	8,576	1,150
		<hr/>	<hr/>
Profit from operations		54,508	31,793
Finance income	27	89	17
Finance costs	27	(1,899)	(1,474)
		<hr/>	<hr/>
Profit before tax		52,698	30,336
Taxation	28	(6,524)	(2,751)
		<hr/>	<hr/>
Profit for the year and total comprehensive income		46,174	27,585
		<hr/> <hr/>	<hr/> <hr/>

The accompanying notes form an integral part of these financial statements.

OMAN ELECTRICITY TRANSMISSION COMPANY SAOC

Statement of changes in equity for the year ended 31 December 2013

	Share capital RO'000	Legal reserve RO'000	General reserve RO'000	Retained earnings RO'000	Share holder's funds RO'000	Total RO'000
At 1 January 2012	500	167	250	24,258	131,490	156,665
Profit for the year and total comprehensive income	-	-	-	27,585	-	27,585
Transactions with owners:						
Dividend paid (Note 30)	-	-	-	(1,000)	-	(1,000)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 1 January 2013	500	167	250	50,843	131,490	183,250
Profit for the year and total comprehensive income	-	-	-	46,174	-	46,174
Change in shareholders' fund on recognition of finance lease related to Manah ITF transmission assets (Note 16)	-	-	-	-	2,938	2,938
Transactions with owners:						
Dividend paid (Note 30)	-	-	-	(1,000)	-	(1,000)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2013	500	167	250	96,017	134,428	231,362
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The accompanying notes form an integral part of these financial statements.

OMAN ELECTRICITY TRANSMISSION COMPANY SAOC

Statement of cash flows for the year ended 31 December 2013

	2013	2012
	RO'000	RO'000
Cash flows from operating activities		
Profit before tax	52,698	30,336
Adjustments for:		
Depreciation	15,829	10,776
(Profit) / loss on sale of property, plant and equipment	912	(6)
Provision for inventory obsolescence	-	42
Write back of provision / accruals	(7,900)	98
Provision for employee benefits	252	202
Interest on short term borrowings	1,688	909
Interest on finance lease liabilities	205	-
Finance cost on decommissioning liability	-	530
	63,684	42,887
Operating cash flows before working capital changes		
Working capital changes:		
Deferred revenue	7,512	6,270
Inventories	(497)	(587)
Trade and other receivables	(13,641)	(103)
Trade and other payables	(5,473)	(20,353)
	51,585	28,114
Cash from operating activities		
Payment of employee benefits	(66)	(38)
Income tax paid	(181)	-
	51,338	28,076
Net cash from operating activities		
Cash flows from investing activities		
Purchase of property, plant and equipment	(76,020)	(67,474)
Proceeds from sale of property, plant and equipment	477	13
Repayment of principal amount on finance lease liabilities	(588)	-
	(76,131)	(67,461)
Net cash used in investing activities		
Cash flows from financing activities		
Amount paid to Holding company	-	(8,000)
Proceeds from borrowings obtained from bank	20,000	60,000
Interest paid on short term borrowings	(1,664)	(909)
Dividends paid	(1,000)	(1,000)
	17,336	50,091
Net cash from financing activities		
Net (decrease) / increase in cash and cash equivalents	(7,457)	10,706
Cash and cash equivalents at the beginning of the year	11,048	342
	3,591	11,048
Cash and cash equivalents at the end of the year (Note 10)	3,591	11,048

The accompanying notes form an integral part of these financial statements.

OMAN ELECTRICITY TRANSMISSION COMPANY SAOC

Notes to the financial statements for the year ended 31 December 2013

1. General

Oman Electricity Transmission Company SAOC (the “company”) is a closed Omani joint stock company registered under the Commercial Companies Law of Oman.

The establishment and operations of the company are governed by the provisions of the Law for the Regulation and Privatisation of the Electricity and Related Water Sector (the “Sector Law” as amended) promulgated by Royal Decree 78/2004.

The principal activities of the company are electricity transmission and dispatch in the north of Oman (“Main Interconnected System”) under a Licence issued by the Authority for Electricity Regulation, Oman (the “AER”). The Licence is amended effective 1 January 2014 to include the area of Dhofar in the south of Oman, following a reorganisation of the operations of Dhofar Power Company SAOC as disclosed in Note 33.

The company commenced its commercial operations on 1 May 2005 (the “Transfer Date”) following the implementation of a decision of the Ministry of National Economy (the “Transfer Scheme”) issued pursuant to Royal Decree 78/2004.

Oman Electricity Transmission Company SAOC is a 99.99% subsidiary of Electricity Holding Company SAOC (the “Holding company”), a company registered in the Sultanate of Oman, and 0.01% is held by the Ministry of Finance, of the Government of Sultanate of Oman.

OMAN ELECTRICITY TRANSMISSION COMPANY SAOC

Notes to the financial statements for the year ended 31 December 2013 (continued)

2. Adoption of new and revised International Financial Reporting Standards (IFRS)

For the year ended 31 December 2013, the company has adopted all the new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for the period beginning on 1 January 2013.

2.1 Standards and Interpretations adopted with no effect on the financial statements

The following new and revised Standards and Interpretations have been adopted in these financial statements. Their adoption has not had any significant impact on the amounts reported in these financial statements but may affect the accounting for future transactions or arrangements.

Amendments to IFRS 7 Disclosures - Offsetting Financial Assets and Financial Liabilities	The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.
IFRS 10: Consolidated Financial Statements	<p>IFRS 10 replaces the parts of IAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and SIC-12 Consolidation - Special Purpose Entities. IFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee.</p> <p>Previously, control was defined as the power to govern financial and operating policies of the entity so as to obtain benefits from its activities.</p>
IFRS 11: Joint arrangements	IFRS 11, replaces IAS 31 Interest in Joint Ventures and guidance contained in a related interpretations. IFRS 11, deals with how a joint arrangement of which two or more parties have joint control should be classified and account for. Under IFRS 11, investments in joint arrangements are classified either as joint operations or joint ventures, based on rights and obligation of parties to the arrangements by considering the structure, the legal form of the arrangement, the contractual terms agreed by the parties to the arrangement, and when relevant, other facts and circumstances.
IFRS 12: Disclosure of Interests in Other Entities	IFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and / or unconsolidated structured entities. In general, the application of IFRS 12 has resulted in more extensive disclosures in the consolidated financial statements.

OMAN ELECTRICITY TRANSMISSION COMPANY SAOC

Notes to the financial statements for the year ended 31 December 2013 (continued)

2. Adoption of new and revised International Financial Reporting Standards (IFRS) (continued) 2.1 Standards and Interpretations adopted with no effect on the financial statements (continued)

IFRS 13: Fair Value Measurement	<p>IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of IFRS 13 is broad; the fair value measurement requirements of IFRS 13 apply to both financial instrument items and non- financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of IFRS 2 Share-based Payment, leasing transactions that are within the scope of IAS 17 Leases, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).</p>
Amendments to IAS 1 Presentation of Items of Other Comprehensive Income	<p>The amendments introduce new terminology, whose use is not mandatory, for the statement of comprehensive income and income statement. Under the amendments to IAS 1, the 'statement of comprehensive income' is renamed as the 'statement of profit or loss and other comprehensive income' [and the 'income statement' is renamed as the 'statement of profit or loss']. The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis - the amendments do not change the option to present items of other comprehensive income either before tax or net of tax.</p> <p>The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.</p>
Annual Improvements 2009-2011 Cycle	<p>Makes amendments to the following standards:</p> <p>IAS 1 - Clarification of the requirements for comparative information</p> <p>IAS 16 - Classification of servicing equipment</p> <p>IAS 32 - Clarify that tax effect of a distribution to holders of equity instruments should be accounted for in accordance with IAS 12 Income Taxes</p> <p>IAS 34 - Clarify interim reporting of segment information for total assets</p> <p>in order to enhance consistency with the requirements in IFRS 8 Operating Segments</p>

OMAN ELECTRICITY TRANSMISSION COMPANY SAOC

Notes to the financial statements for the year ended 31 December 2013 (continued)

2. Adoption of new and revised International Financial Reporting Standards (IFRS) (continued)

2.1 Standards and Interpretations adopted with no effect on the financial statements (continued)

IFRIC 20: Stripping Costs In the Production Phase of a Surface Mine. IFRIC 20 addresses the diversity in practice in accounting for benefits accruing to the entity from the surface mine stripping activity.

IAS 19 Employee Benefits (as revised in 2011) IAS 19 (as revised in 2011) changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. All actuarial gains and losses are recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus.

Furthermore, the interest cost and expected return on plan assets used in the previous version of IAS 19 are replaced with a 'net interest' amount under IAS 19 (as revised in 2011), which is calculated by applying the discount rate to the net defined benefit liability or asset. These changes have had an impact on the amounts recognised in profit or loss and other comprehensive income in prior years (see the tables below for details). In addition, IAS 19 (as revised in 2011) introduces certain changes in the presentation of the defined benefit cost including more extensive disclosures.

2.2 Standards and Interpretations in issue not yet effective

At the date of authorisation of these financial statements, the following new and revised Standards and Interpretations were in issue but not yet effective:

**Effective for annual periods
beginning on or after**

New IFRS and relevant amendments

Financial Instruments

IFRS 9: Financial Instruments (as revised in 2010 to include requirements for the classification and measurement of financial liabilities and incorporate existing derecognition requirements) January 2015

Consolidation, joint arrangements, associates and disclosures

Amendment to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements, to provide 'investment entities' (as defined) an exemption from the consolidation of particular subsidiaries and instead require that an investment entity measure the investment in each eligible subsidiary at fair value through profit or loss in accordance with IFRS 9 Financial Instruments or IAS 39 Financial Instruments: Recognition and Measurement. January 2014

OMAN ELECTRICITY TRANSMISSION COMPANY SAOC

Notes to the financial statements for the year ended 31 December 2013 (continued)

2. Adoption of new and revised International Financial Reporting Standards (IFRS) (continued)

2.2 Standards and Interpretations in issue not yet effective (continued)

Amendments to IFRSs

Effective for annual periods beginning on or after

IAS 32 : Financial instruments: presentation, Offsetting Financial Assets and Financial Liabilities: to clarify certain aspects because of diversity in application of the requirements on offsetting, focused on four main area (a) the meaning of 'currently has a legally enforceable right of set-off'(b) the application of simultaneous realisation and settlement (c) the offsetting of collateral amounts (d) the unit of account for applying the offsetting requirements

January 2014

IAS 36: impairment of assets, Recoverable Amount Disclosures for Non-Financial Assets to reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique.

January 2014

IAS 39: Financial Instruments: Recognition and Measurement, Novation of Derivatives and Continuation of Hedge Accounting' makes it clear that there is no need to discontinue hedge accounting if a hedging derivative is novated, provided certain criteria are met.

January 2014

A novation indicates an event where the original parties to a derivative agree that one or more clearing counterparties replace their original counterparty to become the new counterparty to each of the parties. In order to apply the amendments and continue hedge accounting, novation to a central counterparty (CCP) must happen as a consequence of laws or regulations or the introduction of laws or regulations.

New Interpretations and amendments to Interpretations:

IFRIC 21 – Levies

January 2014

The Directors of the company anticipate that the adoption of the above standards and interpretations in future periods will have no material impact on the financial statements of the company in the period of initial application.

OMAN ELECTRICITY TRANSMISSION COMPANY SAOC

Notes to the financial statements for the year ended 31 December 2013 (continued)

3. Summary of significant accounting policies

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards, (IFRS) and the requirements of the Commercial Companies Law of 1974, as amended.

Basis of preparation

These financial statements are prepared on the historical cost basis except for certain financial instruments which are measured at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

As at 31 December 2013, the company's current liabilities exceeded its current assets by RO 179.126 million (2012 - RO 169.433 million). The holding company has confirmed that it will provide the necessary financial support to enable the company to continue to operate as a going concern for the foreseeable future and to discharge its liabilities to other parties, as they fall due. Accordingly, these financial statements are prepared on a going concern basis.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation. The cost of property, plant and equipment is their purchase price together with any incidental expenses necessary to bring the assets to its intended condition and location. Borrowing costs which are directly attributable to the acquisition of items of property, plant and equipment, are capitalised. Subsequent costs are included in the asset's carrying amount are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit or loss in the year in which they are incurred.

The cost of property, plant and equipment is written down to residual value in equal installments over the estimated useful lives of the assets. The estimated useful lives are:

Assets	Years
Buildings	30
Transmission lines, switch gears and transformers	30 - 60
Other plant and machinery	30
Furniture, vehicles and equipment	5 - 7
Plant spares	20

When an asset has to be replaced as per instruction from Ministry, then the asset is depreciated over remaining period under which the asset is to be replaced.

OMAN ELECTRICITY TRANSMISSION COMPANY SAOC

Notes to the financial statements for the year ended 31 December 2013 (continued)

3. Summary of significant accounting policies (continued)

Property, plant and equipment (continued)

Capital work-in-progress is not depreciated until it is transferred to one of the above categories at the time when it is available for use.

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting position date.

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount it is written down immediately to its recoverable amount.

Gains and losses on disposals of property, plant and equipment are determined by reference to their carrying amounts and are taken into account in determining operating profits for the year.

Financial instruments

Financial assets and financial liabilities are recognised on the company's statement of financial position when the company becomes a party to the contractual provisions of the instrument.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than twelve months after the end of the reporting period. These are classified as non-current assets. The company's loans and receivables comprise trade and other receivables and cash and cash equivalents in the statement of financial position.

Impairment

Financial assets

Financial assets are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For financial assets, objective evidence of impairment could include:

- significant financial difficulty of the counterparty;
- default or delinquency in payments; or
- it becomes probable that the borrower will enter bankruptcy or financial reorganisation.

For certain categories of financial assets, such as trade receivables that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis.

OMAN ELECTRICITY TRANSMISSION COMPANY SAOC

Notes to the financial statements for the year ended 31 December 2013 (continued)

3. Summary of significant accounting policies (continued) Impairment (continued)

Financial assets (continued)

Objective evidence of impairment for a portfolio of receivables could include the company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period as well as observable changes in national or local economic conditions that correlate with default on receivables.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of allowance account.

When a trade receivable is considered uncollectible, it is directly written off after obtaining appropriate approvals. Subsequent recoveries of amounts previously written off are credited to the profit or loss.

Non-financial assets

The carrying amounts of the company's non-financial assets other than inventories are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indications exist then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or cash generating unit exceeds its value in use and its fair value less costs to sell. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specified to the asset. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs comprise purchase costs and where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated principally using the weighted average method. Allowance is made for slow moving and obsolete inventory items where necessary, based on management's assessment.

OMAN ELECTRICITY TRANSMISSION COMPANY SAOC

Notes to the financial statements for the year ended 31 December 2013 (continued)

3. Summary of significant accounting policies (continued)

Trade and other receivables

Trade and other receivables are stated at their fair value. Trade receivables are initially recognised at fair value and subsequently are stated at amortised cost using the effective interest rate method less impairment losses. An allowance for impairment of trade receivables is established when there is objective evidence that the company will not be able collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the statement of profit or loss and other comprehensive income within 'general and administration expenses'.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amount of cash, which are subject to an insignificant risk of changes in value and have maturity of three months or less at the date of placement.

Trade and other payables

Trade and other payables are initially recognized at fair value and subsequently measured at cost. Liabilities are recognised for amounts to be paid for goods and services received, whether or not billed to the company.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the profit or loss in the year in which they are incurred.

Employee benefits

Provision for employee benefits is accrued having regard to the requirements of the Oman Labour Law 2003, as amended, or in accordance with the terms and conditions of the employment contract with the employees. Employee entitlements to annual leave and leave encashments are recognised when they accrue to employees and an accrual is made for the estimated liability arising as a result of services rendered by employees up to the reporting date. These accruals are included in current liabilities, while that relating to end of service benefits is disclosed as a non-current liability.

OMAN ELECTRICITY TRANSMISSION COMPANY SAOC

Notes to the financial statements for the year ended 31 December 2013 (continued)

3. Summary of significant accounting policies (continued)

Employee benefits (continued)

Gratuity for Omani employees who transferred from Ministry of Housing, Electricity and Water on the transfer date is contributed in accordance with the terms of the Social Securities Law 1991 and Civil Service Employees Pension Fund Law.

Contributions to a defined contribution retirement plan for Omani employees in accordance with the Omani Social Insurance Law 1991 are recognised in the profit or loss.

Provisions

Provisions are recognised in the statement of financial position when the company has a legal or constructive obligation as a result of a past event and it is probable that it will result in an outflow of economic benefit that can be reliably estimated.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. Where some or all of the economic benefits required to settle a provision are expected to be recovered from third-party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Provision for decommissioning

A provision for decommissioning is recognised when there is a present obligation as a result of activities undertaken pursuant to the Usufruct agreements, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of provision can be measured reliably. The estimated future obligations include the costs of removing the facilities and restoring the affected areas.

In the current year management assessed the basis of provision and decided to derecognise provision for decommissioning cost, as the eventuality of incurring decommissioning costs by the company appears to be remote at present, given the present set of circumstances, and will become a liability if and when a notice to this effect is issued by the government of Sultanate of Oman or its representative to the company. Further, since the eventual outflow of resources embodying economic benefits to settle the obligation of decommissioning cost is remote rather than a possibility, the company is in view that the obligation need not be disclosed as a contingent liability. Refer to Note 17 for further details of effect of change in estimates for decommissioning provisions.

OMAN ELECTRICITY TRANSMISSION COMPANY SAOC

Notes to the financial statements for the year ended 31 December 2013 (continued)

3. Summary of significant accounting policies (continued)

Dividends

Dividends are recognised as a liability in the year in which they are approved by the company's shareholders.

Dividends for the year that are approved after the reporting date are dealt with as an event after the reporting date.

Leases

Finance leases

Leases of property, plant and equipment, where the company has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. The related property, plant and equipment is capitalised and depreciated in accordance with the applicable accounting policies of the company.

Each lease payment is allocated between the liability and finance charges. The interest element of the finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the profit or loss on a straight-line basis over the period of the lease.

Lease incentives

In the event that lease incentives are received to enter into operating lease, such incentives are recognised as a liability. The aggregate benefits of incentives are recognised as a reduction of operating lease expenses on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Government grants

Grants from the Government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the company will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

OMAN ELECTRICITY TRANSMISSION COMPANY SAOC

Notes to the financial statements for the year ended 31 December 2013 (continued)

3. Summary of significant accounting policies (continued)

Government grants (continued)

Government grants relating to construction of assets are included in deferred revenue within non-current liabilities and are credited to the profit or loss on a straight line basis over the expected useful lives of related assets.

Revenue

Revenue comprises (a) Transmission Connection Charges (TCC) charged to the generation and distribution companies and some directly connected customers in accordance with the terms of Electrical Connection Agreements entered into with them and (b) Transmission Use of System Charges (TUS) charged to the distribution companies (related parties), in accordance with the Price Control Maximum Allowed Revenue for the relevant year as approved by the Authority for Electricity Regulation, Oman.

Revenue is recognised to the extent of maximum allowed revenue (MAR) computed as per regulatory formula in accordance with the Company's licencing requirements.

Foreign currency translation

Items included in the company's financial statements are measured and presented using Rials Omani which is the currency of the Sultanate of Oman, being the economic environment in which the company operates (the "functional currency"). The financial statements are prepared in Rials Omani, rounded to the nearest thousand.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the transaction date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss as they arise.

Finance income

Finance income comprises interest received or receivable on funds invested. Interest income is recognised in the profit or loss as it accrues taking into account the effective yield on the asset.

Taxation

Income tax is calculated as per the fiscal regulations of the Sultanate of Oman.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous year.

OMAN ELECTRICITY TRANSMISSION COMPANY SAOC

Notes to the financial statements for the year ended 31 December 2013 (continued)

3. Summary of significant accounting policies (continued)

Taxation (continued)

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax is calculated on the basis of the tax rates that are expected to apply to the year when the asset is realised or the liability is settled based on tax rates and tax laws that have been enacted or substantially enacted by the reporting date. The tax effects on the temporary differences are disclosed under non-current liabilities as deferred tax liability.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits can be utilised. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset as there is a legally enforceable right to offset these in Oman.

Current and deferred tax is recognised as an expense or benefit in profit or loss except when they relate to items credited or debited directly to equity, in which case the tax is also recognised directly in equity.

4 Significant accounting estimates and judgment

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the company's accounting policies. The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas requiring a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are set out below:

Depreciation

Depreciation is charged so as to write off the cost of assets over their estimated useful lives. The calculation of useful lives is based on management's assessment of various factors such as the operating cycles, the maintenance programmes, and normal wear and tear using its best estimates.

OMAN ELECTRICITY TRANSMISSION COMPANY SAOC

Notes to the financial statements for the year ended 31 December 2013 (continued)

5. Financial risk management

The company's activities expose it to a variety of financial risks: market risk (including price risk, foreign currency risk and interest rate risk), liquidity risk and credit risk. However, the company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance.

Credit risk management is carried out by the company and liquidity risk and market risk by the holding company's treasury department under policies approved by the Board of Directors. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Financial risk factors

Market risk

Price risk

The prices for the use of company's transmission facilities are determined by the Authority for Electricity Regulation, Oman and are governed by long term agreements with its customers. Hence, the company is not subject to significant price risk.

Foreign exchange risk

Foreign exchange risk arises when commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. The company is exposed to foreign exchange risk arising from currency exposures primarily with respect to the US Dollar. The Rial Omani is pegged to the US Dollar. Since most of the foreign currency transactions are in the US dollar other currencies linked to the US Dollar, management believes that the exchange rate fluctuations would have an insignificant impact on the pre-tax profit.

Interest rate risk

At the reporting date the interest rate risk profile of the company's interest bearing financial instruments was:

	2013	2012
	RO'000	RO'000
Short term borrowings	153,000	133,000

OMAN ELECTRICITY TRANSMISSION COMPANY SAOC

Notes to the financial statements for the year ended 31 December 2013 (continued)

5. Financial risk management (continued)

Financial risk factors (continued)

Interest rate risk (continued)

A 1% increase in interest rates at the reporting date would have decreased borrowing costs, on an annual basis, by the amounts shown below.

	2013 RO'000	2012 RO'000
Interest expense on short term borrowings	1,530	1,330

A 1% decrease in interest rates would have had the equal but opposite effect to the amounts shown above, on the basis that all other variables remain constant.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding from an adequate amount of committed credit facilities. The management maintains flexibility in funding by maintaining availability under committed credit lines.

The table below analyses the company's financial liabilities and net-settled derivative financial liabilities that will be settled on a net basis into relevant maturity grouping based on the remaining period at the reporting date to the contractual maturities date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within twelve months equal their carrying balances, as the impact of discounting is not significant.

31 December 2013	Carrying amount RO'000	1 month to 3 months RO'000	3 months to 1 year RO'000	1 year to 5 years RO'000
Non-interest bearing				
<i>Trade payables</i>	29,747	21,565	8,182	-
<i>Accruals and other payables</i>	41,635	12,810	20,453	8,372
<i>Amount due to related parties</i>	496	496	-	-
<i>Amount due to Holding company</i>	132,928	-	-	132,928
	<u>204,806</u>	<u>34,871</u>	<u>28,635</u>	<u>141,300</u>
Interest bearing				
Finance lease liabilities	1,748	177	531	1,040
Borrowings	153,000	-	153,000	-
	<u>154,748</u>	<u>177</u>	<u>153,531</u>	<u>1,040</u>

OMAN ELECTRICITY TRANSMISSION COMPANY SAOC

Notes to the financial statements for the year ended 31 December 2013 (continued)

5. Financial risk management (continued)

Financial risk factors (continued)

Liquidity risk (continued)

31 December 2012

	Carrying amount RO'000	1 month to 3 months RO'000	3 months to 1 year RO'000	1 year to 5 years RO'000
Non-interest bearing				
<i>Trade payables</i>	32,795	18,999	13,796	-
<i>Accruals and other payables</i>	44,162	5,148	30,883	8,131
<i>Amount due to related parties</i>	165	165	-	-
<i>Amount due to Holding company</i>	132,928	-	-	132,928
	<u>210,050</u>	<u>24,312</u>	<u>44,679</u>	<u>141,059</u>
Interest bearing:				
<i>Borrowings</i>	133,000	-	133,000	-
	<u>133,000</u>	<u>-</u>	<u>133,000</u>	<u>-</u>

Credit risk

Credit risk is the risk that a loss will be incurred if counterparty defaults or fails to honour a financial obligation as it falls due. It takes into account the probability of involuntary default, where the counterparty does not possess the financial means to repay as well as strategic default, where counterparty with the ability to repay deliberately defaults. The credit risk of the company is primarily attributable to trade and other receivables and bank balances.

Trade and other receivables

The company's exposure to credit risk on trade and other receivables is influenced mainly by the individual characteristics of each customer. The company has established credit policies and procedures that are considered appropriate and commensurate with the nature and size of receivables. Trade receivables primarily represent amount due from generation and distribution companies and related parties. The company does not consider this as an undue exposure since obligation of generation and distribution companies is considered fully recoverable.

The exposure to credit risk for trade receivables at the reporting date by type of customer is:

	2013 RO'000	2012 RO'000
<i>Trade receivables from related parties</i>	17,903	12,449
<i>Trade receivables others</i>	9,508	2,375
	<u>27,411</u>	<u>14,824</u>

OMAN ELECTRICITY TRANSMISSION COMPANY SAOC

Notes to the financial statements for the year ended 31 December 2013 (continued)

5. Financial risk management (continued)

Financial risk factors (continued)

Credit risk (continued)

Trade and other receivables (continued)

The age of trade receivables and related impairment loss at the reporting date is:

	31 December 2013			31 December 2012		
	Gross RO '000	Not over due RO '000	Past due but not impaired RO '000	Gross RO '000	Not over due RO '000	Past due but not impaired RO '000
Not past due	21,328	21,328	-	9,207	9,207	-
Less than 1 month	3,230	3,230	-	3,190	3,190	-
1 month to 3 months	250	-	250	2,302	-	2,302
3 months to 1 year	2,603	-	2,603	125	-	125
	27,411	24,558	2,853	14,824	12,397	2,427

Trade receivables are due within one month from the date of invoicing.

There is no impairment assessed for trade and other receivables as these are considered fully recoverable.

The carrying amount of financial assets represents maximum credit exposure. The exposure to credit risk at the reporting date is on account of:

	2013 RO'000	2012 RO'000
<i>Trade receivables</i>	27,411	14,824
<i>Cash and cash equivalents</i>	3,590	11,045
	31,001	25,869
Name of the Bank	Rating	
Bank Sohar SAOG	NR	86
bank muscat SAOG	A1	10,959
	3,590	11,045

OMAN ELECTRICITY TRANSMISSION COMPANY SAOC

Notes to the financial statements for the year ended 31 December 2013 (continued)

5. Financial risk management (continued)

Financial risk factors (continued)

Credit risk (continued)

Trade and other receivables (continued)

The ratings are based on Moody's rating (NR is not rated in Moody's Investors Services).

The call deposits carry an interest rate of 0.75%

The rest of the statement of financial position item, 'cash and cash equivalent' is cash on hand.

Fair value estimation

The carrying amounts of financial assets and liabilities with a maturity of less than one year are assumed to approximate to their fair values. In respect of amounts due to Holding company, it is not practicable to determine the fair value as the amounts do not carry interest does not have a fixed repayment schedule.

Capital risk management

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern and to provide an adequate return to shareholders.

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the holding company and Group defines as net operating income divided by the total shareholders' equity. The Board of Directors also monitors the level of dividends paid to ordinary shareholders.

The capital structure of the company comprises of the share capital, shareholder's fund and retained earnings. There were no changes in the company's approach to capital management during the year. The company is not subject to externally imposed capital requirements other than the requirements of the Commercial Companies Law of 1974, as amended.

OMAN ELECTRICITY TRANSMISSION COMPANY SAOC

Notes to the financial statements for the year ended 31 December 2013 (continued)

6. Property, plant and equipment

Certain of the company's property, plant and equipment are constructed on lands leased from Ministry of Housing, Government of Sultanate of Oman under Usufruct agreements.

	Buildings RO '000	Lines and cables RO '000	Substation assets RO '000	Other plant and machinery RO '000	De- commissioning asset RO '000	Finance lease assets RO '000	Furniture, vehicles and equipment RO '000	Plant spares RO '000	Work-in- progress RO '000	Total RO '000
<i>Cost</i>										
1 January 2012	26,516	173,611	113,231	30,723	20,243	-	2,685	462	204,074	571,545
Additions	663	6,855	2,240	1,896	2,417	-	1,195	347	54,278	69,891
Transfers	8,396	60,842	22,085	15,134	-	-	156	(187)	(106,426)	-
Adjustments	-	-	-	-	(8,787)	-	-	-	-	(8,787)
Disposals / retirement	-	-	-	-	-	-	(23)	-	-	(23)
1 January 2013	35,575	241,308	137,556	47,753	13,873	-	4,013	622	151,926	632,626
Additions	909	8,805	3,810	1,349	-	9,374	404	-	60,743	85,394
Transfers	7,236	73,068	22,008	8,724	-	-	185	10,624	(121,845)	-
Reversal of decommissioning provision (Note 17)	-	-	-	-	(13,873)	-	-	-	-	(13,873)
Disposals / retirement	-	(1,854)	(1,580)	-	-	-	(72)	-	-	(3,506)
31 December 2013	43,720	321,327	161,794	57,826	-	9,374	4,530	11,246	90,824	700,641

OMAN ELECTRICITY TRANSMISSION COMPANY SAOC

Notes to the financial statements for the year ended 31 December 2013 (continued)

6. Property, plant and equipment (continued)

	Buildings RO '000	Lines and cables RO '000	Substation assets RO '000	Other plant and machinery RO '000	De- commissioning asset RO '000	Finance lease assets RO '000	Furniture, vehicles and equipment RO '000	Plant spares RO '000	Work-in- progress RO '000	Total RO '000
Depreciation										
1 January 2012	4,372	15,779	13,968	5,396	2,320	-	956	23	-	42,814
Charge for the year	1,021	3,819	3,301	1,896	202	-	505	32	-	10,776
Transfers	-	-	-	6	-	-	-	(6)	-	-
Disposals	-	-	-	-	-	-	(16)	-	-	(16)
1 January 2013	5,393	19,598	17,269	7,298	2,522	-	1,445	49	-	53,574
Charge for the year	1,356	4,824	3,871	2,339	-	2,500	723	216	-	15,829
Transfers	-	-	-	15	-	-	-	(15)	-	-
Reversal of decommissioning provision (Note 17)	-	-	-	-	(2,522)	-	-	-	-	(2,522)
Disposals	-	(1,658)	(405)	-	-	-	(54)	-	-	(2,117)
31 December 2013	6,749	22,764	20,735	9,652	-	2,500	2,114	250	-	64,764
Net book value										
31 December 2013	36,971	298,563	141,059	48,174	-	6,874	2,416	10,996	90,824	635,877
31 December 2012	30,182	221,710	120,287	40,455	11,351	-	2,568	573	151,926	579,052

OMAN ELECTRICITY TRANSMISSION COMPANY SAOC

Notes to the financial statements for the year ended 31 December 2013 (continued)

7. Prepaid lease rentals

Prepaid lease rentals represent the excess of actual payments made to Oman Power and Water Procurement Company SAOC (OPWP) from 1 May 2005 to date, over the operating lease expenses charged to date on a straight line basis, in respect of certain interconnection and transmission facilities.

	2013	2012
	RO '000	RO '000
At 1 January	4,342	5,305
Add: payments made during the year	-	1,088
Less: Adjustments in respect of Manah ITF assets (Note 16)	(4,342)	-
Less: charged to the profit or loss	-	(2,051)
	<hr/>	<hr/>
At 31 December	-	4,342
	<hr/> <hr/>	<hr/> <hr/>

8. Inventories

<i>General spares</i>	3,312	2,857
<i>Provision for inventory obsolescence</i>	-	(42)
	<hr/>	<hr/>
	3,312	2,815
	<hr/> <hr/>	<hr/> <hr/>

Movement in provision for inventory obsolescence

<i>At 1 January</i>	42	
<i>Recognised during the year</i>	-	42
<i>Write-off</i>	(42)	-
	<hr/>	<hr/>
At 31 December	-	42
	<hr/> <hr/>	<hr/> <hr/>

9. Trade and other receivables

<i>Trade and other receivable from related parties (Note 29)</i>	17,817	12,449
<i>Trade receivable others</i>	9,508	2,375
<i>Advances</i>	5,451	4,411
<i>Prepayments</i>	486	386
	<hr/>	<hr/>
	33,262	19,621
	<hr/> <hr/>	<hr/> <hr/>

Trade and other receivables are denominated in Rials Omani and do not contain any impaired assets as at 31 December 2013 (2012 - nil).

OMAN ELECTRICITY TRANSMISSION COMPANY SAOC

Notes to the financial statements for the year ended 31 December 2013 (continued)

10. Cash and cash equivalents

	2013 RO '000	2012 RO '000
<i>Cash at bank</i>	3,590	11,045
<i>Cash on hand</i>	1	3
	<u>3,591</u>	<u>11,048</u>

11. Share capital

The company's authorised, issued and paid-up share capital consists of 500,000 shares of RO 1 each. The details of the shareholders are as follows:

	Percentage of Shareholding	Number of Shares issued	2013 RO	2012 RO
Electricity Holding Company SAOC	99.99%	499,950	499,950	499,950
Ministry of Finance	0.01%	50	50	50
	<u>100%</u>	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>

12. Legal reserve

The legal reserve, which is not available for distribution is accumulated in accordance with Article 154 of the Commercial Companies Law 1974, as amended. The annual appropriation must be 10% of the net profit for each year after taxes, until such time as the reserve amounts to at least one third of the share capital. No portion from the profit has been made during the year as the company has already achieved this minimum amount required in the legal reserve. This reserve is not available for distribution.

13. General reserve

In accordance with the company's policy, an amount not exceeding 20% of the profit after transfer to legal reserve should be transferred to a general reserve until the balance of the general reserve reaches one half of the share capital.

OMAN ELECTRICITY TRANSMISSION COMPANY SAOC

Notes to the financial statements for the year ended 31 December 2013 (continued)

14. Shareholder's funds

Following the implementation of a decision of the Sector Law and in accordance with the transfer scheme, the Electricity Holding Company SAOC (the holding company) received certain assets and liabilities from the Ministry of Housing, Electricity and Water (MHEW) on the transfer date (1 May 2005).

Subsequently, part of the assets and liabilities were transferred to the company. The value of the net assets transferred is represented in the books as shareholder's funds and there is no contractual obligation to repay this amount and there are no fixed repayment terms.

15. Amount dues to Holding company

	2013 RO '000	2012 RO '000
At 1 January	132,928	140,928
Repayment during the year	-	(8,000)
	<u>132,928</u>	<u>132,928</u>
At 31 December	<u>132,928</u>	<u>132,928</u>

Amounts due to Holding company, represent the interest free loans provided to the company for capital expenditure projects. The loans do not have a fixed repayment terms and are unsecured.

16. Finance lease liabilities

During the year the company entered into an agreement with Oman Power and Water Procurement Company SAOC in respect of transmission assets relating to Manah Interconnection Transmission Facilities (ITF) assets. (As per the agreement the ownership of transmission assets will be transferred to OETC at the end of the term). Accordingly the lease has been classified as finance lease and a finance lease asset has been recorded by the company. The power purchase agreement is a part of a BOOT arrangement with United Power Company scheduled to expire in 2016. The effect of this arrangement has the following effect on the financial statements:

	2013 RO '000	2012 RO '000
<i>Recognition of finance lease assets (Note 6)</i>	9,374	-
<i>Recognition of finance lease payable</i>	(2,094)	-
<i>De-recognition of prepaid lease rentals (Note 7)</i>	(4,342)	-
	<u>2,938</u>	<u>-</u>
Change in the shareholder's fund	<u>2,938</u>	<u>-</u>

OMAN ELECTRICITY TRANSMISSION COMPANY SAOC

Notes to the financial statements for the year ended 31 December 2013 (continued)

16. Finance lease liabilities (continued)

Amounts payable under finance leases are as follows:

	2013	2012
	RO '000	RO '000
Gross finance lease liabilities - minimum lease payments		
Not later than 1 year	708	-
Later than 1 year and not later than 5 years	620	-
Later than 5 years	420	-
	<hr/>	<hr/>
	1,748	-
Less: future finance charges on lease liabilities	(242)	-
	<hr/>	<hr/>
Present value of finance lease liabilities	1,506	-
	<hr/> <hr/>	<hr/> <hr/>

At the commencement of each lease, the company has recognised assets and liabilities to an amount equal to the estimated fair value of the finance leased assets. The finance expense on the lease liability is determined based on the effective interest method.

The present value of finance lease liabilities is as follows:

	2013	2012
	RO '000	RO '000
Not later than 1 year	565	-
Later than 1 year and not later than 5 years	541	-
Later than 5 years	400	-
	<hr/>	<hr/>
	1,506	-
	<hr/> <hr/>	<hr/> <hr/>

17. Provisions

Non-current

Employee benefits	849	790
Decommissioning obligation	-	19,251
	<hr/>	<hr/>
	849	20,041
	<hr/> <hr/>	<hr/> <hr/>

Current

Employee benefits	681	554
	<hr/> <hr/>	<hr/> <hr/>

OMAN ELECTRICITY TRANSMISSION COMPANY SAOC

Notes to the financial statements for the year ended 31 December 2013 (continued)

17. Provisions (continued)

Movement in provision for employee benefits

	2013	2012
	RO '000	RO '000
At 1 January	1,344	1,180
Charge for the year (Note 25)	252	202
Payments made during the year	(66)	(38)
At 31 December	1,530	1,344

Movement in provision for decommissioning costs

At 1 January	19,251	25,091
Decrease due to adjustment in estimated costs	-	(8,787)
Additional provision for new grid stations	-	2,417
Unwinding of discount	-	530
Adjusted against net book value of decommissioning assets (Note 6)	(11,351)	-
Write back of provision during the year	(7,900)	-
At 31 December	-	19,251

The decommissioning costs was the present value of management's best estimate of the future sacrifice of economic benefits that will be required to remove the facilities and restore the affected area at the company's rented sites.

In the current year management assessed the basis of provision and decided to derecognise provision for decommissioning cost, as the eventuality of incurring decommissioning costs by the company appears to be remote at present, given the present set of circumstances, and will become a liability if and when a notice to this effect is issued by the government of Sultanate of Oman or its representative to the company. Further, since the eventual outflow of resources embodying economic benefits to settle the obligation of decommissioning cost is remote rather than a possibility, the company is in view that the obligation need not be disclosed as a contingent liability.

18. Deferred tax liability

Deferred income taxes are calculated on all temporary differences under the balance sheet liability method using a principal tax rate of 12%. The net deferred tax liability in the statement of financial position and the net deferred tax charge to profit or loss are attributable to the following items:

OMAN ELECTRICITY TRANSMISSION COMPANY SAOC

Notes to the financial statements for the year ended 31 December 2013 (continued)

18. Deferred tax liability (continued)

	At 1 January 2013 RO '000	Charge / (credit) for the year RO '000	At 31 December 2013 RO '000
Assets			
Provision for inventory obsolescence	(5)	5	-
Net decommissioning provision	(948)	948	-
	<u>(953)</u>	<u>953</u>	<u>-</u>
Liability			
Accelerated tax depreciation	18,795	4,223	23,018
	<u>17,842</u>	<u>5,176</u>	<u>23,018</u>
	<u><u>17,842</u></u>	<u><u>5,176</u></u>	<u><u>23,018</u></u>

	At 1 January 2012 RO '000	Charge / (credit) for the year RO '000	At 31 December 2012 RO '000
Assets			
Provision for inventory obsolescence	-	(5)	(5)
Net decommissioning provision	(860)	(88)	(948)
	<u>(860)</u>	<u>(93)</u>	<u>(953)</u>
Liability			
Accelerated tax depreciation	16,323	2,472	18,795
	<u>15,463</u>	<u>2,379</u>	<u>17,842</u>
	<u><u>15,463</u></u>	<u><u>2,379</u></u>	<u><u>17,842</u></u>

19. Deferred revenue

Deferred revenue represents sponsored project funding and customer contributions towards the cost of the property, plant and equipment (connection assets). Customer contributions are deferred over the life of the relevant property, plant and equipment as these relate to connecting the customer to the company's network as well as providing the customer with ongoing access to the company's network as per the terms of Electrical Connection Agreements (ECA).

	2013 RO '000	2012 RO '000
<i>Connection charges</i>	7,415	6,119
Funding for government sponsored projects	51,866	45,650
	<u>59,281</u>	<u>51,769</u>
	<u><u>59,281</u></u>	<u><u>51,769</u></u>

OMAN ELECTRICITY TRANSMISSION COMPANY SAOC

Notes to the financial statements for the year ended 31 December 2013 (continued)

20. Trade and other payables

	2013	2012
	RO '000	RO '000
Non-current		
Other payables	8,372	8,131
Current		
Trade payables	29,747	32,795
Accruals and other payables	33,263	36,031
Due to related parties (Note 29)	496	165
	63,506	68,991

Other payables represent retention payables for capital work-in-progress contracts.

21. Short-term borrowings

	2013	2012
	RO '000	RO '000
Borrowings	153,000	133,000

The exposure of the company's borrowings to interest rate changes and the contractual repricing dates at the reporting date are as follows:

	2013	2012
	RO '000	RO '000
6 months to 1 year	153,000	133,000

The Company has a short term bridge loan facility of RO 80 million. The company drew additional RO 20 million from the loan facility during year 2013 (2012 - RO 60 million). The loan carries a fixed rate of interest at 1.7% per annum on commercial terms and is repayable on 30 June 2014. Another short term loan/ bridge loan facility of RO 73 million outstanding from previous year carries a fixed rate of interest 1.7% per annum (2012 - 1% per annum) and is repayable on 1 July 2014. The company is not required to pay any arrangement or commitment fees.

Borrowings are secured by letter of comfort given by the holding company.

OMAN ELECTRICITY TRANSMISSION COMPANY SAOC

Notes to the financial statements for the year ended 31 December 2013 (continued)

22. Revenue

	2013 RO'000	2012 RO'000
Transmission use of system charges (Note 29)	65,163	46,241
Transmission connection charges	12,768	10,293
	<u>77,931</u>	<u>56,534</u>

23. Operating costs

Depreciation	15,105	10,271
Interconnection and transmission facilities charges	233	2,051
Maintenance and repairs expenses	1,934	1,784
Spares and consumable expenses	262	353
	598	583
Other direct costs	<u>18,132</u>	<u>15,042</u>

24. General and administrative expenses

Employee benefit expenses (Note 25)	6,513	5,817
Service expenses	4,463	3,538
Depreciation	723	505
Directors remuneration and sitting fees (Note 29)	58	58
Inventory obsolescence charge	-	42
Loss on disposal / retirement of property, plant and equipment	912	-
Other expenses	1,199	889
	<u>13,867</u>	<u>10,849</u>

25. Employee benefit expenses

Salaries and wages	3,021	2,735
Allowances and other benefits	2,869	2,529
	69	
End of service benefits (Note 17)	252	202
Contribution towards pension and long term benefits	371	351
	<u>6,513</u>	<u>5,817</u>

OMAN ELECTRICITY TRANSMISSION COMPANY SAOC

Notes to the financial statements for the year ended 31 December 2013 (continued)

26. Other income

	2013	2012
	RO'000	RO'000
Sale of scrap, government contract forms and tenders	54	85
Deferred revenue recognition from government sponsored projects	617	502
Claims received	-	636
Write back of accruals / provisions	7,900	(98)
Penalties, fines and forfeits	5	19
Gain on disposal / retirement of property, plant and equipment	-	6
	<u>8,576</u>	<u>1,150</u>

27. Finance income / costs

Finance costs

Unwinding of discount on decommissioning costs provision	-	(530)
Interest on borrowings	(1,688)	(909)
Finance charges on leased assets	(205)	-
Interest on bank overdrafts	(6)	(35)
	<u>(1,899)</u>	<u>(1,474)</u>

Finance income

Interest on deposits	<u>89</u>	<u>17</u>
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Interest income is earned on call deposits at commercial rates of interest.

28. Taxation

Income tax is provided as per the provisions of the "Law of Income Tax on Companies" in the Sultanate of Oman after adjusting for items which are non-taxable or disallowed. The deferred tax on all temporary differences have been calculated and dealt with in the profit or loss.

	2013	2012
	RO'000	RO'000
Current tax	1,348	372
Deferred tax (Note 18)	5,176	2,379
	<u>6,524</u>	<u>2,751</u>

OMAN ELECTRICITY TRANSMISSION COMPANY SAOC

Notes to the financial statements for the year ended 31 December 2013 (continued)

28. Taxation (continued)

Movement in tax provisions

	2013 RO '000	2012 RO '000
At 1 January	372	-
Charge for the year	1,348	372
Payments made during the year	(181)	-
At 31 December	1,539	372

The company is liable to income tax in accordance with the income tax law of the Sultanate of Oman at the enacted tax rate of 12% (2012 - 12%) on taxable income in excess of RO 30,000. The following is a reconciliation of income taxes calculated on accounting profits at the applicable tax rate with the income tax expense for the year:

	2013 RO '000	2012 RO '000
Accounting profit before tax	52,698	30,336
Tax on accounting profit before tax at 12%	6,320	3,637
Add / (less) tax effect of:		
Tax impact of non-deductible expense	204	115
Adjustment of deferred tax liability in prior years	-	(1,001)
Tax charge as per statement of profit or loss	6,524	2,751

Tax assessments for the years 2009 to 2012 are pending agreement with the Oman taxation authorities. The company has no carried forward tax losses as at 31 December 2013 (2012 - NIL).

The management considers that the amount of additional taxes, if any, that may become payable on finalisation of assessment of the open tax years would not be significant to the company's financial position at 31 December 2013.

29. Related parties

Related parties comprise the shareholders, directors, key management personnel and business entities in which these related parties have the ability to control or exercise significant influence in financial and operating decisions.

The company entered into transactions in the ordinary course of business with related parties, other affiliates and parties in which certain members and senior management have a significant influence (other related parties).

OMAN ELECTRICITY TRANSMISSION COMPANY SAOC

Notes to the financial statements for the year ended 31 December 2013 (continued)

29. Related parties (continued)

The company maintains balances with these related parties which arise in the normal course of business from the commercial transactions, and are entered into at terms and conditions which are approved by the management.

The details of transactions with related parties are as follows :

Following is the summary of significant transactions with related parties during the year :

(i) Revenue

	2013	2012
	RO '000	RO '000
Transmission use of system charges (Note 22)	65,163	46,241
Transmission connection charges	11,392	9,316
	<u>76,555</u>	<u>55,557</u>

(ii) Expenses

Accounting service charges to Electricity Holding Company SAOC	86	150
Inter-connection and transmission facilities charges to Oman Power and Water Procurement Company SAOC	233	2,051
	<u>319</u>	<u>2,201</u>

(iii) Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the company, directly or indirectly, including any director (whether executive or otherwise). The compensation for key management personnel during the year is as follows:

	2013	2012
	RO '000	RO '000
Short term employee benefits	840	664
Post-employment benefits	71	91
Directors remuneration and sitting fees (Note 24)	58	58
	<u>969</u>	<u>813</u>

OMAN ELECTRICITY TRANSMISSION COMPANY SAOC

Notes to the financial statements for the year ended 31 December 2013 (continued)

29. Related parties (continued)

(iv) Amount due from related parties (Note 9)

	2013 RO '000	2012 RO '000
Muscat Electricity Distribution Company SAOC	3,955	4,795
Mazoon Electricity Company SAOC	8,029	5,181
Majan Electricity Company SAOC	5,799	2,473
Electricity Holding Company SAOC	1	-
Wadi Al Jizzi Power Company SAOC	33	-
	<u>17,817</u>	<u>12,449</u>

(v) Amount due to related parties (Note 20)

Oman Power and Water Procurement Company SAOC	82	43
Electricity Holding Company SAOC	233	117
Muscat Electricity Distribution Company SAOC	176	-
Mazoon Electricity Company SAOC	5	-
	<u>496</u>	<u>165</u>

(vi) Loans

Amount due to Electricity Holding Company SAOC (Note 15)	<u>132,928</u>	<u>132,928</u>
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These balances represent costs incurred by the company on behalf of other entities of the group.

30. Dividend

The Board of Directors of the company at their meeting held on 24 February 2014 have proposed a cash dividend of RO 2.6 per share aggregating to RO 1.3 million on the company's existing share capital, (2012 - RO 2 per share aggregating RO 1 million was proposed and paid as dividend). This dividend is subject to the approval of the company's shareholders in the company's Annual General Meeting.

OMAN ELECTRICITY TRANSMISSION COMPANY SAOC

Notes to the financial statements for the year ended 31 December 2013 (continued)

31. Commitments

	2013 RO '000	2012 RO '000
Operating lease commitments		
Not more than 1 year	729	2,448
More than 1 year but not more than 5 years	2,497	7,393
More than 5 years	8,025	9,417
	<u>11,251</u>	<u>19,258</u>

At 31 December 2013, the company had commitments of RO 103.302 million (2012-RO 62.681 million), towards assets under construction.

32. Contingent liabilities

As at 31st December 2013, there are four civil cases filed against the company by citizens seeking compensation amounting in total to RO 181,000 for electricity lines passing through their lands. The Management believes that the claims are not tenable as the payment of compensation, if any, is the responsibility of the concerned Government authorities. Previous similar cases filed against the company have been awarded in favor of the company. Accordingly, no provision has, therefore, been made in these financial statements.

Further, there is one civil cases filed against the company by a citizen seeking compensation amounting to RO 108,100 for damages caused due to some work done by the company. The Primary Court pronounced judgment asking the company to pay RO 91,030 (including court and lawyers' fees). The company has filed appeal before the Appeal Court Muscat. The Management believes that the claim does not have merit and judgment in Appeal Court will be in company's favour. Accordingly, no provision has, therefore, been made in the financial statements.

33. Transfer of transmission assets of Dohfar Power Company SAOC to the Company

In line with the decision of the Council of Ministers in 2009, the Public Authority for Electricity and Water, pursuant to its powers under Sultani Decree No. 58/2009 "Promulgating the By-Law of Public Authority for Electricity and Water (as amended)" and Sultani Decree No. 78/2004 "Promulgating the Law for the Regulation and Privatisation of the Electricity and Related Water Sector (as amended)", has decided to reorganise the existing Salalah concession business to form separate generation, high voltage transmission and distribution and retail supply businesses (the "Reorganisation/Restructuring plan").

OMAN ELECTRICITY TRANSMISSION COMPANY SAOC

Notes to the financial statements for the year ended 31 December 2013 (continued)

33. Transfer of transmission assets of Dohfar Power Company SAOC to the Company (continued)

Pursuant to the above Restructuring plan, the Shareholders of the company approved takeover / transfer of Dhofar Power Company SAOC's (DPC) transmission assets and related liabilities (at their respective book values in DPC books) in the Ordinary General Meeting held on 30 September 2013 and authorised the Board of Directors to take all necessary steps to implement the transfer of assets and related liabilities as per the Restructuring plan. Effective date of transfer of assets and related liabilities is 1 January 2014.

Pursuant to above, the company and DPC have signed an "Asset Transfer Agreement" (the "Agreement") whereby the Transfer Value of the assets (defined as "Purchase Price" in the Agreement) has been fixed at RO 47,716,688. The Agreement authorised the parties to amend the Purchase Price by mutually agreeing to final valuations of Capital Work in Progress (CWIP) and inventory, within a stipulated period.

In principle, DPC and the company have agreed that the company would take over certain bank borrowings of DPC to the extent of the value of assets being taken over effective 1 January 2014, subject to approval by the concerned banks. The parties are in the process of finalizing the relevant agreements.

34. Comparative information

Certain corresponding figures for the previous year have been reclassified in order to conform with the presentation for the current year. Such reclassifications did not affect previously reported profit or shareholders' equity.

35. Approval of financial statements

The financial statements were approved by the Board and authorised for issue on 24 February 2014.

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