Nama Electricity Supply Company SAOC
(formerly Muscat Electricity Distribution Company SAOC)

REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2023

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Director's Report

The directors submit their report and the audited financial statements for the year ended 31 December 2023.

Principal Activities

The company is primarily undertaking regulated activity of supply of electricity all around Oman except Dhofar Govenorate under a license issued by the Authority for Public Services Regulations (APSR), Oman.

Basis of preparation of accounts

The accompanying audited financial statements have been prepared in accordance with International Financial Reporting Standards and The Commercial Companies Law 2019.

Results and appropriation

The results of the Company for the year ended 31 December 2023 are set out on page 4 to 47 of the financial statements.

Auditors

The financial statements have been audited by ERNST & YOUNG L.L.C. (E&Y). E&Y is a global leader in assurance, tax, transaction and advisory services. E&Y is committed to doing its part in building a better working world. The insights and quality services which E&Y delivers help build trust and confidence in the capital markets and in economies the world over. Please visit ey.com for more information about E&Y.

On behalf of the Board of Directors

Mansoor Ali Al Maqbali Chairman	**Tariq Saleh Mohamed Taha** Director	**Salim Said Al Kamyani** Chief Executive Officer

Nama Electricity Supply Company SAOC
(formerly Muscat Electricity Distribution Company SAOC)
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

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PR No. HMH/15/2015; HMA/9/2015

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF NAMA ELECTRICITY SUPPLY COMPANY SAOC

Report on the audit of the financial statements

Opinion

We have audited the financial statements of NAMA Electricity Supply Company SAOC (the "Company"), which comprise the statement of financial position as at 31 December 2023, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2023 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("the IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Sultanate of Oman, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Audit Committee and management is responsible for the other information. The other information comprises the Board of Directors' report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report the fact. We have nothing to report in this regard.

Responsibilities of management and Audit Committee for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs and their preparation in compliance with the relevant requirements of the Commercial Companies Law of 2019 of the Sultanate of Oman, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF NAMA ELECTRICITY SUPPLY COMPANY SAOC (CONTINUED)

Report on the audit of the financial statements (continued)

Responsibilities of management and Audit Committee for the financial statements (continued)
In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Audit Committee are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
NAMA ELECTRICITY SUPPLY COMPANY SAOC (CONTINUED)

Report on other legal and regulatory requirements

As required by the applicable provisions of the Commercial Companies Law of 2019 and the Ministerial Decision 146/2021, we report that:

- we have obtained all the information and explanations we considered necessary for the purposes of our audit;
- the Company has maintained accounting records and the financial statements are in agreement therewith;
- the financial information included in the Board of Directors' report is consistent with the books of accounts of the Company; and
- based on the information that has been made available to us, nothing has come to our attention, which causes us to believe that the Company has contravened, during the year ended 31 December 2023, any of the applicable provisions of the Commercial Companies Law of 2019 or its Articles of Association, which would materially affect the financial performance of the Company for the year ended 31 December 2023 or its financial position as at 31 December 2023.

Ernst + Young

Mohamed Al Qurashi
26 March 2024
Muscat

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س.ت: ١٢٢٤٠١٣
ص.ب: ١٧٥٠ روي ١١٢ سلطنة عمان
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Nama Electricity Supply Company SAOC

STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	Notes	2023 RO'000	2022 RO'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**4,443**	507,490
Intangible assets	7	**163**	4,040
Right of use assets	8	**40,101**	3,830
Derivative financial instruments		**-**	2,194
Deferred tax asset	21	**3,574**	-
Other non current Assets	10	**1,156**	1,155
Total non-current assets		**49,437**	518,709
Current assets			
Inventories	9	**-**	2,912
Trade and other receivables	10	**493,744**	90,984
Cash and cash equivalents	11	**6,943**	7,317
Total current assets		**500,687**	101,213
TOTAL ASSETS		**550,124**	619,922
EQUITY AND LIABILITIES			
Equity			
Share capital	12	**500**	92,000
Legal reserve	13	**167**	28,125
General reserve	14	**250**	11,893
Shareholders' fund		**104,473**	-
Cash flow hedge reserve		**-**	1,865
Retained earnings		**24,452**	29,142
Total equity		**129,842**	163,025
LIABILITIES			
Non-current liabilities			
Term loans	15	**-**	106,249
Employee's end of service benefits	16	**199**	874
Deferred revenue	17	**528**	125,271
Lease liabilities	20	**34,990**	3,674
Deferred tax liability	21	**-**	27,367
Total non-current liabilities		**35,717**	263,435
Current liabilities			
Bank overdrafts	11	**14,064**	194
Term loan	15	**-**	21,530
Deferred revenue	17	**198**	4,879
Short-term borrowings	18	**77,500**	117,000
Trade and other payables	19	**247,217**	49,394
Current tax liability	21	**37,708**	-
Lease liabilities	20	**7,878**	465
Total current liabilities		**384,565**	193,462
Total liabilities		**420,282**	456,897
TOTAL EQUITY AND LIABILITIES		**550,124**	619,922

The financial statements were authorised for issue and approved by the Board of Directors on 11 March 2024 and were signed on their behalf by:

Mansoor Ali Al Maqbali Chairman	Tariq Saleh Mohamed Taha Director	Salim Said Al Kamyani Chief Executive Officer

The attached notes 1 to 32 form part of these financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Notes	***2023*** *RO'000*	*2022* *RO'000*
Continuing operations			
Revenue	22	**998,052**	361,559
Operating costs	23	**(961,064)**	(345,228)
Gross profit		**36,988**	16,331
General and administrative expenses	24	**(13,973)**	(10,238)
Allowance for expected credit losses	10 & 11	**(9,077)**	(1,928)
Impairment of intangible assets	7	**(4,399)**	-
Other income	25	**23**	40
Operating profit		**9,562**	4,205
Finance income		**70**	26
Finance costs	26	**(3,351)**	(1,369)
Profit before tax		**6,281**	2,862
Tax expense	21	**(6,366)**	284
Profit for the year from continuing operations		**(85)**	3,146
Discontinued operations			
Profit after tax for the year from discontinued operations	4	**1,835**	3,360
PROFIT FOR THE YEAR		**1,750**	6,506
Other comprehensive income			
Items to be classified to profit or loss in subsequent year:			
Net movement in fair value of cash flow hedge		**(119)**	3,475
Tax effect	21	**18**	(521)
Other comprehensive income for the year		**(101)**	2,954
TOTAL PROFIT AND OTHER COMPREHENSIVE INCOME FOR THE YEAR		**1,649**	9,460

The attached notes 1 to 32 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2023

	Share capital RO'000	Legal reserve RO'000	General reserve RO'000	Cash flow hedge reserve RO'000	Retained earnings RO'000	Shareholders' fund RO'000	Total RO'000
At 1 January 2022	92,000	27,474	10,722	(1,089)	32,738	-	161,845
Net profit for the year	-	-	-	-	6,506	-	6,506
Other comprehensive income, net of income tax	-	-	-	2,954	-	-	2,954
Total comprehensive income for the year	-	-	-	2,954	6,506	-	9,460
Transfer to legal reserve (note 13)	-	651	-	-	(651)	-	-
Transfer to general reserve (note 14)			1,171	-	(1,171)	-	-
Dividend (note 12.1)	-	-	-	-	(8,280)	-	(8,280)
At 1 January 2023	**92,000**	**28,125**	**11,893**	**1,865**	**29,142**	**-**	**163,025**
Net profit for the year	-	-	-	-	**1,750**	-	**1,750**
Other comprehensive income, net of income tax	-	-	-	**(101)**	-	-	**(101)**
Total comprehensive income for the year	-	-	-	**(101)**	**1,750**	-	**1,649**
Reduction in share capital (note 12)	**(91,500)**	-	-	-	-	**91,500**	-
Transfer back of reserves (note 12)	-	**(27,958)**	**(11,643)**	-	**39,601**	-	-
Transfer of retained earnings to shareholder funds	-	-	-	-	**(39,601)**	**39,601**	-
Transfer of cashflow hedge to shareholders fund	-	-	-	-	-	-	-
Additional capital injection by the shareholders*	-	-	-	-	-	**65,000**	**65,000**
Net assets distributed to the shareholders (note 4.1)	-	-	-	**(1,764)**	-	**(178,087)**	**(179,851)**
Net assets transferred from related parties (note 4.2)	-	-	-	-	-	**86,459**	**86,459**
Dividend (note 12.1)	-	-	-	-	**(6,440)**	-	**(6,440)**
At 31 December 2023	**500**	**167**	**250**	**-**	**24,452**	**104,473**	**129,842**

*The shareholders have injected additional cash of RO 65 million during 2023 with the intention of converting the same as registered share capital.

The attached notes 1 to 32 form part of these financial statements.

Nama Electricity Supply Company SAOC

STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	Notes	2023 RO'000	2022 RO'000
Operating activities			
Profit before tax from continuing operations		**6,281**	2,862
Profit before tax from discontinued operations		**2,565**	6,443
		8,846	9,305
Adjustments for:			
Depreciation of property, plant and equipment	6	**9,601**	22,064
Amortisation of intangible assets	7	**494**	752
Depreciation of right-of-use assets	8	**3,492**	408
Loss on disposal of property, plant and equipment		**-**	3,845
Allowance for expected credit losses	10 & 11	**9,077**	1,928
Impairment of intangible asset	7	**4,399**	-
Accruals for employees' end of service benefits	16	**38**	24
Interest on lease liabilities	20	**2,093**	277
Finance income		**(70)**	(26)
Finance costs	26	**5,588**	9,667
Deferred revenue amortised		**(4,435)**	-
		39,123	48,244
Working capital changes:			
Inventories		**(620)**	(447)
Trade and other receivables		**(43,378)**	(5,262)
Deferred revenue		**195**	(1,375)
Trade and other payables		**2,013**	(49,823)
Cash used in operating activities		**(2,667)**	(8,661)
Employees' benefits paid	16	**(115)**	(85)
Net cash flows used in operating activities		**(2,782)**	(8,746)
Investing activities			
Acquisition of property, plant and equipment		**(12,791)**	(32,799)
Proceeds from disposal of property, plant and equipment		**-**	108
Addition to Intangible assets		**(1,380)**	68
Net cash flows used in investing activities		**(14,171)**	(32,623)
Financing activities			
Repayment of long term loan		**(5,619)**	(21,438)
Additional capital injected by the shareholders		**65,000**	-
Repaid to shareholder		**(12,000)**	-
Proceeds from short-term borrowings & Overdraft		**267,848**	117,000
Repayment of short-term borrowings & Overdraft		**(281,853)**	(34,674)
Lease obligation paid	20	**(4,839)**	(602)
Finance costs paid		**(5,518)**	(9,667)
Dividend paid	12	**(6,440)**	(8,280)
Net cash generated from financing activities		**16,579**	42,339
Net changes in cash and cash equivalents		**(374)**	970
Cash and cash equivalents at 1 January	11	**7,317**	6,347
Cash and cash equivalents at 31 December	11	**6,943**	7,317

Significant non-cash transactions

Following transactions are excluded from cash flow statement as it did not involved any cash movement.

	Notes	2023 RO'000	2022 RO'000
Net assets distributed to the shareholders	4.1	**178,087**	-
Net assets transferred from related parties	4.2	**86,459**	-
		264,546	**-**

The attached notes 1 to 32 form part of these financial statements.

1 LEGAL STATUS AND PRINCIPAL ACTIVITIES

Nama Electricity Supply Company SAOC (the "Company" or NESC) (formerly Muscat Electricity Distribution Company SAOC) is a closely held 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") promulgated by Royal Decree 78/2004 as amended.

The Company is primarily undertaking regulated supply of electricity in the all around Oman except Dhofar Govenorate under a license issued by the Authority for Public Utilities Regulations, Oman. ("the regulator") .The Company commenced its 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.

The Company is 99.99% subsidiary of Electricity Holding Company SAOC (EHC or the "Holding company"), a closely held Omani Joint Stock Company registered in the Sultanate of Oman. The remaining shares are held by Nama Shared Services LLC (0.005%) and Numo Institute for Competency Development LLC (0.005%) subsidiaries of EHC. The ultimate parent is the Government of Sultanate of Oman, as it holds 100% shareholding in the Holding Company through the Oman Investment Authority (OIA).

The shareholders during their meeting held on 7 May 2023, resolved to change the Company's name from Muscat Electricity Distribution Company SAOC to NAMA Electricity Supply Company SAOC. The legal formalities associated with the change in name have been completed during the reporting period.

2 BASIS OF PREPARATION

a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS) as issued by the International Accounting Standards Board ("IASB"), and the requirements of the Commercial Companies Law of 2019, as amended.

b) Basis of measurement

These financial statements are prepared on historical cost basis except for certain derivative financial instruments which are measured at fair value.

c) Presentation and functional currency

These financial statements are presented in Rial Omani ("RO"), which is the Company's functional as well as presentation currency. All amounts have been rounded to the nearest thousand (RO '000 and USD '000) except where otherwise stated.

d) Use of estimates and judgments

The preparation of the financial statements in conformity with IFRSs requires the management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in impairment of property, plant and equipment, financial valuation of derivative financial instruments and impairment of financial assets.

2 BASIS OF PREPARATION (CONTINUED)

Measurement of fair value

The Company measures fair values using the following fair value hierarchy based on the inputs used in making the measurements:

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2: Valuation techniques based on observable inputs. This category includes instruments valued using quoted market prices in the active market for similar instruments, quoted market prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes instruments that are valued based on quoted prices of similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Key sources of estimation uncertainties

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that may cause a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Revenue recognition

Due to the nature of the business, a certain portion of the Company's revenue is estimated rather than based on actual billing. Detailed computations were made on the basis of pre-determined billing patterns and unit usage related criteria in order to arrive at the estimated revenue from those customers where the Company is unable to obtain meter readings and differential days' revenue estimation for those customers billed before year end. If the actual meter readings for such customers differ from the estimates, the Company's revenue would be impacted to the extent of such differences.

Allowance for impairment on financial assets

Loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Company uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past experience and historical data, existing market conditions as well as forward looking estimates at the end of each reporting period.

Useful lives of property, plant and equipment

The Company's management determines the estimated useful lives of its property, plant and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

Provision for current tax and deferred tax

Uncertainties exist with respect to the interpretation of tax regulations and the amount and timing of future taxable income. Given the wide range of business relationships and nature of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to taxable income and tax expense already recorded. The Company reviews the provision for tax on a regular basis. In determining the provision for tax, laws of particular jurisdictions (where applicable entity is registered) are taken into account. The management considers the provision for tax to be a reasonable estimate of potential tax liability after considering the applicable laws and past experience.

The Company has evaluated the available evidence about future taxable income and other possible sources of realisation of income tax assets, and the amount recognised has been limited to the amount that, based on management's best estimate, is more likely than not to be realised.

2 BASIS OF PREPARATION (CONTINUED)

Key sources of estimation uncertainties (continued)

Leases – Estimating the incremental borrowing rate
The Company cannot readily determine the interest rate implicit in the lease, therefore it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the fund necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

Determining the lease terms
In determining the lease terms, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The Company has the option, under some of its leases to lease the assets for additional terms. The Company applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew or to terminate (e.g., a change in business strategy, construction of significant leasehold improvements or significant customization to the leased asset).

3 CHANGES IN ACCOUNTING POLICIES

a) Standards and amendments issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

- *Amendments to IFRS 16: Lease Liability in a Sale and Leaseback*
- *Amendments to IAS 1 - Classification of Liabilities as Current or Non-current*
- *Amendments to IAS 7 and IFRS 7 - Supplier Finance Arrangements -*

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively. The Company is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

b) New and amended standards and interpretations

The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2023. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

- *IFRS 17 Insurance Contracts*
- *Definition of Accounting Estimates - Amendments to IAS 8*
- *Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2*
- *Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12*
- *IFRS 9 Financial Instruments - Fees in the '10 per cent' test for derecognition of financial liabilities*

The above standards do not have an impact on the financial statements of the Company. The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

4 RESTRUCTURING OF BUSINESS

The Oman Investment Authority (OIA), has received a letter Number 1145/December 2021 dated 26 December 2021, from the Minister of Energy and Minerals and Chairman of the Authority for Public Services Regulation, Oman relating to initiatives aimed at reducing the operational costs and increasing efficiency in the electricity sector (the Notification). The Notification sets out, in very broad terms, plans to reorganise the distribution and supply companies in Oman except for Dhofar region where Dhofar Integrated Services Company SAOC ("DISC") is licensed to be engaged in distribution and supply business, and in this regard stipulates: "combining the distribution and supply companies into two companies (a supply company and another distribution company in all governorates of the Sultanate of Oman except Dhofar region) to enhance efficiency and reduce operational and administrative costs" (DISCO Reorganisation). The following events have taken place during the current year:

- The Board of Directors of the Company have resolved in their meeting held on 27 April 2023, to start the process to transfer assets and liabilities related to the distribution business of the Company to Nama Electricity Distribution Company SAOC (NEDC).
- The shareholders of the Company in Ordinary General Meeting dated 7 May 2023 unanimously resolved and approved the start of restructure directives. The shareholders approved to enter into Business Transfer Agreement, to transfer the supply assets in to the Company from Nama Electricity Distribution Company SAOC (NEDC), Majan Electricity Company SAOC (MJEC) and Rural Areas Electricity Company SOAC (RAECO) as per earlier APSR directives on 26 December 2021. The shareholders also approved to enter into Business Transfer Agreement, to transfer the distribution assets of the Company to NEDC as per earlier APSR directives issued on 26 December 2021.
- The Shareholders of the Company have resolved to transfer all the assets and liabilities pertaining to the distribution business to NEDC at carrying value at the effective transfer date.
- Pursuant to the shareholders' resolution, the Company entered into Business Transfer Agreement (BTA) with NEDC to transfer net assets pertaining to distribution business at effective date of 1 January 2023.
- As both companies are under common control of Electricity Holding Company SAOC, the above transaction has been entered with no consideration. Accordingly, the transfer of net assets has been considered as distribution to the shareholders.
- The shareholders in Ordinary General Meeting (OGM) held on 7 May 2023 also resolved to decrease the share capital by RO 91.50 million and legal reserve by RO 27.96 million.
- The Company also entered into business transfer agreement with NEDC, MJEC and RAECO pursuant to the above mentioned restruturing plan, under which NEDC, MJEC and RAECO have transferred all the assets and liabilities pertaining to the supply business to the Company at carrying value at the effective transfer date.

Accordingly, the legal formalities associated with the restructuring have been completed and the restructuring of business is effective from 1 June 2023. The impact of restructuring on the Company has been described in note 4.1 and 4.2 below.

4.1 Discontinued operations

The distribution business was classified as a disposal group held for distribution to shareholders and as a discontinued operation with effect from 7 May 2023 (refer note 3 for details). The results of the Company's distribution business for the period ended 31 May 2023 are presented below:

	31 May 2023 RO'000 (Unaudited)	*31 December 2022 RO'000 (Audited)*
Revenue	**30,264**	67,927
Operating costs	**(16,529)**	(38,527)
General and administrative expenses	**(6,865)**	(15,446)
Reversal / (allowance) for expected credit losses	**6**	(3)
Other income	**19**	1,067
Finance costs	**(4,330)**	(8,575)
Profit before tax from discontinued operations	**2,565**	6,443
Tax expense	**(730)**	(3,083)
Profit for the period/year from discontinued operations	**1,835**	3,360

The major classes of assets and liabilities of the distribution business distributed to shareholders as at 31 May 2023 are as follows:

	31 May 2023 RO '000 (Unaudited)
Assets	
Property, plant and equipment (net off accumulated depreciation of RO 232 million)	510,713
Right-of-use assets	3,689
Intangible assets	3,504
Advances	1,078
Fair value of derivative financial instruments	2,075
Inventories	3,532
Trade and other receivables	1,013
	525,604
Liabilities	
Term loans	122,373
Deferred revenue	128,010
Employees' end of service benefits	748
Other liabilities	390
Short term borrowings	50,000
Trade and other payables	39,885
Lease liabilities	4,036
	345,442
Cash flow hedge reserve	2,075
Carrying values of the net assets transferred	178,087

4.1.1 Pursuant to Business Transfer Agreement (BTA) at 1 June 2023, the term loans and short term borrowings, lease and employment agreements have been transferred to NEDC, and have been novated subsequently as part of restructuring.

4.1 *Discontinued operations (continued)*

4.1.2 The net cash flows pertaining to distribution business are analysed as below:

	31 May 2023 ***RO'000*** ***(Unaudited)***	*31 December 2022* *RO'000* *(Audited)*
Operating	**30,265**	42,477
Investing	**(14,065)**	(33,374)
Financing	**(16,278)**	(9,103)
Net cash outflow	**(78)**	-

4.1.3 Pursuant to the above Board of Director's meeting (as referred in note 4) and Ordinary General Meeting, Business Transfer Agreement (BTA) has been entered between NESC, NEDC, MJEC and RAECO on 1 June 2023 and Authority for Public Services Regulation (APSR) has issued new license. The new license has been effective from 1 June 2023. The new structure has been put in place and executed from 1 June 2023. Further, all the employees, assets and liabilities related to distribution business of NESC have been transferred to NEDC.

4.2 Transfer of assets and liabilities from NEDC, MJEC and RAECO

The major classes of assets and liabilities of the supply business transferred from NEDC, MJEC and RAECO as 1 June 2023 are as follows:

	NEDC *RO '000* *(Unaudited)*	*MJEC* *RO '000* *(Unaudited)*	*RAECO* *RO '000* *(Unaudited)*	*Total* *RO '000* *(Unaudited)*
Assets				
Property, plant and equipment	-	104	4,372	4,476
Right of use assets	-	43,248	204	43,452
Intangible assets	1,995	1,112	32	3,139
Trade and other receivables (Note 4.2.1)	148,804	115,394	28,980	293,178
Cash and cash equivalents	-	47,089	-	47,089
	150,799	206,947	33,588	391,334
Liabilities				
Short term borrowings (including overdraft of RO 7.4 million)	-	44,869	5,700	50,569
Deferred revenue	205	74	233	512
Lease liabilities	-	45,283	228	45,511
Employees' end of service benefits	30	83	102	215
Trade and other payables	90,786	114,748	2,534	208,068
	91,021	205,057	8,797	304,875
Carrying values of the net assets transferred	59,778	1,890	24,791	86,459

4.2.1 Note: Carrying value of Net Asset transferred include RO 40.3mn, 16.6mn and RO 1.35mn as due from NEDC, MJEC and RAECO respectively for their distribution segment and RO 11.9mn from generation segment RAECO due to restructuring.

5 SUMMARY OF MATERIAL ACCOUNTING POLICIES

The accounting policies applied in these financial statements are the same as those applied in the Company's financial statements as at and for the year ended 31 December 2022.

5.1 Leases

The Company leases various properties, offices and vehicles. Rental contracts are typically made for fixed periods of 2-15 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants except for use for specific purposes, but leased assets may not be used as security for borrowing purposes.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company. At inception of a contract the Company assesses whether a contract is, or contains, a lease. A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset the Company assesses whether:

a) the contract involves the use of an identified asset - this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
b) the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
c) the Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Company has the right to direct the use of the asset if either:
   i) the Company has the right to operate the asset; or
   ii) the Company designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

Company as a lessee
The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses if any and adjusted for certain re measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

5 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

5.1 Leases (continued)

Lease payments included in the measurement of the lease liability comprise the following:

i) fixed payments, including in-substance fixed payments;
ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
iii) amounts expected to be payable under a residual value guarantee; and the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee or if the Company changes its assessment of whether it will exercise a purchase extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero. The Company presents right-of-use assets and lease liabilities in separately in the statement of financial position.

The finance cost is charged to 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. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.
The principal estimated remaining useful lives used for this purpose are:

Assets	Years
Usufruct agreement	10-15
Leased Vehicles	2 - 5

Short-term leases and leases of low-value assets
The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Company as a lessor
The Company has not entered into any agreement in which it is acting as a lessor.

5.2 Currency

Foreign currency transactions
In preparing the financial statements, transactions in currencies other than the Company's functional currency (foreign currencies) are recorded at the exchange rates prevailing at the dates of the transactions.

At each reporting date, monetary items denominated in foreign currencies are translated at the rates prevailing at the reporting date.

Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rates at the date of the transaction.

Translation gains and losses related to monetary items are recognized in the profit or loss and other comprehensive income in the year in which they arise, with the exception of those related to monetary items that qualify as hedging instruments in a cash flow hedge that are recognized initially in profit or loss and other comprehensive income to the extent that the hedge is effective.

5 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

5.3 Financial Instruments

IFRS 9 Financial Instruments has principle-based requirements for the classification of financial assets. The standard contains two primary measurement categories for financial assets: amortised cost and fair value. The classification of financial assets under IFRS 9 is generally based on the business model in which the financial asset is managed and contractual cash flows characteristics. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. The principal financial instruments used by the Company, from which financial instrument risk arises, are as follows:

1) Trade and other receivables
2) Cash and cash equivalents
3) Amounts due from related parties
4) Government subsidy receivable
5) Term loans
6) Short term borrowings - working capital facilities
7) Short term loan from a shareholder
8) Short term borrowings - bridge loan facilities
9) Trade and other payables
10) Lease liabilities
11) Derivatives

Initial recognition

Financial assets

On initial recognition, a financial asset is classified as measured at amortised cost; fair value through other comprehensive income – debt instruments; fair value through other comprehensive income – equity instruments; or fair value through profit or loss account.

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss account:

i) It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
ii) Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at fair value through other comprehensive income

Equity instruments which are not held for trading or issued as contingent consideration in business combination, and for which the Company has made an irrevocable election at initial recognition to recognise changes in fair value through other comprehensive income rather than profit or loss. This election is made on an investment-by-investment basis.

Debt instruments where the contractual cash flows are solely principal and interest and the objective of the Company's business model is achieved both by collecting contractual cash flows and selling financial assets.

Financial assets at fair value through profit or loss account

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss account.

Financial assets, at initial recognition, may be designated at fair value through profit or loss, if the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognizing gains or losses on them on a different basis.

5 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

5.3 Financial Instruments (continued)

Financial liabilities
Financial liabilities are classified as measured at amortised cost or fair value through profit or loss account. A financial liability is classified as at fair value through profit or loss account if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition.

Financial liabilities, at initial recognition, may be designated at fair value through profit or loss if the following criteria are met:

i) The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis;
ii) The liabilities are part of a group of financial liabilities which are managed and their performance evaluated on fair value basis, in accordance with a documented risk management strategy; or
iii) The financial liability contains an embedded derivative that would otherwise need to be separately recorded.

Financial liabilities at fair value through profit or loss account are measured at fair value and net gains and losses, including any interest expense, are recognised in the profit or loss account.

Subsequent measurement of financial assets

Financial assets
Financial assets carried at amortised cost
These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in the profit or loss account. Any gain or loss on derecognition is recognised in the profit or loss account.

Subsequent measurement of financial liabilities
The Company categorises its financial liabilities into two measurement categories: FVTPL and amortised cost.

The Company designates a financial liability as measured at FVTPL when it meets the definition of held for trading or when they are designated as such on initial recognition using the fair value option.

Gains and losses on financial liabilities designated as at FVTPL are split into the amount of change in fair value attributable to changes in credit risk of the liability, presented in other comprehensive income, and the remaining amount in profit or loss.

The Company recognises the full amount of change in the fair value in profit or loss only if the presentation of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. That determination is made at initial recognition and is not reassessed.

Cumulative gains or losses presented in other comprehensive income is subsequently transferred within equity.

Financial liabilities not held at FVTPL are subsequently measured at amortised cost using the effective interest method.

The Company's financial liabilities include accounts payable. due to related parties, fair value of derivatives, short term borrowings and term loans.

Except for fair value of derivatives which is measured at fair value, all other financial liabilities of the Company are measured at amortised cost.

5 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

5.3 Financial Instruments (continued)

Derecognition of financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

i) The rights to receive cash flows from the asset have expired; or
ii) The Company retains the right to receive cash flows from the asset, but assumes an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
iii) The Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in the statement of other comprehensive income is recognised in the profit or loss account.

Any cumulative gain/loss recognised in the statement of other comprehensive income in respect of equity instrument designated as fair value through other comprehensive is not recognised in the profit or loss account on derecognition of such instrument. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Company is recognised as a separate asset or liability.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the profit or loss account.

Impairment of financial assets

The Company assesses whether there is objective evidence that financial assets carried at amortised cost are impaired. A financial asset or a group of financial assets is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s), and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

Objective evidence that financial assets are impaired can include significant financial difficulty of the issuer, default or delinquency by an issuer, indications that an issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a Company of assets such as adverse changes in the payment status of issuers. or economic conditions that correlate with defaults in the Company.

5 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

5.3 Financial Instruments (continued)

Impairment of financial assets (continued)

IFRS 9 defines expected credit losses as the weighted average of credit losses with the respective risks of a default occurring as the weightings.

At each reporting date the Company provides for expected losses on all of the following using reasonable and supportable information about past events, current conditions and reasonable and supportable forecasts of future economic conditions when measuring expected credit losses:

i) Financial assets measured at amortised cost,
ii) Financial assets mandatorily measured at FVTOCI, and
iii) Loan commitments when there is a present obligation to extend credit.

The Company measures expected credit losses through a loss allowance at an amount equal to:

i) the 12-month expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date); or
ii) full lifetime expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument).

The Company provides for a loss allowance for full lifetime expected credit losses for a financial instrument if the credit risk of that financial instrument has increased significantly since initial recognition. For all other financial instruments, expected credit losses are measured at an amount equal to the 12-month expected credit losses.

The Company determines the amount of expected credit losses by evaluating the range of possible outcomes as well as incorporating the time value of money. These expected losses are discounted to the reporting date using the effective interest rate of the asset (or an approximation thereof) that was determined at initial recognition.

Derivative financial instruments and hedge accounting

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's cash flows attributable to the hedged risk.

A hedging relationship qualifies for hedge accounting only if all of the following criteria are met:

i) there is formal designation and documentation of the hedging relationship at the inception of hedge;
ii) There is an economic relationship between the hedged item and hedging instrument;
iii) the effect of credit risk does not dominate the value changes that result from that economic relationship; and
iv) the hedge ratio of the hedging relationship is the same as that resulting from the quantity of hedge item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

As part of risk management strategies, the Company uses derivative financial instruments, such as interest rate swaps, to hedge interest rate sensitivities. These derivative financial instruments qualify for hedge accounting and are designated as cash flow hedges. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

The Company adjusts the cash flow hedge reserve in equity to the lower of the following:

a) the cumulative gain or loss on the hedging instrument from inception of the hedge; and
b) the cumulative change in fair value of the hedged item from inception of the hedge.

5 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

5.3 Financial Instruments (continued)

Effectiveness testing, rebalancing and discontinuation
The Company performs prospective assessment of effectiveness of its cash flow hedges at each reporting date. The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income and any remaining gain or loss is hedge ineffectiveness which is recognised in profit or loss.

When the Company discontinues hedge accounting for a cash flow hedge, the amount that has been accumulated in the cash flow hedge reserve remains in equity if the hedged future cash flows are still expected to occur, until such cash flows occur. If the hedged future cash flows are no longer expected to occur, that amount is immediately reclassified to profit or loss.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Company adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

The Company discontinues hedge accounting prospectively only when the hedging relationship (or a part of a hedging relationship) ceases to meet the qualifying criteria (after any rebalancing). This includes instances when the hedging instrument expires or is sold, terminated or exercised.

Offsetting of financial instruments
Financial assets and financial liabilities are offset, and the net amount is presented in the statement of financial position when and only when, the Company has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the obligation simultaneously.

5.4 Property, plant and equipment

Recognition and measurement
Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Cost also may include transfers from profit or loss and other comprehensive income of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and the difference is recognised in the profit and loss and other comprehensive income.

Subsequent expenditure
Subsequent expenditure is capitalised only when it increases future economic benefits embodied in the specific asset to which it relates. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

Depreciation
Depreciation is charged to the profit and loss and other comprehensive income on a straight-line basis over the estimated useful lives of the asset less its residual value.

5 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

5.4 Property, plant and equipment (continued)

Depreciation (continued)
The management assigns useful lives and residual values to the items of property, plant and equipment based on intended use of the assets and the expected economic lives of those assets. Subsequent changes in circumstances such as technological advances or prospective utilisation of the assets concerned could result in the actual lives or residual values differing from the initial estimates. The management has reviewed the residual values and useful lives of the major items of property, plant and equipment and have determined that no adjustment is necessary. The estimated useful lives for current and comparative periods are as follows:

	Years
Buildings	30
Other plant and machinery	20-50
Furniture, fixtures and vehicles	5-7

Capital work in progress
Capital work in progress is measured at cost and is not depreciated until it is transferred into one of the fixed asset categories, which occurs when the asset is ready for intended use.

Capital spares
Cost of capital Spares includes all expenditure directly attributable to the acquisition of capital spares.

Capital spares shall be recognised in the carrying amount of the affected item of property, plant and equipment when it is put in use. The carrying amount of the replaced item is derecognised. When it is not practical to determine the carrying amount of the replaced part, the cost of the capital spare may be used as an indication of what the cost of the replaced part was at the time it was acquired.

5.5 Intangible assets

Recognition and measurement
Intangible assets represents softwares. These intangible assets are initially recognised at cost and subsequently remeasured at cost less accumulated amortisation and any impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and charged to statement of profit and loss in the period in which the expenditure is incurred.

Amortisation
Intangible assets with finite useful life are amortised over the estimated useful economic life and assessed for impairment whenever there is an indication that intangible asset may be impaired. The amortisation period and method is reviewed at each reporting date. Change in expected useful life on the expected pattern of consumption of future economic benefits embodied in the intangible asset is accounted for by changing the amortisation period or method, as appropriate and treated as change in accounting estimate and accordingly accounted for prospectively. The amortisation charge is recognised in the profit and loss in the expense category consistent with the function of intangible asset.

5.6 Cash and cash equivalents
Cash and cash equivalents comprise cash at hand, bank balances and short term deposits with an original maturity of three months or less.

5.7 Borrowing costs
Interest expense and similar charges are expensed in the profit and loss and other comprehensive income in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of a qualifying asset which necessarily takes a substantial period of time to prepare for its intended use or sale. Finance income is recognised as it accrues in the statement of profit and loss.

5 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

5.8 Employees' terminal benefits

Provision for employees' 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, whichever is higher. Employee entitlements to annual leave 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 categorised as a non-current liability.

End of service benefits for Omani employees are contributed 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 Ministry of Housing, Electricity and Water on 1 May 2005 is calculated based on the terms agreed between the Holding Company and the Government. An accrual has been made and is classified as a non-current liability in the statement of financial position.

5.9 Provisions

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle 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.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at 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 recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

5.10 Impairment

Non-derivative financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognised in the income statement. An impairment loss is reversed if reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in the profit and loss and other comprehensive income.

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the profit and loss and other comprehensive income unless it reverses a previous revaluation that was credited to equity, in which case it is charged to equity.

The recoverable amount of the cash generating unit is the greater of its value in use and its fair value less cost to sell. In assessing 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 specific to the cash generating unit.

5 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

5.10 Impairment (continued)

The management determines whether there are any indications of impairment to carrying value of property, plant and equipment on an annual basis because of the difference between the duration of the contracted cash flows and accounting deprecation of assets. This requires an estimation of the value in use of the cash generating unit. Estimating the value in use requires the Company to make an estimate of the residual value of the cash generating unit at the end of the term of the PPA considering the expected future cash flows for the period beyond the term of the PPA and also a suitable discount rate in order to calculate the present value of those cash flows.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the assets' 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.

5.11 Government grants

Grants from the Government are recognised at their value where there is a reasonable assurance that the grant will be received and the Company will comply with all the attached conditions. Government grants relating to the costs are deferred and recognised in the statement of profit and loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the construction of assets are included in deferred revenue as 'funding from Government sponsored projects' within non-current liabilities and are credited to profit and loss on straight line basis over the expected useful life of the related assets.

5.12 Revenue from contracts with customers

The Company recognises revenue from contracts with customers based on the five step model:

Step 1 Identify the contract(s) with a customer

A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.

Step 2 Identify the performance obligations in the contract

A performance obligation is a unit of account and a promise in a contract with a customer to transfer a good or service to the customer.

Step 3 Determine the transaction price

The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Step 4 Allocate the transaction price to the performance obligations in the contract

For a contract that has more than one performance obligation, the Company will allocate the transaction price to each performance obligation in an amount that depicts the consideration to which the Company expects to be entitled in exchange for satisfying each performance obligation.

Step 5 Recognise revenue

When (or as) the Company satisfies a performance obligation.

The Company satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

i) The customer simultaneously receives and consumes the benefits provided by the Company's performance as and when the Company performs; or
ii) The Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
iii) The Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date.

For performance obligations where none of the above conditions are met, revenue is recognised at the point in time at which the performance obligation is satisfied.

5 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

5.12 Revenue from contracts with customers (continued)

Revenue from supply of electricity

Revenue represents fair value of income receivable from supply of electricity, in the ordinary course of business, to the Government and private customers within the Company's operating area, including the estimated unbilled revenue during the period from the last billing date to the end of reporting period. The estimate is made using historical consumption patterns and included in trade receivables in these financial statements.

Deferred revenue

i) Installation and connection revenue

Before application of IFRS 15, the Company was recognizing the revenue from installation, connection and metering charges at point of time. Upon application of IFRS 15, it has been identified that there is no separate distinct performance obligation on the Company with regard to this revenue stream, and these services cannot be distinguished from the primary business activity of the Company i.e. supply of electricity. Accordingly, these revenues have been deferred and will be recognized throughout the useful life of the related assets (i.e. 25 years).

ii) Assets transfer from customers

Previously recorded revenue under IFRIC 18 - 'Assets transferred from customers', has now been covered under IFRS 15, and recognition of revenue at point of time i.e. when asset is received from customer, is no longer applicable. Under IFRS 15, it has been identified that there is no separate performance obligation with respect to customer-contributed assets other than supply of electricity in the future. Therefore, consideration received (or fair value of the assets transferred) should be treated as part of the transaction price (non-cash consideration) and revenue to be recognized as and when electricity is provided to the customer in future. Accordingly, this revenue has been deferred and will be recognized throughout the useful life of the relevant assets transferred from customers.

The Company has estimated the average assets life to be 25 years based on the useful life of the Installation and connection asset. Following the adoption of IFRS 15 the Company recognizes the fee over 25 years.

iii) Government sponsored projects

It represents the funds received from the Government for the construction of assets for the benefit of public at large or specific Government authorities. These funds are deferred and recognised as revenue over the period of the useful life of the assets.

Variable consideration

Variable consideration amounts are estimated at either their expected value or most likely amount and included in revenue to the extent that it is highly probable that the revenue will not reverse.

Significant financing component

The Company evaluates significant financing component, if the period between customer payment and the transfer of goods/ services (both for advance payments or payments in arrears) is more than one year. The Company adjusts the promised amount of consideration for the time value of money using an appropriate interest rate reflecting the credit risk.

Contract modification

A contract modification occurs when the Company and the customer approve a change in the contract that either creates new enforceable rights and obligations or changes the existing enforceable rights and obligations. Revenue related to a modification is not recognised until it is approved. Approval can be in writing, oral, or implied by customary business practices.

The Company treats the contract modification as a separate contract if it results in the addition of a separate performance obligation and the price reflects the standalone selling price of that performance obligation. Otherwise, a modification (including those that only affect the transaction price) is accounted for as an adjustment to the original contract, either prospectively or through a cumulative catch-up adjustment.

5 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

5.12 Revenue from contracts with customers (continued)

Contract modification (continued)

The Company accounts for a modification prospectively if the goods or services in the modification are distinct from those transferred before the modification. Conversely, the Company accounts for a modification through a cumulative catch-up adjustment if the goods or services in the modification are not distinct and are part of a single performance obligation that is only partially satisfied when the contract is modified.

Cost of obtainment and fulfilment

The Company capitalises incremental costs to obtain a contract with a customer except if the amortisation period for such costs is less than one year. If the costs incurred in fulfilling a contract with a customer are not in the scope of other guidance - e.g. inventory, intangibles, or property, plant and equipment - then the Company recognises an asset only if the fulfilment costs meet the following criteria:

i) Relate directly to an existing contract or specific anticipated contract;
ii) Generate or enhance resources that will be used to satisfy performance obligations in the future; and
iii) Are expected to be recovered.

If the costs incurred to fulfil a contract are in the scope of other guidance, then Company accounts for such costs using the other guidance.

The Company amortises the asset recognised for the costs to obtain and/or fulfil a contract on a systematic basis, consistent with the pattern of transfer of the good or service to which the asset relates. In the case of an impairment, the Company recognises these losses to the extent that the carrying amount of the asset exceeds the recoverable amount.

5.13 Government subsidy

The Company's revenue is regulated by the price control mechanism and the maximum allowed revenue is determined for every reporting period. The excess of economic cost over customer and other revenue is received as Government subsidy. In accordance with the price control mechanism actual regulated revenue includes, electricity sales to private and Government customers, Government subsidy and other income including installation and connection charges. Any reduction in the actual regulated revenue would be compensated by corresponding increase in Government subsidy.

Total revenue in excess / (short) of the maximum allowed revenue determined under the price control mechanism is shown as Government subsidy receivable.

5.14 Income tax

Income tax for the year comprises current and deferred tax, which is computed as per the fiscal regulations of the Sultanate of Oman. Income tax is recognised in the profit and loss except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

Deferred tax is calculated on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

5.15 Dividends

The Board of Directors takes into account appropriate parameters including the requirements of the Commercial Companies Law while recommending the dividend. Dividends on ordinary shares are recognised when they are approved for payment.

5.16 Directors' sitting fees and remuneration

Directors' sitting fees and remuneration are approved by the shareholders in the ordinary annual general meeting of the Company and are recognised as an expense in the profit and loss and other comprehensive income.

5 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

5.17 Determination of fair value

Derivative financial instruments

Fair value of forward exchange contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using yield curves of the respective currencies. The fair value of interest rate swaps is based on estimated future cash flows based on the terms and maturity of each contract and using market interest rates.

Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Company and counterparty when appropriate.

Non derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

5.18 Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

6 PROPERTY, PLANT AND EQUIPMENT

	Buildings on leasehold land RO'000	*Electricity distribution works RO'000*	*Lines and cables RO'000*	*Substation assets RO'000*	*Other plant and machinery RO'000*	*Furniture, fixtures and vehicles RO'000*	*Plant spares RO'000*	*Capital work-in-progress RO'000*	*Total RO'000*
Cost									
At 1 January 2022	48,328	289,911	163,574	161,476	12,031	8,565	298	19,016	703,199
Additions	633	12,003	1,998	2,993	2,340	156	-	12,676	32,799
Transfers	2,729	2,837	4,254	6,367	142	231	-	(16,560)	-
Disposals	(16)	(4,532)	(23)	(957)	(156)	(181)		-	(5,865)
At 1 January 2023	**51,674**	**300,219**	**169,803**	**169,879**	**14,357**	**8,771**	**298**	**15,132**	**730,133**
Additions	-	**77**	**171**	**183**	-	**31**	-	**12,329**	**12,791**
Transfers	**46**	**6,806**	**752**	**295**	**2,124**	**71**	-	**(10,094)**	-
Assets distributed to the shareholders (note 4.1)	**(51,719)**	**(307,102)**	**(170,726)**	**(170,357)**	**(16,481)**	**(8,373)**	**(298)**	**(17,288)**	**(742,344)**
Transferred from related parties (note 4.2)	**5,063**	-	-	-	**1**	**2,328**		**165**	**7,557**
At 31 December 2023	**5,064**	-	-	-	**1**	**2,828**	-	**244**	**8,137**
Accumulated depreciation									
At 1 January 2022	13,793	91,918	36,157	47,087	6,096	7,250	189	-	202,490
Charge for the year	1,691	10,699	3,581	4,623	796	659	15	-	22,064
Related to disposals	(5)	(1,148)	(3)	(520)	(54)	(181)	-	-	(1,911)
At 1 January 2023	**15,479**	**101,469**	**39,735**	**51,190**	**6,838**	**7,728**	**204**	-	**222,643**
Assets distributed to the shareholders (note 4.1)	**(16,192)**	**(105,991)**	**(41,240)**	**(53,154)**	**(7,279)**	**(7,564)**	**(211)**	-	**(231,631)**
Transferred from related parties (note 4.2)	**955**	-	-	-	-	**2,126**	-	-	**3,081**
Charge for the year	**812**	**4,522**	**1,505**	**1,964**	**441**	**350**	**7**		**9,601**
At 31 December 2023	**1,054**	-	-	-	-	**2,640**	-	-	**3,694**
Carrying amounts									
Assets distributed to shareholders (note 4.1)	**(35,527)**	**(201,111)**	**(129,486)**	**(117,203)**	**(9,202)**	**(809)**	**(87)**	**(17,288)**	**(510,713)**
At 31 December 2023	**4,010**	-	-	-	**1**	**188**	-	**244**	**4,443**
At 31 December 2022	36,195	198,750	130,068	118,689	7,519	1,043	94	15,132	507,490

6 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

6.1 Allocation of depreciation charge related to continuing operations

	2023	2022
	RO'000	*RO'000*
Operating cost (note 23)	**128**	61
General and administrative expenses (note 24)	**137**	211
	265	272

6.2 The land on which buildings of the Company is constructed are leased from Ministry of Housing, Government of Sultanate of Oman under usufruct agreements till January 2032.

7 INTANGIBLE ASSETS

	Capital work-in-progress RO'000	*Intangible assets RO'000*	*Total RO'000*
Cost			
At 1 January 2022	2,694	6,080	8,774
Additions	613	71	684
Transfers	(401)	401	-
Disposals	-	(2)	(2)
At 31 December 2022	2,906	6,550	9,456
Additions	**1,381**	**-**	**1,381**
Transfers	**(240)**	**240**	**-**
Impairment of software (note 7.1)	**(4,399)**	**-**	**(4,399)**
Assets distributed to the shareholders (note 4.1)	**(2,716)**	**(5,335)**	**(8,051)**
Transferred from related parties (note 4.2)	**3,107**	**2,187**	**5,294**
At 31 December 2023	**39**	**3,642**	**3,681**
Accumulated depreciation			
At 1 January 2022	-	4,666	4,666
Charge for the year (note 25)	-	752	752
Related to disposals		(2)	(2)
At 31 December 2022	**-**	**5,416**	**5,416**
Assets distributed to the shareholders (note 4.1)		**(4,547)**	**(4,547)**
Transferred from related parties (note 4.2)		**2,155**	**2,155**
Charge for the year (note 25)		**494**	**494**
At 31 December 2023	**-**	**3,518**	**3,518**
Carrying amounts			
Assets distributed to the shareholders (note 4.1)	**2,716**	**788**	**3,504**
31 December 2023	**39**	**124**	**163**
31 December 2022	2,906	1,134	4,040

Note 7.1 According to IAS 36, entities are mandated to assess the possibility of asset impairment at each reporting date. In the case of the company's investment in the implementation of CC&B software for customer database and billing management, concerns have arisen due to its failure to fulfill its intended purpose. Consequently, an impairment loss has been recognized for the CC&B software, amounting to RO 4.43 million.

8 RIGHT OF USE ASSETS

The Company has lease contracts for land, building and vehicle used in its operations. Lease liabilities have lease terms of 2 years to 50 years. Set out below, are the carrying amounts of the Companies' right-of-use assets and the movements during the year:

	Power plant RO'000	*Properties RO'000*	*Vehicles RO'000*	*Total RO'000*
Cost				
At 1 January 2022	-	3,481	1,443	4,924
Additions	-	11	673	684
Deletions /modification	-	(151)	(753)	(904)
At 31 December 2022	-	3,341	1,363	4,704
Assets distributed to the shareholders (note 4.1)		**(3,341)**	**(1,363)**	**(4,704)**
Transferred from related parties (note 4.2)	**66,861**	**236**	**123**	**67,220**
At 31 December 2023	**66,861**	**236**	**123**	**67,220**
Accumulated depreciation				
At 1 January 2022		389	966	1,355
Charge for discontinued operation		99	308	407
Deletions /modification		(123)	(765)	(888)
At 31 December 2022	-	365	509	874
Charge for discontinued operation	-	**37**	**104**	**141**
Charge for Continuing operation(note 23 & 24)	**3,327**	**10**	**14**	**3,351**
Assets distributed to the shareholders (note 4.1)		**(402)**	**(613)**	**(1,015)**
Transferred from related parties (note 4.2)	**23,614**	**74**	**80**	**23,768**
At 31 December 2023	**26,941**	**84**	**94**	**27,119**
Carrying value				
Assets distributed to the shareholders		**(2,939)**	**(750)**	**(3,689)**
At 31 December 2023	**39,920**	**152**	**29**	**40,101**
At 31 December 2022	-	2,976	854	3,830

9 INVENTORIES

	2023 RO'000	*2022 RO'000*
Spares and consumables	-	2,912
	-	2,912

9.1 The movement in provision for inventories obsolescence is as follows

	2023 RO'000	*2022 RO'000*
At 1 January	-	35
Reversal of provision	-	(35)
At 31 December	-	-

The inventory is comprised of stores and spares, which are used in maintenance of the Company's distribution network. The inventories has been carved out to NEDC.

10 TRADE AND OTHER RECEIVABLES

	2023 RO'000	2022 RO'000
Due from government customers	**68,313**	17,612
Due from private customers	**162,668**	48,023
Government subsidy receivable	**51,008**	16,944
K Factor recoverable (note 27.3)	**74,900**	-
Due from related parties (note 27.4)	**89,151**	374
Prepayments	**112**	142
Receivable from MOF related to VAT (note 10.3)	**86,663**	14,578
Other current assets (note 10.4)	**1,156**	-
Other receivables	**6,159**	1,438
	540,130	99,111
Allowance for expected credit losses		
Private and Government customers (note 10.1)	**(45,732)**	(7,939)
Other receivables (note 10.2)	**(654)**	(188)
	(46,386)	(8,127)
	493,744	90,984

10.1 The movement in expected credit losses was as follows:

	2023 RO'000	2022 RO'000
At 1 January	**7,939**	6,132
Charge for the year	**9,061**	1,807
Transferred from related parties (note 4.2)	**28,732**	-
At 31 December	**45,732**	7,939

The provision for impairment substantially relates to domestic, commercial and government customers and includes provision for back billing. The aging of trade receivables has been disclosed in Note 28.3.

10.2 The movement in allowance of expected credit losses on other receivables was as follows:

	2023 RO'000	2022 RO'000
At 1 January	**188**	65
Charge for the year for continuing operation	**88**	120
Charge for the year for discontinuing operation	**(9)**	3
Assets distributed to the shareholders (note 4.1)	**(3)**	-
Transferred from related parties (note 4.2)	**390**	-
At 31 December	**654**	188

'Unimpaired receivables are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Company to obtain collateral over receivables and the vast majority are, therefore, unsecured.

'The information about the credit risk exposure as at 31 December 2023 and 2022 on the Company's receivables using a provision matrix is set out in (note 28.3).

10.3 Oman Tax Authority has directed the company that 5% VAT is applicable upon entire amount of billing issued to the customers including subsidy part. The Tax Authority issued letter to APSR to agree on VAT mechanism in this respect. The Company has calculated VAT from 16 April 2021 (the date of VAT implementation) and recognized VAT payable which is included in accruals and other payables and with same amount booked as receivable from Ministry of Finance amounting to RO 86.67 million. The Company has agreed VAT recovery mechanism with MoF during 2022.

10 TRADE AND OTHER RECEIVABLES (Continued)

10.4 Other current assets for the current year represent adjustment as part of demarcation done by Authority Of Public Services Regulations (APSR) post merger as revenue adjustment.

	2023	*2022*
	RO'000	*RO'000*
At 1 January	-	-
Additions during the year	**3,468**	-
Amortised during the year	**(1,156)**	-
At 1 December	**2,312**	-

The revenue adjustment is classified into current and non current assets as follows:

	2023	*2022*
	RO'000	*RO'000*
Non-current portion	**1,156**	-
Current portion	**1,156**	-
	2,312	-

11 CASH AND CASH EQUIVALENTS

	2023	*2022*
	RO'000	*RO'000*
Cash at bank	**6,951**	7,329
Cash in hand	**5**	10
Allowance for expected credit loss (note 11.1)	**(13)**	(22)
Cash and cash equivalents	**6,943**	7,317

11.1 The movement in expected credit losses was as follows:

At 1 January	**22**	21
Transferred from related parties (note 4.2)	**63**	-
Charge/ (reversal) for the year for continuing operation	**(72)**	1
At 31 December	**13**	22

11.2 The Company has availed a working capital facility (overdraft and revolving short term loan) from Bank Muscat SAOG for an amount of RO 80 million. Amount of 50 million been carveout to Nama Electricity Distribution Company SAOC while RO 37.50 million and RO 40 million being carved in from Majan Electricity Company SAOC and Nama Electricity Distribution Company SAOC respectively. The overdraft limit of RO 10 million is interchangeable between overdraft and revolving short term loan upon a condition that the combined utilisation of both the facilities not to exceed RO 107.50 million at any point of time. As on 31 December the Bank Muscat short term loan utilized being RO 52.50 million The facilities are unsecured, payable on demand and carry interest rate at commercial rates. Further, overdraft facility of Majan Electricity Company has been carved in to the Company amounting to RO 7 million . The Overadft facilities has been extended for additional one year upto december 2024. As on 31 December overdraft utilized being RO 14.06 million.

12 SHARE CAPITAL AND DIVIDENDS

The Company's authorised, issued and paid up share capital consist of 5,000,000 shares of 100 baizas each. (2022: 920,000,000 shares of 100 baizas each) The details of the shareholders are as follows:

	% of holding	***2023 RO***	*2022 RO*
Electricity Holding Company SAOC	99.99%	**499,500**	91,990,000
Nama Shared Services Company LLC	0.005%	**250**	5,000
Numo Institute for Competency Development LLC	0.005%	**250**	5,000
	100%	**500,000**	92,000,000

The shareholders in their meeting held on 7 May 2023, have resolved to reduce the share capital of the Company by RO 91.50 million, and also to reduce the legal reserve by RO 27.96 million to keep the reserve at one third of the reduced share capital. Further, the management has also reduced the general reserve by RO 11.64 million to keep it at one half of the reduced share capital in accordance with Article 133 of the Commercial Companies Law of 2019 and Company's policy. The coresponding impact of reduction in share capital has been taken to shareholder funds under equity.

12.1 Dividend

A cash dividend of RO 0.070 per share on 920 million shares (prior to reduction in share capital) for year 2022 aggregating RO 6.44 million was declared and paid in 2023 from the profit of the year ended 31 December 2022 (a cash dividend of RO 0.09 per share on 92 million shares aggregating RO 8.3 million was declared and paid in 2022 from the profit of the year ended 31 December 2021).

12.2 Proposed dividend

The Board of Directors have proposed a cash dividend of RO 0.020 per share on 5 million shares aggregating RO 0.1 million . This dividend payment is subject to the approval of the shareholders at their Annual General Meeting.

13 LEGAL RESERVE

Article 132 of the Commercial Companies Law of 2019 requires that 10% of a Company's net profit after deduction of taxes to be transferred to a non-distributable legal reserve until the amount of the legal reserve becomes equal to one-third of the Company's fully paid share capital. This reserve is not available for distribution. The amount has already reached the described threshold cap.

14 GENERAL RESERVE

In accordance with Article 133 of the Commercial Companies Law of 2019 and the Company's policy, an amount not exceeding 20% of the net profit of each financial year after deduction of taxes and transfer to legal reserve should be transferred annually to a general reserve until the balance of general reserve reach one half of the share capital. The reserve is available for distribution to the shareholders.

15 TERM LOANS

15.1 The movement in term loans during the year was as follows

	2023 RO'000	2022 RO'000
Term loans	**128,330**	150,060
Less: repayments of loans	**(5,433)**	(21,730)
Loans distributed to the shareholders (note 4.1)	**(122,897)**	-
	-	128,330
Less: unamortised transaction costs	-	(551)
Carrying value of -term loans	-	127,779

15.2 Classification of term loans

	2023 RO'000	2022 RO'000
Non-current	-	106,249
Current	-	21,530
	-	127,779

15.3 Transaction cost

	2023 RO'000	2022 RO'000
At 1 January	**551**	843
Less: amortised during the year	**(27)**	(292)
Loans distributed to the shareholders (note 4.1)	**(524)**	-
At 31 December	-	551

Loan I

In August 2015, the Company has entered into a "Dual Currency Term Facility Agreement" as a syndicate loan with various lenders and Bank Muscat as Facility Agent for an amount of RO 170 million. Out of the total facility of RO 170 million the Company has drawn down RO 140 million during 2015 and RO 30 million during 2016. The loan is repayable in 40 quarterly payments starting from 30 September 2016 with a final bullet payment in June 2026. The term loan has been transferred out to NEDC as at 1 June 2023 pursuant to the restruturing of supply and distribution business (see note 4.1).

Loan II

In November 2017, the Company has entered into a "Dual Currency Term Facility Agreement" as a syndicate loan with various lenders and Bank Muscat as Facility Agent for an amount of RO 81.2 million (USD 211 million). Out of the total facility of RO 81.2 million (USD 211 million) the Company has drawn down RO 43.1 million (USD 112 million) during 2017 and further drawn down balance facility of RO 38.1 million (USD 99 million in 2018).

As per credit facility agreement for long term funding, rate of interest for USD loan is linked with 3-month LIBOR plus margin. Same yet to be hedged. The loan is repayable in 38 quarterly payments starting from 31 December 2018 with a final bullet payment in March 2028. The term loan has been transferred out to NEDC as at 1 June 2023 pursuant to the restruturing of supply and distribution business (see note 4.1).

16 EMPLOYEE'S BENEFITS

	2023 RO '000	2022 RO '000
Employees' end of service benefits (note 16.1)	**199**	874
Short term employees' benefits (note 16.2)	**300**	315
	499	1,189

16.1 Movement in employees' end of service benefits		
At 1 January	**874**	933
Charge for the year	**(37)**	19
Distributed to the shareholders (note 4.1)	**(748)**	-
Transferred from related parties (note 4.2)	**215**	-
Payments made during the year	**(105)**	(78)
At 31 December	**199**	874

16.2 Movement in provision for employees' benefits - leave encashment		
At 1 January	**315**	316
Distributed to the shareholders (note 4.1)	**(390)**	-
Transferred from related parties (note 4.2)	**310**	-
Charge for the year	**75**	6
Payments made during the year	**(10)**	(7)
At 31 December	**300**	315

17 DEFERRED REVENUE

17 The movement in deferred revenue during the year is as follows

	Installation and connection charges RO'000 (note 17.1)	*Government sponsored projects RO'000 (note 17.2)*	*Customer contributed assets RO'000 (note 17.2)*	*Deferred regulatory adjustment RO'000 (note 17.3)*	*Total RO'000*
At 1 January 2022	38,662	38,882	32,889	21,092	131,525
Additions during the year	2,230	179	4,314	-	6,723
Amortised during the year (note 22)	(2,259)	(1,385)	(1,235)	(3,219)	(8,098)
At 1 January 2023	38,633	37,676	35,968	17,873	130,150
Additions during the year	**1,112**	**-**	**630**	**331**	**2,073**
Distributed to the shareholders	**(38,785)**	**(37,101)**	**(36,077)**	**(16,047)**	**(128,010)**
Transferred from related parties	**-**	**-**	**-**	**512**	**512**
Amortised for discontiuning	**(960)**	**(575)**	**(521)**	**(1,825)**	**(3,881)**
Amortised for continuing	**-**	**-**	**-**	**(118)**	**(118)**
At 1 December 2023	**-**	**-**	**-**	**726**	**726**

17.1 Installation and connection charges

Installation and connection revenue represent the fee collected for the activities to provide services to the customer contracted for supply of electricity. Accordingly, the Company recognizes the installation and connection fee over 25 years. Pursuant to the business restructuring, entire installation and connection charges are transferred to NEDC

17.2 Government sponsored projects/customers contributed assets

Funding from government sponsored projects represents unconditional grant received/receivable from government / government authorities to the construction of the assets. It also represents government project funding towards the cost of property, plant and equipment and customer contributed assets before 1 July 2009 (Prior to IFRIC 18). Pursuant to the business restructuring, revenue from goverment sponsered projects and customer contributed assets are transferred to NEDC

17 DEFERRED REVENUE (CONTINUED)

17.3 Deferred regulatory adjustment

During the year provision of RO 0.33 million has been created due to difference between allowed and actuals outturn for 2023. RO 0.51 million of provision has been carve-in from MJEC , NEDC and RAECO. An amount of RO 16.05 has been carved out to NEDC relating to the same. In addition, amount of RO 1.83 million has been amortized for the discontinued operation and RO 0.12 million for continuing operation.

17.4 Classification of deferred revenue into current and non-current portion

	2023	*2022*
	RO'000	*RO'000*
Current portion		
Installation and connection charges	-	2,259
Government sponsored projects	-	1,385
Customer contributed assets	-	1,235
Regulatory asset base adjustment	**198**	-
	198	4,879
Non-current portion		
Installation and connection charges	-	36,375
Government sponsored projects	-	36,291
Customer contributed assets	-	34,732
Regulatory asset base adjustment	**528**	17,873
	528	125,271

18 SHORT TERM BORROWING

18.1 The Break up of short term borrowings is as follows

	2023	*2022*
	RO'000	*RO'000*
Working capital facilities (note 18.3)	**77,500**	80,000
Bridge loan facilities (note 18.4)	-	25,000
Shareholder loan (note 18.5)	-	12,000
	77,500	117,000

18.2 The movement in short term borrowings

	2023	*2022*
	RO'000	*RO'000*
At 1 January	**117,000**	34,674
Addition during the year	**237,500**	117,000
Transferred from related parties (note 4.2)	**43,200**	-
Distributed to the shareholders (note 4.1)	**(50,000)**	-
Less: Repayments during the year	**(270,200)**	(34,674)
31 December	**77,500**	117,000

18.3 Working capital facilities

The Company has availed working capital facilities with Bank Muscat SAOG for RO 107 million available up to 31 August 2024 (this facility consists of RO 107.5 million (note 11.2). The utilized amount as on 31 December 2023 is RO 52.5 million.

18.4 Short term loan facility

The Company has entered into a short term loan facility of OMR 25 million with Qatar National Bank SAOG available up to 28 February 2024. The facility carries interest at commercial rates.

18.5 Shareholder loan

The Company has entered into an Intercompany Facility agreement of OMR 12 million with Nama Holding, which carries interest rate at 5% per annum. This has been settled during 2023.

19 TRADE AND OTHER PAYABLE

	2023 RO'000	2022 RO'000
Trade payables	**1,458**	5,590
Due to related parties (note 27.5)	**219,467**	16,598
Short term employees' benefits (note 16)	**300**	315
VAT payable (note 19.1)	**10,221**	3,054
K factor payable	**-**	4,385
Other payables	**15,683**	19,452
Voluntary exit scheme (note 19.2)	**88**	-
	247,217	49,394

19.1 VAT payable to Oman Tax Authority includes RO 7.75 million which comprises of VAT on goverment subsidy and Social Protection Initiative (SPI) scheme receivable from Ministry of Finance (MoF) RO 86.8 million (note 10.3). Amount of RO 0.61mn relates to net payable of Q4 2023 which was not declared to Tax authority as invoices were dated 2024 and the balance portion of RO 1.86 million pertains to VAT output relating to merged companies.

19.2 On 24 July 2023, the Company announced early exit scheme for certain national employees fulfill the criteria announced under the scheme. Under this scheme, each eligible employee is entitled to gross salary for 12 months, with maximum cap of RO 30,000 per employee. Total 10 number of eligible employees have applied, with estimated liability of RO 0.28 million out of which liability of RO 0.19 settled during the year.

20 LEASE LIABILITIES

20.1 The movement in lease liabilities during the year is as follows:

	2023 RO'000	2022 RO'000
At 1 January	**4,139**	3,794
Additions	**-**	684
Deletions	**-**	(14)
Transferred from related parties (note 4.2)	**45,511**	-
Distributed to the shareholders (note 4.1)	**(4,036)**	-
Interest on lease liabilities on Discontinuing Operation	**129**	277
Payment (Principle + Interest) of Discontinuing Operations	**(240)**	(602)
Interest on lease liabilities of Continuing Operation	**1,964**	-
Payment (Principle + Interest) of Continuing Operations	**(4,599)**	-
At 31 December	**42,868**	4,139

20.2 Lease liabilities are classified into current and non-current portion as follows

	2023 RO'000	2022 RO'000
Non-current portion	**34,990**	3,674
Current portion	**7,878**	465
	42,868	4,139

20.3 Amounts recognised in the statement of profit and loss and other comprehensive income.

	2023 RO'000	2022 RO'000
Depreciation on right to use assets (note 23 & 24)	**3,351**	407
Interest on lease liabilities (note 26)	**1,964**	277
	5,315	684

21 TAXATION

The Company is subject to income tax at the rate of 15% (2022-15%) of taxable income in accordance with the Income Tax Law of the Sultanate of Oman. Tax deductible loss of the previous years have been set off in calculation of Income Tax Payable. The deferred tax on all temporary differences have been calculated and accounted for in the statement of profit and loss and other comprehensive income.

21.1 Tax expense recognised in the statement of profit and loss and other comprehensive income.

	2023 RO'000	2022 RO'000
Current tax	(37,708)	-
Deferred tax - Charged to profit and loss	31,342	284
	(6,366)	284

The company has a capital gain tax payable amounting to RO 35.51 million on assets distributed to the shareholders. This obligation arose due to restructuring instructed by the government. It's important to emphasize that despite the tax liability, there has been no actual movement of cash in this transfer. The company has sought a waiver for this amount, considering the circumstances surrounding the restructuring. Further, the company's income tax payable for the year, based on its profit, amounts to RO 2.88 million. This represents the company's obligation to remit taxes to the relevant tax authorities in accordance with local Income Tax Law.

21.2 The reconciliation of the accounting profit at the applicable rate of 15% (2022: 15%) is as follow:

	2023 RO'000	2022 RO'000
Accounting profit before tax	6,281	2,862
Tax on accounting profit before tax at 15%	942	429
Tax impact due to permanent difference	38	78
Tax impact of tax losses expired	-	70
Prior year adjustments on deferred tax	(7,346)	(293)
	(6,366)	284

21.2 Deferred tax asset/ (liability)

Recognized deferred tax assets and liabilities are attributable to the following items:

	2023 RO'000	2022 RO'000
Accelerated depreciation	(84)	(36,651)
Allowance for expected credit losses	2,536	1,222
Other provisions and adjustments	47	1,937
Lease liabilities	415	47
Provision for Impairment Allowance - Intangible Assets	660	-
Deferred revenue (IFRS 15)	-	6,407
Fair value adjustment of cash flow hedge	-	(329)
	3,574	(27,367)

21.3 The movement in current and deferred tax provision is as follows:

	Current tax		Deferred tax	
	2023 RO'000	2022 RO'000	2023 RO'000	2022 RO'000
At 1 January	-	-	27,367	24,048
Charge for the year	37,708	-	(30,941)	3,319
At 31 December	37,708	-	(3,574)	27,367

21.4 Status of assessments:

Tax assessments for the years 2011-2016 have been completed. The management of the Company believes that additional taxes, if any, related to the open tax years would not be significant.

22 REVENUE

	2023 RO'000	2022 RO'000
Point in time		
Private customers	**487,873**	211,736
Government customers	**96,546**	58,675
Government subsidy	**310,400**	104,491
Other operating income	**1,619**	201
	896,438	375,103
Add/(less): revenue shortfall/(in excess) in maximum allowed revenue as per the price control formula	**99,515**	(13,544)
Add: deferred regulated revenue (Note 10.4 and 17	**2,099**	-
	998,052	361,559

23 OPERATING COSTS

	2023 RO'000	2022 RO'000
Purchase of electricity (note 27.1)	**638,200**	243,306
Distribution use of system charge (note 27.1)	**232,333**	62,131
Transmission use of system charge (note 27.1)	**87,070**	39,719
Depreciation of property plant and equipment (note 6.1)	**128**	61
Depreciation of right-of-use assets (note 8)	**3,310**	-
Other direct costs	**23**	11
	961,064	345,228

24 GENERAL AND ADMINISTRATIVE EXPENSES

	2023 RO'000	2022 RO'000
Employees' cost (note 24.1)	**6,760**	3,523
Service expenses	**1,920**	881
Billing and collection charges	**4,544**	5,060
Depreciation on property plant and equipment (note 6.1)	**137**	211
Amortisation on intangible assets (note 7)	**232**	237
Depreciation of right-of-use assets (note 8)	**41**	99
Directors' remuneration and sitting fees (note 27.2)	**151**	12
Other expenses	**188**	215
	13,973	10,238

24.1 Employees' costs

	2023	2022
Wages and salaries	**2,786**	1,545
Voluntary retirement scheme (note 19.2)	**278**	-
Other allowances and benefits	**3,696**	1,978
	6,760	3,523

25 OTHER INCOME

	2023 RO'000	2022 RO'000
Penalties and fines	**-**	40
Sale of forms and tenders	**23**	-
	23	40

26 FINANCE COSTS

	2023 RO'000	2022 RO'000
Interest on short-term borrowings	1,357	1,347
Amortization of transaction cost	23	-
Interest on lease liabilities (note 20)	1,964	16
bank charges	7	6
	3,351	1,369

27 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties comprise the shareholders, directors, key management personnel, business entities that have the ability to control or exercise significant influence over financial and operating decisions of the Company and entities over which certain shareholders are able to exercise significant influence.

The Government is a related party of the entity as it is the ultimate controlling party. The entity in the ordinary course of business transacts with other government owned entities. However, in view of the exemption from disclosure requirements set out in IFRS in relation to related party transactions and outstanding balances with the Government, that has control or joint control of, or significant influence over the Company and an entity that is a related party of the same government, the Company has applied the exemptions in IAS 24, related to government entities and only disclosed certain information to meet the disclosure requirements of IAS 24. The Company maintains balances with the related parties which arise in the normal course of business. The related party transactions are carried out based on mutually agreed terms. Outstanding balances at period end are unsecured and settlement occurs in cash. Prices and terms of these transactions, which are entered into in the normal course of business, are on mutually agreed terms and conditions.

27.1 Transactions with related parties

	2023 RO'000	2022 RO'000
Other related parties		
Oman Power and Water Procurement Company SAOC		
Purchase of electricity (note 23)	622,363	243,306
Oman Electricity Transmission Company SAOC		
Shared project payment	-	906
Transmission connection charges (note 23)	4,374	11,008
Transmission use of system charges (note 23)	87,070	39,719
Nama Electricity Distribution Company SAOC		
Distribution use of system charges (note 23)	232,333	62,131
Rural Areas Electricity Company SAOC		
Purchase of electricity (note 23)	15,837	-
DCRP expenses	25	81
Majan Electricity Company SAOC		
Inventory transfer	-	12
Shareholders		
Electricity Holding Company SAOC		
Capex project	24	180
Service charges	480	724
Dividend paid (note 12.1)	6,440	8,280
Numo Institute for Competency Development LLC		
Training expenses	112	66
Nama Shared Services LLC		
Capex project	37	766
IT Support service charges	520	1,236
	969,615	368,415

27 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

27.2 Key management benefits

Key management personnel are those persons who have 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 period comprises of following:

	2023 RO'000	2022 RO'000
Salaries and other short term benefits	**762**	769
Post-employment benefits	**48**	50
Directors' remuneration and sitting fees (note 24)	**151**	12
	961	831
No. of persons included in Key management compensation	**10**	9

During the period Jan to May 2023, there were 4 key managerial people who were moved to NEDC amounting to RO 128k.

27.3 K Factor recoverable

The Company also received subsidy from the Government under the Maximum Allowed Revenue (MAR) formula as per the license issued by the APSR. Any short / (excess) of actual revenue as compared to MAR are disclosed as Government subsidy recoverable / payable.

27.4 Amounts due from related parties (note 10)

	2023 RO'000	2022 RO'000
Electricity Holding Company SAOC	**1,591**	304
Nama Electricity Distribution Company SAOC	**75,639**	5
Al-Ghubra Power and Desalination Company SAOC	**-**	63
Majan Electricity Company SAOC	**38**	-
Rural Areas Electricity Company SAOC	**11,883**	2
	89,151	374

27.5 Amounts due to related parties (note 19)

	2023 RO'000	2022 RO'000
Oman Power and Water Procurement Company SAOC	**151,897**	10,448
Oman Electricity Transmission Company SAOC	**13,796**	5,419
Electricity Holding Company SAOC	**1,004**	357
Nama Electricity Distribution Company SAOC	**35,814**	22
Numo Institute of Competency Development LLC	**68**	48
Majan Electricity Company SAOC	**667**	12
Nama Shared Services LLC	**69**	265
Rural Areas Electricity Company SAOC	**16,152**	27
	219,467	16,598

27.6 Balances with the Government of Sultanate of Oman

	2023 RO'000	2022 RO'000
Receivable from MOF related to VAT (note 10.3)	**86,663**	14,578

28 FINANCIAL RISK MANAGEMENT

The Company has exposure to the following risks from its use of financial instruments:

- Market risk
- Credit risk
- Liquidity risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for establishing and overseeing the Company's risk management framework. The Board has entrusted the management with the responsibility of developing and monitoring the Company's risk management policies and procedures and its compliance with them.

28.1 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of change in market prices (other than those arising from interest rate risk or foreign currency risk), whether those changes are caused by factors specific to the individual financial instruments or its issuer, or factors affecting all similar financial instruments traded in the market. The tariff for distribution of electricity is determined by long term agreements with customers or under the permitted Tariff Regulations issued by the Authority for Public Services Regulations (APSR). Accordingly, the Company is not exposed to significant price risk.

Interest rate risk

The Company has borrowings which are interest bearing and exposed to changes in underlying interest rates. The Company has entered into interest rate swaps to hedge its interest rate risk exposure on its term loans and short term borrowings.

The Company does not account for any fixed rate financial liabilities at fair value through profit or loss and the Company does not designate hedging instruments under a fair value hedge accounting model. Therefore a change in interest rate at the reporting date would not affect the profit and loss and other comprehensive income.

At the reporting date, the interest rate profile of the Company's interest-bearing financial liabilities was:

	2023	*2022*
	RO'000	*RO'000*
Financial liabilities		
Short-term borrowings (note 18)	**77,500**	117,000
Term loans (note 15)	**-**	128,330
Bank overdrafts (note 11)	**14,064**	194
	91,564	245,524

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in the variable interest rates at the reporting date would have increased/(decreased) equity and statement of profit or loss and other comprehensive income by the amounts of RO 0.09 million (2022: RO 0.25 million).This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of change in foreign exchange rates. The Company is exposed to foreign currency risk arising from currency exposure primarily with respect to the US Dollar. The Rial Omani is effectively pegged to the US Dollar and since most of the foreign currency transactions are in US Dollar, the management believes that exchange rate fluctuations would have an insignificant impact on the Company's profit.

28 FINANCIAL RISK MANAGEMENT (continued)

28.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company limits its liquidity risk by ensuring that a working capital facility is available, when required.

Liquidity requirements are monitored on a monthly basis and management ensures that sufficient liquid funds are available to meet any commitments as they arise.

The following are the contractual maturities of financial liabilities, including interest payments:

31 December 2023	***Carrying amount RO'000***	***Contractual cash flow RO'000***	***Less than 1 months RO'000***	**1 to 3 months *RO'000***	***3 months to 1 year RO'000***	***More than 1 year RO'000***
Non-interest bearing						
Trade and other payables	**27,450**	**27,450**	**13,725**	**13,725**	-	-
Due to related parties	**219,467**	**219,467**	**219,467**	-	-	-
Interest bearing						
Bank overdrafts	**14,064**	**14,948**	**74**	**141**	**14,733**	-
Short term borrowings	**77,500**	**79,147**	**306**	**25,455**	**53,386**	-
Term loan	-	-	-	-	-	-
Lease liabilities	**42,868**	**54,994**	**657**	**1,313**	**5,909**	**47,115**
	381,349	**396,006**	**234,229**	**40,634**	**74,028**	**47,115**

31 December 2022	*Carrying amount RO'000*	*Contractual cash flow RO'000*	*Less than 1 months RO'000*	1 to 3 months *RO'000*	*3 months to 1 year RO'000*	*More than 1 year RO'000*
Non-interest bearing						
Trade and other payables	32,481	32,481	13,507	7,510	11,464	-
Due to related parties	16,598	16,598	16,598	-	-	-
Interest bearing						
Bank overdrafts	194	194	194	-	-	-
Short term borrowings	117,000	117,366	117,366	-	-	-
Term loan	128,330	147,810	-	7,172	21,201	119,437
Lease liabilities	4,139	9,556	72	143	644	8,697
	298,742	324,005	147,737	14,825	33,309	128,134

28.3 Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and cash balances and short term deposits held with banks.

The Company limits its credit risk with regard to bank deposits by only dealing with reputable banks and financial institutions.

28 FINANCIAL RISK MANAGEMENT (CONTINUED)

28.3 Credit risk (continued)

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2023	2022
	RO'000	RO'000
Due from private and government customers	**230,981**	65,635
Government subsidy receivable	**51,008**	16,944
Due from related parties	**89,151**	374
Receivable from MOF related to VAT	**86,663**	184
Other receivables	**6,159**	15,832
Cash and cash equivalents	**6,951**	7,329
	470,913	106,298

Trade 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 the receivables. Trade receivables primarily represent amounts due from Government and private customers. The expected credit loss for trade receivables has been computed under the simplified model of IFRS 9.

The age of trade receivables and related impairment loss at the reporting date is:

	2023			2022		
	Gross RO'000	***ECL RO'000***	***Past due but not impaired RO'000***	*Gross RO'000*	*ECL RO'000*	*Past due but not impaired RO'000*
Not past due	**61,278**	**(500)**	**60,777**	20,940	(6)	20,934
Past due:						
31 to 90 days	**77,136**	**(1,497)**	**75,639**	11,574	(20)	11,554
91 to 365 days	**38,423**	**(5,024)**	**33,399**	14,161	(35)	14,126
Above one year	**54,144**	**(38,711)**	**15,434**	18,960	(7,878)	11,082
	230,981	**(45,732)**	**185,249**	65,635	(7,939)	57,696

Credit quality disclosure

	ECL Model	***Type of ECL***	***Gross amounts RO'000***	***ECL RO'000***	***Net carrying amounts RO'000***
31 December 2023					
Trade and other receivables	**Provision matrix**	**Lifetime**	**230,981**	**(45,732)**	**185,249**
Cash and cash equivalents	**External rating**	**12 month**	**6,951**	**(13)**	**6,938**
31 December 2022					
Trade and other receivables	Provision matrix	Lifetime	65,635	(7,939)	57,696
Cash and cash equivalents	rating	12 month	7,329	(22)	7,307

28 FINANCIAL RISK MANAGEMENT (continued)

28.3 Credit risk (continued)

For trade receivables, the Company has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Company determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix.

The Company always measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

The following table details the risk profile of trade receivables based on the Company's provision matrix. As the Company's historical credit loss experience show significantly different loss patterns for different customer segments, i.e. government and private customers (electricity) and water customer hence the provision for loss allowance based on past due status is further distinguished between the Company's different customer base.

Amounts due from domestic customers	*Expected credit loss rate*	*Gross carrying amount RO'000*	*Expected credit loss RO'000*	*Net carrying value RO'000*
31 December 2023				
Not past due	**1.02%**	**18,564**	**(190)**	**18,374**
31 to 90 days	**2.31%**	**30,035**	**(694)**	**29,341**
91 to 365 days	**16.99%**	**10,837**	**(1,841)**	**8,995**
1 to 2 years	**100.00%**	**4,336**	**(4,336)**	**-**
2 to 3 years	**100.00%**	**2,150**	**(2,150)**	**-**
Above 3 years	**100.00%**	**6,560**	**(6,560)**	**-**
		72,482	**(15,771)**	**56,710**
31 December 2022				
Not past due	0.05%	6,095	(3)	6,092
31 to 90 days	0.08%	3,735	(3)	3,732
91 to 365 days	0.13%	5,289	(7)	5,282
1 to 2 years	22.67%	5,616	(1,273)	4,343
2 to 3 years	100.00%	506	(506)	-
Above 3 years	100.00%	1,108	(1,108)	-
		22,349	(2,900)	19,449

28 FINANCIAL RISK MANAGEMENT (continued)

28.3 Credit risk (continued)

Amounts due from commercial customers	*Expected credit loss rate*	*Gross carrying amount RO'000*	*Expected credit loss RO'000*	*Net carrying value RO'000*
31 December 2023				
Not past due	**0.76%**	**32,695**	**(250)**	**32,446**
31 to 90 days	**1.85%**	**28,062**	**(520)**	**27,542**
91 to 365 days	**35.70%**	**5,972**	**(2,132)**	**3,841**
1 to 2 years	**100.00%**	**5,257**	**(5,257)**	**-**
2 to 3 years	**100.00%**	**4,807**	**(4,807)**	**-**
Above 3 years	**85.21%**	**13,393**	**(11,412)**	**1,981**
		90,186	**(24,378)**	**65,810**
31 December 2022				
Not past due	0.03%	10,936	(3)	10,933
31 to 90 days	0.04%	5,281	(2)	5,279
91 to 365 days	0.09%	4,620	(4)	4,616
1 to 2 years	29.98%	3,059	(917)	2,142
2 to 3 years	100.00%	393	(393)	-
Above 3 years	100.00%	1,385	(1,385)	-
		25,674	(2,704)	22,970

Amounts due from Government customers	*Expected credit loss rate*	*Gross carrying amount RO'000*	*Expected credit loss RO'000*	*Net carrying value RO'000*
31 December 2023				
Not past due	**0.60%**	**10,019**	**(60)**	**9,959**
31 to 90 days	**1.49%**	**19,039**	**(284)**	**18,755**
91 to 365 days	**4.86%**	**21,614**	**(1,050)**	**20,564**
1 to 2 years	**17.36%**	**8,014**	**(1,391)**	**6,623**
2 to 3 years	**24.88%**	**4,611**	**(1,147)**	**3,464**
Above 3 years	**32.91%**	**5,016**	**(1,651)**	**3,365**
		68,313	**(5,583)**	**62,730**
31 December 2022				
Less than one month	0.00%	3909	-	3,909
31 to 90 days	0.59%	2,558	(15)	2,543
91 to 365 days	0.56%	4,252	(24)	4,228
1 to 2 years	26.60%	6,263	(1,666)	4,597
2 to 3 years	100.00%	85	(85)	-
Above 3 years	100.00%	545	(545)	-
		17,612	(2,335)	15,277

Bank balances and short term bank deposits

The Company limits its credit risk with respect to bank deposits by only dealing with banks with high credit rating. The table below shows the balances with banks categorised by short term credit ratings as published by Moody's Service at the reporting date.

	Rating	***2023 RO'000***	*2022 RO'000*
Bank balances:			
Bank Muscat SAOG	Ba1	**3,774**	7,296
National Bank of Oman	Ba1	**3,177**	33
		6,951	7,329

28 FINANCIAL RISK MANAGEMENT (continued)

Fair value hierarchy:
The management believes that the fair value of the financial assets and liabilities are not significantly different from their carrying amounts as shown in the financial statements at the reporting date.

There were no transfers between level 1 and level 2 during the year.

28.4 Capital management

For the purpose of the Company's capital management, the capital comprise of share capital, reserves and retained earnings. There was no change in Company's approach to the capital management during the year. The primary objective of the Company's capital management is to maximise the shareholders' value.

Management is confident of improving the current level of profitability by enhancing top line growth and

The Company manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Company may adjust the dividends payment to the shareholders, return capital to the shareholders or issue new share capital. The Company monitors capital using a gearing ratio which is 'net debt' divided by total capital plus net debt. The Company's policy is to keep the gearing ratio between 60% to 70%. The Company includes within net debt, interest bearing term loans and short term borrowings, trade and other payables, lease liabilities less cash and cash equivalents.

Gearing ratio

Gearing ratio at year ended was as follow:

	2023	*2022*
Net debt	***RO'000***	*RO'000*
Term loan	**-**	128,330
Short term borrowing	**77,500**	117,000
Lease liabilities	**42,868**	4,139
Trade and other payables	**246,917**	44,694
Bank overdraft	**14,064**	194
Less: Cash and bank balances	**(6,943)**	(7,317)
	374,406	287,040
Equity (excluding cash flow hedge reserve)		
Share capital	**500**	92,000
Legal reserve	**167**	28,125
General reserve	**250**	11,893
Amount due to shareholders	**104,473**	-
Retained earnings	**24,452**	29,142
	129,842	161,160
Equity and net debt	**504,248**	448,200
Gearing ratio	**74%**	64%

In order to achieve this overall objective, the Company's capital management, among other things, aims to ensure that it meets it financial covenants attached to the interest bearing term loans and borrowings that defines capital structure requirements. Breaches in meeting the financial covenants would permit the lenders to immediately call term loans and short term borrowings. There have been no breaches of the financial covenants of any interest bearing term loans and short term borrowings at current year end.

29 COMMITMENTS AND CONTINGENT LIABILITIES

	2023 RO'000	2022 RO'000
Capital commitments (note 29.1)	**212**	7,088

29.1 Capital expenditure contracted for at the end of the reporting period are RO 0.21 million (2022: RO 7.08 million).

29.2 The Company has some legal cases/disputes filed by the different parties, however, management is of the view that these cases will be dismissed or final outcome will be in favour of the Company, except for those doubtful cases where provision has already been provided.

30 GEOPOLITICAL UNCERTAINTY

The war in Ukraine triggered a number of IFRS accounting considerations affecting the financial statements. Many countries have imposed, and continue to impose, new sanctions on specified Russian entities and individuals. Sanctions have also been imposed on Belarus. The situation, together with potential fluctuations in commodity prices, foreign exchange rates, restrictions to imports and exports, availability of local materials and services and access to local resources, will directly impact entities that have significant operations or exposures in, or to, Russia, Belarus or Ukraine.

Though the Company's direct exposure to countries directly involved in the recent international disputes is non-existent, the Company's operations are partially concentrated in economies that are relatively dependent on the price of crude oil and accordingly, the Company has considered any potential impact of current economic uncertainties in the inputs for the forward-looking macro-economic factors, when determining the severity and likelihood of economic scenarios for ECL determination.

31 CLIMATE RELATED RISKS

The Company and its customers may face significant climate-related risks in the future. These risks include the threat of financial loss and adverse non-financial impacts that encompass the political, economic and environmental responses to climate change. The key sources of climate risks have been identified as physical and transition risks. Physical risks arise as the result of acute weather events such as hurricanes, floods and wildfires, and longer-term shifts in climate patterns, such as sustained higher temperatures, heat waves, droughts and rising sea levels and risks. Transition risks may arise from the adjustments to a net-zero economy, e.g., changes to laws and regulations, litigation due to failure to mitigate or adapt, and shifts in supply and demand for certain commodities, products and services due to changes in consumer behaviour and investor demand. These risks are receiving increasing regulatory, political and societal scrutiny, both within the country and internationally.

While certain physical risks may be predictable, there are significant uncertainties as to the extent and timing of their manifestation. For transition risks, uncertainties remain as to the impacts of the impending regulatory and policy shifts, changes in consumer demands and supply chains. The Company is making progress on embedding climate risk in its risk framework.

32 COMPARATIVE AMOUNTS

Certain corresponding figures for the year ended 31 December 2022 have been reclassified in order to conform to the presentation for the current year. Such reclassification do no affect previously reported profit or shareholder's equity.