



ANNUAL REPORT 2023





His Majesty
Sultan Haitham bin Tarik Al Said
May Allah protect Him

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Our Mission

Leading and enabling the Group to provide safe, reliable and sustainable electricity and water services to support the development of the Sultanate of Oman.



Our Vision

Nama Group is a leading example of excellence in the field of electricity and water services in the region.



Our Values

Integrity - Professionalism - Respect.



About Nama Group

Nama Group (NG) was established as a result of the restructuring of the electricity and water sectors in 2004 and commenced its commercial operations on 1 May 2005. NG's operations are spread across procurement, generation, transmission, distribution and supply of electricity and water services in the Sultanate of Oman.

Oman Investment Authority is the shareholder of Nama Holding, which is the holding company of Nama Group subsidiaries. Nama Group acts as the sole provider of electricity, water and wastewater services (procurement, transmission, distribution and supply).

The Structure of Electricity, Water, and Wastewater Sectors

The electricity sector consists of three major organizations: the Ministry of Energy and Minerals, the Authority for Public Services Regulation (APSR), and Nama Group. The Ministry of Energy and Minerals is responsible for electricity policy overview, while the Authority for Public Services Regulation is in charge of regulating the electricity sector.

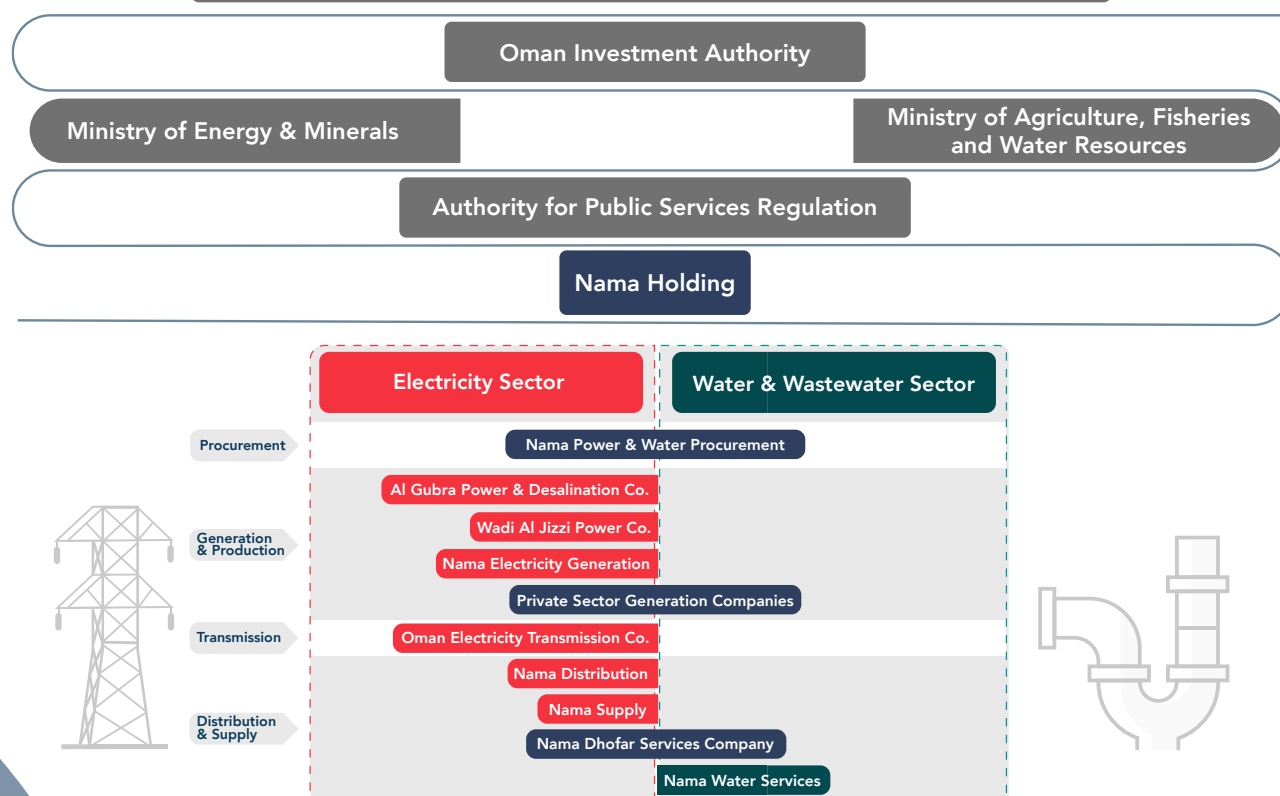
On the other hand, the water and wastewater sector consists of three major entities, represented by the Ministry of Agriculture, Fisheries and Water Resources, APSR and Nama Group. The Ministry is in charge of supervising and reviewing the water and wastewater policy. Similar to the electricity operations, APSR regulates the water and wastewater sector.



The Group consists of the following companies:

CATEGORY	COMPANY	ACQUISITION PERCENTAGE
Holding Company	Nama Holding (NH)	N/A
Electricity Generation Companies	Wadi Al Jizzi Power Company (WJPC)	100%
	Al Ghubrah Power and Desalination Company (GPDC)	100%
	Rural Areas Electricity Company (Tanweer)	100%
Transmission Company	Oman Electricity Transmission Company (OETC)	51%
Electricity Distribution Company	Nama Electricity Distribution (NEDC)	100%
Electricity Supply Company	Nama Supply (NSC)	100%
Water And Wastewater Companies	Nama Water Services (NWS)	100%
	Nama Dhofar Services (NDS)	99%
Procurement Of Power & Water Company	Nama Power and Water Procurement (NPWP)	100%
Training & Development Company	Numo Institute for Competency Development (NICD)	100%
Information Technology Company	Nama Shared Services (NSS)	100%

The Structure of Electricity & Water & Wastewater Sector



About Nama Holding

Nama Holding is a joint-stock company, registered in the Sultanate of Oman. The company commenced its commercial operations on 16 September 2003 and holds the shares of the Government in subsidiary companies. Nama Holding is responsible of implementing the Government's policy on financing state-owned companies in the electricity and related water sector, supporting and implementing government privatization policies for the electricity, water and wastewater sector, drawing NG' strategy which focuses on developing its business and supervising all the key strategic projects implemented by the subsidiaries.

Electricity Sector Restructure Project

In response to government directives to restructure the electricity sector, Nama Holding announced the operational launch of Electricity Distribution and Supply Companies, following strategic planning with key entities like the Ministry of Energy and Minerals, Oman Investment Authority, and the Authority for Public Services Regulation.

In June 2023, Nama Group successfully executed the merger project and restructured its distribution and supply companies, including Muscat Electricity Distribution Company, Mazoon Electricity Company, Majan Electricity Company, and Nama Electricity Generation (formerly Tanweer), consolidating them into two principal entities: "Nama Electricity Distribution" and "Nama Supply." This strategic move aims to streamline the provision of electricity services across all governorates of the Sultanate of Oman, except Dhofar Governorate, which falls under Nama Dhofar Services, managing electricity, water, and wastewater services in the southern region.

During a media gathering, new brand for each company, along with their respective areas of specialization were unveiled. To ensure seamless and efficient electricity operations, Nama Electricity Distribution is tasked with meter reading services and maintaining low-voltage networks, while also overseeing the construction of lines and transformers to ensure consistent and dependable service delivery. On the other hand, Nama Supply is responsible for billing and collection operations, ensuring efficient financial transactions within the electricity sector.

Future Overview

Nama Group stands as a key driver in advancing the utility sector in the Sultanate of Oman, collaborating seamlessly with development institutions. Aligned with the government's aspirations and the national objectives of Oman Vision 2040, the Group remains committed to sustainable development. After the successful completion of restructuring the electricity, and water and wastewater sectors, Nama Group implements strategic initiatives to translate governmental directives into reality.

With a focus on integration, the Group will be actively engaged in operation and privatization programs. Nama Group aims to foster alignment between strategic investments, elevate shareholder value, amplify In-Country Value, and refine customer experience.

Since its establishment in 2004, Nama Group has taken pride in its accomplishments, which have played a pivotal role in the national economic landscape. Nama Group consistently conducts comprehensive studies, assesses project impacts, and undertakes necessary actions for optimal outcomes. The Group not only elevates the performance of its subsidiaries but also collaborates with relevant authorities and stakeholders to enhance customer experience, raise awareness about occupational health and safety, and champion environmental protection.

As Nama Group propels itself into the future, the Group aspires to be at the forefront of the nation's economic development, contributing to the realization of a greener, more interconnected, and technologically advanced future for the Sultanate in the utility industry.

BOARD MEMBERS



Ahmed Al Subhi
Chairman



Saif Al Mahrouqi
Deputy Chairman



Omar Al Mahrizi
Member



Sulaiman Al Riyami
Member



Mohammed Al Barashdi
Member



Al Dhiya Al Hinai
Member



Aisha Al Kharusi
Member

LEADERSHIP TEAM



Ahmed Al Mahrizi
Group Chief Executive Officer



Ibrahim Al Suleimany
Executive Manager
Group Human Resources



Ahmed Tufail Al Rahman
Chief Financial Officer



Ghada Al Yousef
Executive Manager
Group Communication & Sustainability



Suhaila Al Farsi
Executive Manager
Group Risk and Governance



Waleed Al Abri
Group Chief Internal Auditor



CHAIRMAN REPORT

Dear Stakeholders,

In the dynamic landscape of the utility sector, Nama Group continues to be a leading reference for utility services excellence in the region, driving positive change and shaping the future of sustainable energy in line with Oman Vision 2040. The fiscal year 2023 witnessed significant achievements and strategic milestones, highlighting our commitment to excellence, innovation, and responsible practices. I am pleased to present the Annual Report of Nama Group (NG), for the financial year ending on 31 December 2023.

Despite economic challenges, Nama Group has demonstrated financial resilience and operational excellence, achieving 99.998% Electricity Network Reliability and effectively managing losses in the Main Interconnected System and Dhofar Power System, reflecting the success and growth of our robust financial strategy.

The completion of phase one of the 'Rabt' project, connecting Oman's power systems, marks a strategic milestone. This project, costing RO 183 million, connects Oman's northern and southern power grids. The strategic 'Rabt' project not only enhances power exchange capabilities but also positions us for future renewable energy development.

In response to the digital transformation journey, Nama Group has modernized its infrastructure to meet evolving customer needs. The adoption of smart metering technologies exemplifies our dedication to leveraging modern solutions to enhance operational efficiency. Nama Services successfully introduced a centralized platform for customer interactions, streamlining billing payments and service requests.

Nama Group's commitment to sustainability remains steadfast throughout the year. To further



this commitment, the Group has allocated RO 500K towards sustainability projects that focus on the economic, social, and environmental pillars. This investment aims to create a greener and more sustainable future for all.

Operational and Financial Performance

The electricity sector witnessed an annual growth of 4%, with the customer base reaching 1,449,485 in 2023 as compared to 2022. The electricity supply sales also increased by 6.2%, reaching 38,711 GWh as compared to 2022. Similarly, the water and wastewater sector grew by 5.3%, with customer numbers reaching 1,089,189 in 2023.

To cater to the rising demand for electricity, water, and wastewater services, and to achieve efficiency and customer service targets, Nama Group made strategic investments totaling RO 349 million in critical network and efficiency-related projects in 2023.

A recent directive from the Authority for Public Services Regulation (APSR) and the Ministry of Finance (MOF) has necessitated a restatement in February 2024. The water and wastewater sector's Price Control Regulation (PCR) will only come into effect following the issuance of the Sector Law, dated 20 June 2023, with the PCR effective from 1 January 2024.



Accordingly, the Group has recorded a non-cash impairment loss of RO 1.8 billion. This loss has been adjusted by transfer from additional shareholder contribution to retained earnings. As a result, there is no impact on the Group's retained earnings for the year ended 31 December 2023.

Financially, the Group's gross operating revenue rose by 8.9% from RO 1.6 billion in 2022 to RO 1.7 billion in 2023. However, the net loss after tax was RO 1,989 million in 2023 as compared to RO 214 million in 2022. Excluding losses from the water and wastewater sector, the electricity sector's net profit would have been approximately RO 29 million for 2023, compared to RO 73 million in 2022, primarily due to additional provisions in distribution and supply companies.

The electricity subsidy for 2023 decreased by 4.8% to approximately RO 500 million compared to 2022.

The Group's total assets decreased from RO 9.8 billion in 2022 to RO 7.7 billion in 2023, mainly due to one-time non-cash accounting adjustments for fixed assets impairment and annual depreciation.

Applying Technology for Customer Service

Nama Group's digital transformation strides are evident with the launch of our E-service portal, enhancing the customer experience. This portal functions as a centralized hub that allows seamless management of electricity recharging

and billing payments with just a few clicks. Aligning with Oman Vision 2040, Nama Supply ensures customer engagement and support through various E-channels by transitioning bill delivery to email and SMS services. With digital transformation and collaboration with government entities, electronic bill delivery increased from 96% in 2022 to 97% in 2023.

Also, Nama Supply provides different payment channels such as Payment Machines, Nama Services mobile application and other partnered applications that offer various options for the customer to make easy payments.

The company's e-transactions percentage accounted for 70% of the payments in 2023 compared to 67% in 2022 which resulted in an increase of 3%.

In the Water and Wastewater sector, Nama Water Services has been deploying Automated Meter Reading (AMR). In 2023, smart meters amounted to 45% of the total water customer base in the Sultanate of Oman. It is noteworthy that the company has consistently achieved a high level of accuracy in meter readings 98% for both Manual Meter Reading (MMR) and AMR.

Nama Dhofar Services distributed 2,804 prepaid electricity meters, contributing to a total of 8,517 meters distributed in Dhofar Governorate. Meter reading efficiency increased by 96.3% and 96% of customer complaints were resolved within 6 days or less. Based on 2023 statistics, more than 41% of the company customers in Dhofar Governorate either have a prepaid meter or a smart meter.

North-South Interconnection Project (Rabt Project)

The Rabt Project, led by Oman Electricity Transmission Company (OETC), links Oman's primary power systems - the Main Interconnected System (MIS) in the north and the Main Interconnected System (MIS) in the south - via Al Wusta Governorate. This strategic initiative unlocks areas for future green energy projects, particularly solar and wind power.

In 2023, OETC completed phase one of the strategic 'Rabt' project, investing RO 183 million. This phase spanned over 660 km of 400 kV Overhead Lines (OHL), with five key Grid Stations (GS), strategically located in major industrial and economic hubs, this milestone marks a significant advancement in power transmission. While the second phase is expected to be completed by 2027 and the total expected cost of this phase is RO 162 million. This stage covers 590 km of 400 kV OHL, connecting three main Grid Stations (GS) in Duqm Industrial GS, with Harweel and Ittin GSs.

Renewable Energy Projects

Ibri II Solar IPP

The Ibri II Solar IPP, operational since August 2021, with an investment of approximately RO 150 million, boasts a 500 MW production capacity, leading to a surplus of natural gas. At peak production, it is expected to power nearly 50,000 homes and reduce carbon dioxide emissions by 340,000 tons annually. Developed in partnership with the private sector, the project spans 13 million square meters, utilizing approximately 1.5 million dual-faced solar panels and over 7,000 kilometers of cables. Notably, at least 15% of the project cost was reinvested in Omani contractors and services.

Manah Solar I & II IPPs

As part of the development plan for renewable energy projects, construction work is underway to develop the two Manah solar energy projects in Al Dakhiliyah Governorate. The capacity of each project is 500 MW, and the two stations are expected to be operational by the first and second quarters of 2025.

Wind Resource Assessment Campaign

Further to the completion of phase I of Wind Resource Assessment, monitoring stations at Duqm and Jalaan Bani Bu Ali sites have been successfully commissioned along with phase II in Ras Madraka and Sadah sites. Accordingly, the process of qualifying developers for the proposed wind energy projects in Duqm and Jalaan Bani Bu Ali is in advance stage of progress with the aim to float the first wind projects IPP in early 2024.



Water Projects

Barka V IWP

Nama Power and Water Procurement (NPWP) continues to supervise the construction activities of Barka V IWP with a capacity of 100,000 m³ per day, with a targeted SCOD of Q2 2024. The commissioning of the plant started in 2023 earlier than planned, and the project targets to achieve the commercial operation as planned. The project will enhance the water capacity requirement, meeting the nation's rapid demand for potable water.

Ghubrah III IWP

NPWP has successfully completed the negotiation with the project company due to the site change of the project. The construction activities are planned to start in early 2024. The project aims to enhance water capacity to 300,000 m³/day and scheduled to be completed by the second half of 2027.

Sustainability Plan

Positioning itself as a key driver for sustainability, Nama Group remains committed to foster positive impacts on the economy, society, and the environment through aligned initiatives, adhering to OIA directives and the Group Sustainability Policy to support the local community's welfare and Oman's economic growth.

In 2023, Nama Group allocated RO 500K to sustainability initiatives, focusing on economic, social, and environmental pillars. Initiatives included planting 600 trees, distributing 2000 seeds, and participating in Oman Sustainability Week, where Nama received the Platinum Award in the Mid-Large Business Categories. Additionally, the second edition of the "Sustainability and Prosperity" Magazine was launched to highlight new sustainability initiatives and achievements.

Taking significant strides in renewable energy, the Group collaborated with Nafath Renewable Energy to install 10Kw and 20Kw solar panels on the rooftops of social buildings across the country, collectively contributing 117.2Kw to the renewable energy grid.

The Sustainability team organized Nama Sustainability Week across three governorates—Dhofar, Ad Dakhliya, and Al Batinah North—highlighting sustainability initiatives in health, safety, and energy conservation. In the electricity sector, Nama Group sustained the 'Naqla' electrician training program, certifying 51 electricians to obtain licenses. Collaborating with al Jabr consultancy, the Naqla Accelerator Program was developed, offering job opportunities for Omani technicians from the 'Naqla' program.

Acknowledgment

On behalf of the Board of Directors, I extend my sincere gratitude to His Majesty Sultan Haitham bin Tarik – May Allah protect Him – for his wise leadership. Our unwavering commitment to realizing the national objectives of Oman Vision 2040 remains steadfast, guided by the established governance framework of the Oman Investment Authority.

I extend my gratitude to the Authority for Public Services Regulation for its continued support in advancing the pivotal projects within the Group. I also thank the Group CEO, the CEOs of subsidiary companies, the Nama Group management team, and all our dedicated employees for their unwavering dedication and commitment to play a pivotal role in the sustained growth and development of Nama Group.

Eng. Ahmed bin Hamed Al Subhi

Chairman

CEO REPORT



As we reflect on yet another impactful year, marking our vital role in the Sultanate of Oman's dynamic economy, I am honored to present the pivotal operational milestones and remarkable financial achievements of Nama Group for the year 2023.

Amidst a challenging economic landscape, Nama Group showcased financial resilience, achieving notable milestones in revenue growth, cost management, and overall profitability. In 2023, we achieved an exceptional 99.998% Electricity Network Reliability, showcasing our commitment to unwavering service. The total expenses of Nama Group increased from RO 1.490 billion in 2022 to RO 1.590 billion in 2023, with a decrease in capital expenditure from RO 676.3 million to RO 349.4 million. The prudent financial strategies have positioned the Group for sustained success in the ever-changing market.

In the Water and Wastewater Sector, the number of water and wastewater customers increased significantly by 5.3% in 2023, reaching a total of 1,089,189, as compared to the figures from 2022. As a result, water and wastewater sales showed a considerable surge of 7.6% from 286,236 in 2022 to 308,043 in 2023.

Nama Group has yielded remarkable results in digital transformation. From customer engagement platforms to internal operational efficiencies, our digital initiatives are setting new industry standards. A prime example is the launch of our E-service portal by Nama Services. This digital gateway is designed to enhance customer engagement, offering seamless access to electronic services at their convenience. The portal consolidates all services into a single platform, providing comprehensive features ranging from electricity account details, consumption monitoring, bill

payment, recharge of prepaid meters, to facilitating self-meter readings. Moving forward to harnessing the latest technologies in the sector, the Group is actively implementing the National Smart Infrastructure Project (AMR) by replacing old meters with smart meters in different locations across the Sultanate. This is a true testament to Nama Group's efforts in modernizing infrastructure and improving energy management. Embracing cutting-edge technologies, we aim to revolutionize the utility sector, ensuring a seamless and customer-centric experience.

In 2023, our transmission and distribution network experienced strategic advancements, particularly with the completion of phase 1 of the 'Rabt' project by Oman Electricity Transmission Company (OETC). This initiative, costing RO 183 million, comprises 5 grid stations and 400 kV overhead transmission lines with a length of 660 km, connecting the power grid from northern to southern Oman.

At Nama Group, we are committed to innovation, resilience, and responsible business practices. We aim to maintain our position as a leading utility provider, contributing to nation's socio-economic development. We aim to not only deliver long-term value to our shareholders but also to make a positive impact on the society and environment.

I extend my gratitude to our dedicated employees, valued partners, and esteemed stakeholders for their steadfast support. Together, we will continue shaping a brighter and sustainable future.

Mr. Ahmed Al Mahrizi

Group Chief Executive Officer



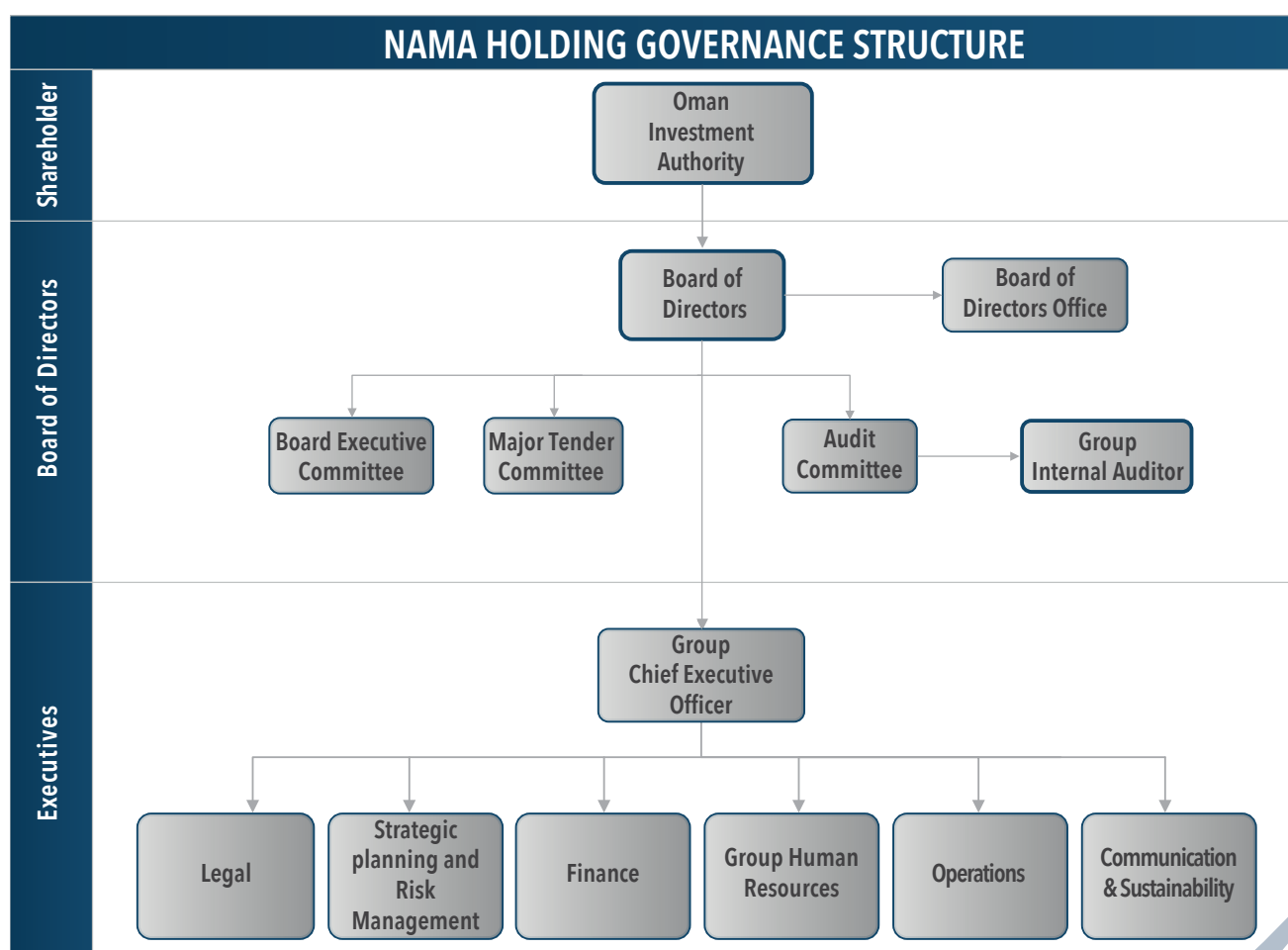
CORPORATE GOVERNANCE PHILOSOPHY

Electricity Holding Company SAOC (NH) PHILOSOPHY ON CORPORATE GOVERNANCE

The Board of Directors of NH, abiding by the laws of the Sultanate of Oman, the Commercial Companies Law, the Sector Law, and Nama Group Board Manual and Oman Investment Authority (OIA) Code of Governance, recognizes the necessity for clarity in the roles, responsibilities and accountability of NH in relation to its subsidiaries and Affiliates.

Our corporate governance reflects our value system encompassing our culture, policies and relationships with our stakeholders

NH's Board consists of four independent non-executive directors and three non-independent non-executive directors. The Board has also constituted Audit and Risk Committee (ARC) and Board Executive Committee (BEC).



Role of the Board of Directors and its Committees

Role of the NH Board

The NH Board is responsible for the operations of NH as a company and the Subsidiaries (100% or majority owned) as a supervisor. The day-to-day operations of NH are conducted by its management, led by its CEO, with oversight of the NH Board.

Sub Committees of the Board

The Board is responsible for the establishment and functioning of all Sub Committees, and the appointment of members to these committees and their compensation. The Board has delegated responsibilities to two Board sub-committees namely Audit & Risk Committee and Board Executive Committee.

- **Audit & Risk Committee (ARC)**

The Audit & Risk Committee ensures that adequate processes are in place to maintain compliance with regulatory requirements; enhance the effectiveness of internal and external auditors through coordination; protect them from the management's undue influence, and provide the Board with subject matter expertise on governance and risk-related matters.

The Audit & Risk Committee has the following objectives:

1. Monitor the integrity and accuracy of the Company's financial statements and any formal notes on the Company's financial performance and review significant financial reporting estimates contained therein;
2. Review the Company's internal financial controls, internal performance controls and risk management systems;
3. Monitor and review the effectiveness of the Company's internal audit function;
4. Monitor and guarantee the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant Capital Market Authority regulations, the Commercial Companies Law, the Sector Law, and any other relevant laws; and
5. Adopt policies on the engagement of external auditors to supply non-audit services, taking into account the relevant ethical rules on the provision of non-audit services by the external audit firm.

- **Board Executive Committee (BEC)**

The BEC is an NH Board-level committee that considers matters related to the nomination of candidates to the boards and higher managements of both NH and its subsidiaries, as well as HR policies and other significant HR matters that require the attention of the Board of Directors.

BEC's objectives include the following:

1. To assist the NH and NG subsidiary Boards in carrying out their oversight responsibilities, ensuring the independence and integrity of the Directors and the adequacy of the salary and remuneration strategy at NH and subsidiaries;
2. To support subsidiary Boards in identifying appropriate candidates for board membership and to fill Director's vacancies, as and when they arise; and
3. To assist NH and subsidiary Boards in identifying appropriate candidates for managerial positions at NH and NG's subsidiaries.

- **Major Tender Committee (IMJTC)**

Within the scope of its financial powers, the (MJTC) shall be responsible for the following:

- To ensure that all tenders are processed in accordance with the principles of openness, transparency, equal opportunity, equity and free competition.
- To establish, nominate members and approve the terms of reference of the Procurement Committee (PC).
- To ensure that all tenders and Variation Orders are executed based on fair, ethical and transparent grounds.
- To select the best Bid within the scope of its authorities.
- To ensure full compliance with the set of procedures in the whole cycle of the tendering process.
- To ensure that any additional regulations or procedures relating to the tenders are streamlined with these guidelines as follows:
 - Review and approve the tender strategy, technical and commercial evaluation criteria.
 - Review and approve the proposed list of Bidders who will be invited to submit their respective proposals for the limited tenders.
 - Review and approve the evaluation reports and award of tenders including the clarifications received from the Bidders.
 - Review and approve the Variation Orders.
 - Review and approve the recommendations of the Concerned Department.
 - Authorize approaching the Bidders to provide additional clarifications in connection with their Bids and to re-submit their Bids (as required) and the Concerned Department shall re-evaluate Bids.
 - Direct for re-tendering when the results of the original tendering process are not satisfactory.
 - Review and submit its meetings' reports, in addition to a brief quarterly report about its activities along with the Minor Tender Committee (MITC) and Procurement Committee (PC) activities to the Board of Directors (BOD).
 - Submit quarterly reports about the Variation Orders it issues to the Board of Directors (BOD) with elaborate information, justifications, summary of facts and detailed figures.
 - Perform any other responsibilities as defined in the Procurement and Tendering Policy for Oman Investment Authority (OIA) Entities and procurement Guideline for Nama Group (NG) Entities or assigned by the Board of Directors.

Board of Directors Composition

Being a closed joint stock company, NH is subject to the provisions of the Commercial Companies Law No. 4/1974 (18/2019) as amended and NH's Articles of Association. In this context, NH's Board is composed as follows:

1. NH's Board is composed of 7 directors.
2. NH Board is composed of 4 independent non-executive directors and 3 non-independent non-executive directors.
3. Non-executive independent directors do not perform any function in NH for which they receive monthly or annual remuneration.

Nomination and Election of Directors

Directors are nominated and elected in compliance with the applicable Sector Law, the Commercial Companies Law, Nama Group Board Manual and OIA Code of Governance and its Implementing Regulations.

NH is led by a strong and experienced Board. The directors bring diversity in expertise and perspective to lead a complex and highly-regulated electricity sector.

Remuneration Matters

NH paid RO 1,052,000 towards remuneration to the (6) key management personnel (including the Directors sitting fee of RO (49,800) during the year.

Attendance of Directors at Board and Committee Meeting in 2023:

Ex – Board Member

Member Names		Hamdan Ahmed Al Shaqsi	Saif Hamed Al Mahrouqi	Omar Mahmood Al Mahrizi	Mohammed Ahmed Al Barashdi	Hanaa Mohammed Al Kharusi
BOD Meetings	Dates	Chairman	Vice Chairman	Member	Member	Member
1 st BOD Meeting	10.01.2023	✓	✓	✓	✓	✓
2 nd BOD Meeting	12.03.2023	✓	✓	✓	✓	✓
3 rd BOD Meeting	23.03.2023	✓	✓	✓	✓	✓
4 th BOD Meeting	30.03.2023	✓	✓	✓	✓	✓
5 th BOD Meeting	26.04.2023	✓	✓	✓	✓	✓
Total Number of BOD Attended		5	5	5	5	5
Sitting Fees (OMR)		4,000	3,500	3,500	3,500	3,500

Audit & Risk Committee (ARC)

ARC Meetings	Dates			Member	Member	Chairperson
1 st ARC Meeting	14.03.2023	-	-	✓	✓	✓
Total Number of ARC Attended				1	1	1
Sitting Fees (OMR)				300	300	300

Group Human Resources Committee (GHRC)

GHRC Meetings	Dates		Chairman	Member	Member	
1 st GHRC Meeting	09.02.2023		✓	✓	X	
2 nd GHRC Meeting	05.03.2023		✓	✓	✓	
Total Number of GHRC Attended			2	2	1	
Sitting Fees (OMR)			600	600	300	
Total Number of Meetings Attended in 2023		5	7	8	7	6
Actual Fees Paid Up to May 2023		4,000	4,100	4,400	4,100	3,800

New Board Members:

Member Names		Ahmed Hamed Al subhi	Saif Hamed Al Mahrouqi	Omar Mahmood Al Mahrizi	Aisha Al Kharusi	Mohammed Ahmed Al Barashdi	Al Dhiya Al Hinai	Sulaiman Wahid Al Riyami
BOD Meetings	Dates	Chairman	Vice Chairman	Member	Member	Member	Member	Member
6 th BOD Meeting	28.05.2023	✓	✓	✓	✓	✓	✓	✓
7 th BOD Meeting	11.06.2023	✓	✓	✓	✓	✓	✓	✓
8 th BOD Meeting	24.08.2023	✓	✓	✓	X	✓	✓	✓
9 th BOD Meeting	30.08.2023	✓	✓	✓	✓	✓	✓	✓
10 th BOD Meeting	01.10.2023	✓	✓	✓	✓	✓	✓	✓
11 th BOD Meeting	15.10.2023	✓	✓	✓	✓	✓	✓	✓
12 th BOD Meeting	16.11.2023	✓	✓	X	✓	✓	✓	✓
13 th BOD Meeting	21.12.2023	✓	✓	✓	✓	✓	✓	✓
Total Number of BOD Attended		8	8	8	7	8	8	8
Sitting Fees (OMR)		4,000	1,600	1,300	2,800	1,400	5,400	3,700

Audit & Risk Committee (ARC)

ARC Meetings	Dates			Chairman		Member		Member
2 nd ARC Meeting	04.06.2023			✓		✓		✓
3 rd ARC Meeting	17.08.2023			✓		✓		✓
4 th ARC Meeting	12.11.2023			X		✓		✓
5 th ARC Meeting	24.12.2023			✓		✓		✓
Total Number of ARC Attended				3		4		4
Sitting Fees (OMR)				600		800		900

Board Executive Committee (BEC)

BEC Meetings	Dates		Chairman		Member		Member	
1 st BEC Meeting	26.06.2023		✓		✓		✓	
2 nd BEC Meeting	29.08.2023		✓		✓		✓	
3 rd BEC Meeting	15.11.2023		X		✓		✓	
4 th BEC Meeting	12.12.2023		✓		✓		✓	
Total Number of BEC Attended			3		4		4	
Sitting Fees (OMR)			300		600		600	

Major Tender Committee (MJTC)

MJTC Meetings	Dates	Chairman			Member			
11 th MJTC Meeting	07.06.2023	✓			✓			
12 th MJTC Meeting	12.07.2023	✓			✓			
13 th MJTC Meeting	21.07.2023	✓			✓			
14 th MJTC Meeting	19.07.2023	X			✓			
15 th MJTC Meeting	02.08.2023	X			✓			
16 th MJTC Meeting	20.08.2023	✓			X			
17 th MJTC Meeting	30.08.2023	✓			✓			
18 th MJTC Meeting	17.09.2023	✓			✓			
19 th MJTC Meeting	27.09.2023	✓			✓			
20 th MJTC Meeting	11.10.2023	✓			✓			
21 st MJTC Meeting	18.10.2023	✓			✓			
22 nd MJTC Meeting	25.10.2023	✓			X			
23 rd MJTC Meeting	15.11.2023	✓			X			
Total Number of MJTC Attended		11			10			
Setting fees (OMR)		2,000			2,600			
Total Number of Meetings Attended on 2023		19	10	10	19	11	10	11
Actual Fees Paid for 2023		6,000	6,000	6,000	6,000	6,000	6,000	6,000

Annual General Meeting (AGM):

Annual General Meeting (AGM) refers to the general meeting of the Company which is held annually. Article No. 172 of the Commercial Companies Law mandates Nama Holding to hold an AGM within 90 days from the end of each financial year.

Communications with Shareholders and Investors:

Pursuant to Royal Decree No. 78/2004, the Company shall maintain close ties with the OIA, in its capacity as the owner. All the information relating to the Company, news and the financial results are

available on the Company's website. The Annual General Meeting offers a further opportunity for the directors to meet with shareholders. The Annual Report includes the Management Discussions and Analysis Report.

Distribution of Shares:

Being wholly-owned by the Government of the Sultanate of Oman, represented by OIA, NH directly reports to the shareholder through OIA.

Statutory Auditors

Statutory auditors express an opinion on the fairness with which NH presents, in all material respects, its financial position, operating results, and cash flows in line with internationally-recognized accounting standards.

EY were the statutory auditors of NH during 2023. EY is a global network of professional firms providing Audit, Financial, Tax, Enterprise Risk Management and Advisory services to selected clients.

Code of Ethics and Business Conduct

Code of Ethic and Business Conduct Policy was amended to be in line with OIA Communication Policy.

The Code of Ethics and Business Conduct (CEBC) applies to NG companies' Boards of Directors and employees, as well as all consultants, contractors, suppliers and persons representing NG in their commercial operations. The revision stipulates that OIA Entities shall cover the internal and external communications and the social media protocols.

Principles and ethics have always been an integral part of Nama Group and a static foundation to achieve our vision and goals. All Nama Group achievements reflect a direct indication of our commitment to apply them. Based on the principle of sustaining ethical conduct, the Code of Conduct Policy has been developed electronically to facilitate employees' access and review of the Policy easily and encourage them to continue complying and implementing the Policy.

Whistle Blowing

To ensure performance of duties under the best corporate governance practices, a Whistle Blowing Policy was developed in line with the Sector's Policy Statement on Fraud Deterrence and pursuant to the OIA Code of Corporate Governance. The main purposes of this Policy are to:

- Support the mission and values of Nama Group;
- Ensure that Target Users are aware of their right to report any Misconduct;
- Explain the process for reporting misconduct clearly and the procedure undertaken to investigate such alleged misconduct to target users.
- Provide a transparent, safe and confidential space within the organization for reporting such Misconduct.

The Policy has been amended and a digital platform system has been created with integrated case management whereby target users can report any wrongdoing on an anonymous basis as outlined in the policy. The website for the platform is: <http://wajib.integrityline.com>

Details of Non-compliance with the Provisions of Corporate Governance and Penalties

The company adheres to all applicable regulatory requirements ensuring full compliance with relevant authorities. As a result, no penalties and strictures have been imposed on the organization by any regulatory body during the reporting period.

The Company complies with the provisions of the Code of Corporate Governance outlined in Oman Investment Authority (OIA) Public Disclosure Policy.

NAMA GROUP STRATEGY

Nama Group is committed to achieving its vision of becoming the leading utility services provider in the region by developing a robust strategy that aligns with the national objectives of Oman Vision 2040 to effectively contribute to the sustainable economic development of Oman.

Nama Holding Strategy is centered around five primary areas: Health, Safety, and Environment (HSE), Service Reliability, Customer Experience, Financial Sustainability, and Diversification & Growth. These areas are further supported by four horizontal strategies: Competent People, Digitalization, Robust Governance, and Synergies & Efficiencies. This comprehensive approach ensures a stronger alignment with the priorities and direction of OIA.

The outlined strategic focus areas, along with financial and compliance objectives, serve as a guiding framework for Nama Group's companies to develop their business plans. In addition, subsidiaries are actively encouraged to explore and identify strategies aligned with their visions, meanwhile meeting the diverse expectations and requirements of stakeholders.

Recognizing the importance of a robust governance structure, Nama Group places a strong emphasis on corporate governance. The Board of Directors, leadership team, and subsidiary work cohesively to ensure transparency, accountability, and ethical practices, fostering trust among stakeholders and creating a conducive environment for growth and progress.

Nama Group prioritizes health, safety, and environmental (HSE) practices across its operations. The Group is committed to achieving the highest safety standards for its customers, employees, and contractors. Its focus on HSE projects and initiatives helps to deliver safe, sustainable electricity services and promote a healthy environment. By implementing robust HSE practices, Nama Group witnessed significant improvements in safety, including a reduction in accidents and injuries, as well as the preservation of assets. Furthermore, the Group consistently provides training programs to promote HSE awareness among employees and contractors, contributing to business continuity and reliable network operation. In 2023, Nama Group achieved a cumulative total of over 75.48 million safe working hours and 3 Fatality cases.

Regarding human resources development, Nama Group has been successful in empowering its human resources by achieving an Omanization rate of 98.30% within the Group. It also has set a target to increase the Omanization percentage of contractors and has already achieved a 7% increase with approximately 370 Omanis working in contractors' offices. Moreover, Nama Group is actively engaged in boosting the number of national cadres by partnering with local contractors and suppliers. In this context, the Group inked in with a total of 12 SMEs to run its business projects and operations in the field of cable provision, transformers, connectors, and electrical switches, therefore effectively enhancing its contribution to the ICV.

Furthermore, Nama Group plays a crucial role in enhancing the efficiency and dependability of the electricity network in the Sultanate of Oman, achieving an impressive 99.9975% reliability rate in 2023. The Group is actively engaged in connecting the primary electricity networks in the north and south of Oman through the power interconnection project 'Rabt'. Nama Group is dedicated to promoting clean energy and expanding the use of renewable energy sources, contributing to the preservation of the environment and the sustainable management of natural resources.



At the core of Nama Group's strategy lies a commitment to technological innovation. The distribution and supply companies within Nama Group have implemented state-of-the-art technologies and global expertise in customer services. The digital transformation initiatives are exemplified by the deployment of smart meters, innovative meter reading techniques, electronic bill distribution, and electronic payment collection methods, as well as E-services portal- one stop-shop for all electricity services. This step not only enhances operational efficiency but also ensures a seamless and customer-centric experience, reinforcing Nama Group's position as a leader in the utility sector.

Nama Group's strategy extends beyond business operations to social engagement and responsibility. Initiatives such as Nama Sustainability Week, educational programs, and community outreach projects underline the Group's endeavors to positively impact the community it serves. By upholding its core values of sustainability, innovation, and social responsibility, Nama Group positions itself not only as a utility service provider but also as a key driver for shaping a brighter and more sustainable future for Oman.



HSE Performance

During the year 2023, the dismantling and demolition of old power plants, along with their related activities, have increased the risks and exposure to incidents that challenge our HSE strategy. These activities are among the most dangerous ones undertaken on the shutdown plants, and therefore require a rigorous health and safety management approach. In response to this, workforces were urged to exercise heightened vigilance regarding safety and to promptly report any unsafe working conditions or associated risks.

Employees and contractors diligently reported 113 potential incidents (PI), covering unsafe conditions or near misses. The thorough analysis of these reports facilitated the early identification of latent hazards

and the prompt implementation of corrective measures to prevent recurrence and minimize the risk of subsequent harm. Since 1 June 2023, Nama Electricity Generation (formerly Tanweer) has been steadfastly dedicated to fostering a robust and sustainable Health, Safety, and Environment (HSE) culture among both employees and contractors. This unwavering commitment has led to a remarkable milestone of zero accidents throughout the entire of 2023.

Nama Electricity Generation (NEG) has completed 214 consecutive days without any fatalities or Lost Time Injuries (LTI). Moreover, the company recorded a total of 1,201,099 safe man-hours during the same period, indicating its strong commitment to HSE policies and procedures. This achievement highlights the dedication of all levels of the organization towards HSE and continual improvement in all related areas.

The company monitored and measured the implementation of operational controls, adherence to HSE rules and regulations to ensure fulfilling the safety requirements of the company and monitoring progress toward meeting HSE objectives and targets. The monitoring and measurement process involves both proactive and reactive measures.

Human Resources

Nama Electricity Generation highly values its employees, recognizing their unique skills and contributions to the company's success. As of December 2023, Nama Electricity Generation had a workforce of 49 Omanis who were directly employed. The company has been committed to increasing the percentage of Omani cadres and has successfully achieved 100% representation through Omanisation.

Recognizing the significance of ongoing skill development, Nama Electricity Generation places a strong emphasis on providing training programs for employees. As part of its development plans, the company provided scholarships for selected personnel and a diverse range of learning opportunities. In 2023, Nama Electricity Generation organized more than 43 courses, ensuring that the majority of its employees gained valuable technical and business skills.

NAMA GROUP SUBSIDIARIES
PERFORMANCE

Health, Safety and Environment

Nama Dhofar Services (NDS) has reached an impressive milestone of 19.7 million safe working hours without any work-related injuries since September 2018, underscoring its commitment to ensuring the well-being of the workforce.

In 2023, all personnel from water and wastewater contractors, operation and maintenance departments, and NDS completed HSE training programs in line with NDS Permit to Work (PTW). Furthermore, NDS has developed and successfully executed an HSE culture development plan for all employees and contractors in 2023. This comprehensive plan encompasses various initiatives such as HSE training sessions, HSE Meetings, stringent HSE Inspections,

thorough HSE Audits, Emergency Drills, Safety Campaigns, and impactful Safety Motivational Programs.

In adherence to environmental laws and regulations, NDS has obtained a total of 40 environmental licenses and permits from the Environment Authority.

Customer Service

Nama Dhofar Services continues to excel in customer service and enhances the operational efficiency, and capabilities of national cadres and ICV. The company is also committed to applying the latest technologies to meet the evolving needs of customers in the electricity, water and wastewater sectors.

In 2023, the company provided 2,804 prepaid electricity meters, contributing to a total of 8,517 meters distributed in Dhofar Governorate. The distribution of smart meters (AMR) to electricity customers also witnessed a notable increase, reaching 41% in 2023 compared to 2022. The statistics for 2023 indicate that over 41% of the company's customers in Dhofar Governorate have either prepaid or smart meters.

In addition, Nama Dhofar Services Company is working to develop meter reading efficiency, which increased by 96.3% in 2023. The company also continued to receive customers' requests, inquiries and complaints professionally, as 96% of complaints were resolved within 6 days or less in 2023.

Human Resources

Nama Dhofar Services remains steadfast in its commitment to recruiting and nurturing Omani talents. Its unwavering dedication to Omanisation plans has yielded positive results, witnessing an increase in Omanisation rate from 93% to 95.6% in 2023. The company is poised to elevate this percentage even further through the implementation of effective employment strategies and robust succession planning.

In 2023, the company proactively fostered a culture of continuous learning and development by offering diverse channels, including online learning platform 'Rawafid' and various classroom-based opportunities. Furthermore, the company invested in the professional growth of its middle management by providing coaching training, creating an environment conducive to ongoing development.

Dedicated to cultivating local talent, the company successfully implemented its in-house training program 'Tanmia'- providing on-the-job training for Omani job seekers. After extensive assessments and competition, more than 40 job seekers were selected to join the program to gain the necessary skills and experiences required to compete in the real job market.





Health, Safety and Environment

Nama Water Services Company (NWS) is dedicated to promoting the principle of Health, Safety, and Environment (HSE) within its employees and customers, continuously advancing security and safety standards. The company is certified for ISO 45001 (Occupational Health & Safety Management System) and ISO 14001 (Environmental Management System) which reflects its commitment to complying with the highest HSE standards in its core operations. NWS conducted the related internal and external audits to maintain these certifications and ensure the implementation of the best HSE practices in the workplace.

Remarkably, the company has accumulated a total of 35,856,005 working hours, covering a distance of 47,310,931 kilometers. Further, a total of 1530 HSE inspections and 62 evacuation and emergency drills were conducted in 2023.

These accomplishments underscore Nama Water Services' dedication to fostering a workplace environment characterized by the highest standards of health, safety, and environmental responsibility.

Customer Service

In 2023, Nama Water Services Company continued to deliver exceptional services to its customers. The company prioritized the adoption of cutting-edge technologies for accurate meter readings, enhancing billing and collection systems.

The company witnessed significant growth in the distribution of Automated Meter Reading (AMR) smart meters, which amounted to 45% of the total water customer base. The company also maintained a high level of accuracy in meter readings, with a rate of more than 98% for both Manual Meter Reading (MMR) and Automated Meter Reading.

In addition, Nama Water Services Company demonstrated a robust communication strategy by efficiently sending over 802,600 text messages per month in 2023. The company's dedication to customer service extended to the development of its Call Center, where employees underwent comprehensive training to handle inquiries and address complaints. As a result, the company successfully resolved a noteworthy 222,935 complaints related to water supply and wastewater activities. The Call Center team responded to 33,286 inquiries. This is a true testament to the company's endeavors to achieve customer satisfaction.

Human Resources

In 2023, the People & Culture team made significant strides towards fostering a positive and efficient work environment at Nama Water Services. The company played a pivotal role in enhancing the overall organizational culture through strategic initiatives and a commitment to employee well-being. During 2023, Nama Water Services has achieved the following:

Talent Management

- Reintroducing FORUS (internal job rotation program)
- Established Executive Talent Committee which looks into succession planning and strategic HR related issues.
- Established divisional Talent Forums which are focused on divisional succession planning, performance management and talent review.

Learning & Development

Expanded training and development opportunities, resulting in a above 80% increase in skill-building programs as well as introduced several leaderships and HSE programs to foster career growth and knowledge.

Employee Engagement

Launched the Culture Committee where it successfully executed several initiatives that resulted in enhancing employee wellbeing.

HR Management System

Installed 93 fingerprint devices across governorates by October 2023.

Compensation

Saving 40% of overtime expenses due to introducing new procedures and automating the process.

Digitalization

Embracing digital transformation in HR management by moving core HR processes to Oracle Cloud.



Health, Safety and Environment

Nama Electricity Distribution Company (NEDC) pays great attention to HSE when it comes to developing the company assets and projects, promoting awareness amongst its staff and stakeholders, avoiding crisis and hazards. In 2023, NEDC recorded more than 17 million man-hours; however, the company recorded 3 LTIs and 1 fatality. These incidents prompted thorough and detailed investigations, with additional oversight from the company's Executive Management and Board of Directors to mitigate safety risks and prevent such occurrences in the future.

In response, various public safety campaigns were launched, aimed at raising awareness of safety issues, emphasizing the paramount importance of health and safety across all operations. The main safety campaigns conducted as follow:

Electrical Safety Campaign:

The company dedicated considerable contributions to promote a culture of health and safety through a comprehensive series of activities and events. This included organizing an electrical safety exhibition, conducting workshops, hosting meetings, and displaying awareness posters. Held in the months of November and December 2023, these initiatives reached across five Governorates and 11 Wilayats, engaging with 24 schools and over 1800 students. Moreover, the exhibition extended its reach to various Omani women's associations and civil society organizations, further amplifying the importance of safety and well-being.

"Nama Ta'azeez Wa Aman" Campaign for Asset Security and Safety:

This campaign focused on public safety and asset security in various Governorates within the company's concession area (all Governorates of the Sultanate of Oman, except Dhofar Governorate). It aimed to raise awareness to reduce electrical network incidents, asset theft and vandalism acts that lead to fatalities and serious injuries.

Customer Service

Nama Electricity Distribution Company recorded 3.4% growth by the end of 2023, boasting a customer base of 1.3 million compared to 1.26 million in the previous year.

Nama Electricity Distribution Company continued to distribute AMR meters, installing nearly 189,697 units in 2023, reaching the total count of Smart Meters to over 612,164. This strategic move aligns with the company's digital transformation objectives, leveraging Artificial Intelligence and ensuring data accuracy for precise customer readings. Furthermore, this initiative is anticipated to yield operational efficiencies and minimize system losses.

In 2023, NEDC achieved an overall average Service Level of 84% for its Contact Center, marking an improvement from 76.81% in 2022. This enhancement is attributed to increase employees awareness in handling various call types and the implementation of process automation within the center.

Human Resources

Nama Electricity Distribution Company concluded 2023 with a total of 1427 employees, maintaining an impressive Omanization level of 98%. This achievement underscores the company's commitment to executing an effective Omanization plan in alignment with governmental directives.

During 2023, the company facilitated a total of 2,751 training opportunities, investing approximately 550K in skill development initiatives. These training programs were delivered through diverse channels, including NICD's online learning platform "Rawafed," face-to-face sessions, conferences, and virtual courses.

As part of its Corporate Social Responsibility activities, NEDC continued its internship programs, benefiting over 256 students and graduates from various educational institutions. These initiatives not only support the academic journey of participants but also equip them with required professional skills, fostering the development of young Omani talents.

NAMA GROUP SUBSIDIARIES
PERFORMANCE

Health, Safety and Environment

Health and safety of customers, employees, and contractors stands as a key pillar with a steadfast commitment to a zero-tolerance policy for compromising safety. Commencing in June 2023, Nama Supply has dedicated itself to fostering a robust and enduring Health, Safety, and Environment culture among employees and contractors, resulting in the noteworthy accomplishment of zero accidents throughout 2023.

Nama supply has completed 147 consecutive days with zero fatalities and zero Lost-Time-Injuries (LTIs), with a total of 282,719 safe man-hours were recorded during the same period. This achievement marks the robust HSE leadership commitment of all levels towards adhering to HSE policies and procedures.

11 potential incidents (PI) were reported by employees, which were analyzed to identify latent hazards and implement corrective measures to prevent harm. Nama Supply continued to deliver on the HSE plan, which included specific goals and initiatives aimed at achieving HSE compliance and improving the overall HSE performance continuously.

11 potential incidents (PI) were reported by employees, which were analyzed to identify latent hazards and implement corrective measures to prevent harm. Nama Supply continued to deliver on the HSE plan, which included specific goals and initiatives aimed at achieving HSE compliance and improving the overall HSE performance continuously.



Customer Service

In terms of Customer Engagement, Nama Supply prioritizes accessibility and support for customers across various governorates, offering multiple user-friendly channels. In 2023, the company witnessed a growth in customer accounts, totaling 1,300,113 compared to 1,258,567 in the previous year 2022. The total energy consumption reached 35,371,865 MWh in 2023, marking a significant increase from 33,258,746 MWh in 2022. The shift towards digitalization aligns with Oman Vision 2040, with bill delivery transitioning to electronic means such as e-mail and SMS services. This digital transformation resulted in a remarkable 97% of bills being delivered electronically in 2023.

Nama Supply has undergone a significant digital transformation to enhance customer experiences, providing diverse payment channels like Payment Machines and Nama Services App. The company emphasizes customer satisfaction while ensuring effective fund recovery. In 2023, Nama Supply's e-transactions increased to 70% with contributions from Nama Services App, Payment Machines, Bank Muscat, and OIFC, compared to 67% in 2022, affirming the success of its digital payment initiatives.

Moreover, the Contact Centre of the company received 189,916 calls from June to December 2023. The recent, customer service records showcases remarkable improvement, attributed to strategic training, process automation, and enhanced staff knowledge for handling diverse inquiries.

Human Resources

In 2023, Nama Supply made significant progress in enhancing employees skills and capabilities through a comprehensive learning and development initiative. The company strategically invested in a variety of training courses, with a particular focus on Health, Safety, and Environment, Soft Skills, Leadership, and Technical Training. This commitment materialized in the successful completion of 41 courses, involving a financial investment of approximately RO 160,000, demonstrating the company's unwavering dedication to nurturing the continuous growth of its employees. Recognizing the importance of soft skills for day-to-day operations, Nama Supply incorporated training courses that focused on effective communication, teamwork, time management, and adaptability. These skills are essential to meet the demands of the work environment.

Leadership development was another main priority in the company's learning and development plan for the year 2023. The training courses aimed to cultivate strategic thinking, decision-making, and team management skills, acknowledging the vital role that strong leadership plays in driving innovation and achieving organizational success.

During 2023, a total of 288 training sessions were conducted for employees, encompassing diverse domains. The distribution of these sessions is as follows: HSE training constituted 10%, Leadership training comprised 16%, Soft skills training accounted for 38%, and Technical training represented 36%.



إحدى شركات مجموعة نماء
Member of Nama Group

Health, Safety and Environment

Oman Electricity Transmission Company (OETC) made significant achievements in adhering safe practices and quality management system within the framework of health, safety and environment. In 2023, the company achieved a total of 13.5 million man-hours, demonstrating the dedication of the workforce towards their roles and responsibilities. Moreover, the company achieved 44.7 million safe man-hours of Lost Time Injury (LTI), which reflected employees' focus on safety procedures. The company accomplished an exemplary record with ZERO major environmental incidents in 2023.

OETC showcased unwavering commitment to quality management, achieving a flawless 100% compliance in maintaining and enhancing the Quality Management System (ISO 9001:2015). The company

also attained a perfect score in executing HSE training plans, emergency drills, and HSE inspections and audits, with a notable 90% Compliance Rate. Furthermore, a comprehensive customer satisfaction survey was conducted in 2023, targeting 90% of participants. OETC continues its efforts to reduce its environmental impact by putting in place several initiatives and projects for minimizing GHG emissions, mitigating its carbon footprint, energy efficiency, waste generation, and natural resources utilizations.

During 2023, the company participated in many events to promote the principles of health, safety and environment, most notably the Oman Fire Safety Conference organized by the Public Authority for Civil Defence and Ambulance. The company also conducted site visits to its operational projects to verify the implementation of security and safety standards.

Oman Electricity Transmission Company implemented several training programs for its employees, including First Aids Training, Fire Warden Training, and OETC System Safety Rules Training. To further promote HSE practices among employees, the company launched several campaigns, including HSE Campaigns, Environmental Campaigns, Traffic Safety and the Emergency Moch Drills.

Human Resources

By the end of December 2023, the number of employees at Oman Electricity Transmission Company reached 390, with an Omanization rate of 97%. The management at OETC diligently executed numerous initiatives focused on enhancing efficiency, effectiveness, and overall organizational stability. These efforts were dedicated to instilling loyalty among the company's workforce and fostering a positive and conducive work environment.

Regarding training and development, OETC successfully executed over 37,747 training courses, providing an impressive average of 98.3 courses per employee in various technical and administrative disciplines. Demonstrating its commitment to nurturing local talent, OETC actively participated in the Eidad national program, welcoming and mentoring 5 graduates. The program, a collaborative effort with Nama Holding and NICD, aimed to equip these graduates with the necessary skills for the job market through a comprehensive 10-month training initiative commencing in September 2023.

As part of its social responsibility to empower Omani youth and qualify them for the labor market, OETC strategically engaged with college and university students from diverse governorates of Oman. Hosting two cohorts for an intensive two-month period, over the period from January to June 2023, the company provided practical training opportunities for approximately 54 students from various universities and colleges across the Sultanate of Oman.

During 2023, the Human Resources Department introduced several initiatives to create an ideal, motivating, stable and competitive work environment in alignment with the company policy and vision. These programs are:

- Career Path Plan
- Succession Plan
- Knowledge Sharing Sessions "Ma'aref" Program
- Takreem/ Excellence Initiatives
- Wellbeing Initiative

NAMA GROUP SUBSIDIARIES
PERFORMANCE

Health, Safety and Environment

At Nama Power and Water Procurement Company (NPWP), prioritizing health, safety, and environmental concerns is paramount. The management holds a steadfast commitment to cultivating a robust HSE culture, regularly evaluating policies, procedures, and practices to ensure continuous improvement. NPWP is dedicated to instilling a work culture that places utmost importance on health, safety, and environmental principles across all facets of its operations, encouraging employees to align their conduct accordingly.

Additionally, the company diligently works towards optimizing and refining its processes to achieve optimal HSE performance. NPWP's overarching

goal is to minimize adverse environmental impacts through stringent contractual terms, in compliance with national and international environmental and emissions standards for all its power and water projects, whether developed locally or internationally. The company ensures the health, safety, and wellbeing of NPWP's employees and stakeholders. As part of its philosophy, NPWP's management fosters a company-wide culture that champions robust health, safety, and environmental practices, ingrained in the mindset of every employee.

Human Resources

NPWP undertakes different initiatives to ensure that the company's core competencies and capabilities are sustainable. In 2023, the company utilized 98% of its training budget on various training courses such as leadership, technical, and soft skills. In addition, the company implemented internal knowledge-sharing sessions to foster a positive and motivating work environment, in which employees feel valued for sharing their experiences. Additionally, the company provided internal rotation opportunities to expose employees to other aspects of the company while broadening their skills, gaining new perspectives, and enhancing overall professional development and growth within NPWP.

In 2023, the company recruited 11 new employees, bringing the total workforce to 86 by year-end, achieving an impressive Omanization level of 98.8%. Furthermore, the company provided internship opportunities for seven graduated students by involving them extensively in the company's various operations.





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Numo Institute for Competency Development LLC

Numo Institute for Competency Development

Numo Institute for Competency Development (NICD) has been implementing programs to provide skilling, coaching and training opportunities for Omanis employees and job seekers. The following are the latest updates of NICD's programs:

The Learning Management System (Rawafid) (LMS)

NICD launched 'Rawafed', Learning Management System (LMS), in 2019. This system is considered an innovative online training platform. The system was upgraded in 2022, empowering 5200 users within Nama Group to access and partake in over 80,000 courses. This dynamic platform offers NG employees the opportunity to enhance their skills across diverse

fields through convenient online training solutions. The platform is designed to ensure:

1. Training opportunities are available anytime and anywhere 24/7/365 to ensure accessibility to all learners.
2. A vast content library that covers technical, soft skill, IT and languages.
3. Identifying learning opportunities that matches individuals and organizations' competency mapping
4. Supporting employees of the Learning and Development Departments within Nama Group.

Technical and HSE Courses

NICD delivered Technical and HSE Courses in different fields based on the technical competencies and business requirements in the Group. The company utilized special methodologies to develop technical employees by conducting theoretical and practical assessments to analyze and fill the gaps. NICD offered over 9 certification courses including ICAM, ESR, NEBOSH and protection, to certify and authorize technical employees across the Group.

The Assessment Center

The NICD Assessment Centre plays a critical role in evaluating the suitability of candidates for specific positions within Nama Group, particularly management and leadership roles. Through a series of interviews, group exercises, presentations, exams, and psychological tests, more than 2,800 exams were administered in 2023. This center has been instrumental in the selection process for the Nama Group merger project, ensuring optimal placement of candidates.

Coaching Techniques

Nama Group evaluated the leadership and management skills of over 450 managers and head sections in 2022. As a result, new training techniques were introduced in 2023 to improve employees' skills. From May to December 2023, 20 training sessions were conducted to enhance communication with managers and maintain relationships among the companies. In addition, 15 participants from Nama Group joined the ICF certification course.

Eidad Program

Eidad program is an educational program that was designed in collaboration with the Ministry of Higher Education, Research and Innovation. Its primary objective is to bridge the gap between the Industry and the Academy fields by promoting intellectual exchange and facilitating partnerships. The program provides a unique opportunity for university and college students to gain a one-year valuable experience and knowledge, which will prepare them for the real working environment. In 2023, Nama Group successfully trained 39 students in different fields through this program.

800 Technical Positions

A joint initiative was established in a collaboration between the Ministry of Labor (MOL), the Authority for Public Services Regulatory (APSR), and Nama Group to provide training and employment opportunities to applicants who were selected for 800 technical electrical jobs. The MOL's platform received 7,812 applications from graduates with a bachelor's degree in electrical engineering, a diploma in electricity, and a general diploma. A total of 5,600 graduates passed the initial test which was conducted through the LMS.





In a significant stride towards reshaping the electricity sector, Nama Shared Services (NSS) has achieved remarkable milestones in 2023. With a comprehensive strategy, the company successfully executed pivotal tasks encompassing Office 365, Oracle EBS, utilities, Orion, and Infrastructure upgrades. This achievement underscores NSS's unwavering commitment to driving innovation and efficiency amidst the dynamic landscape of the electricity sector.

NSS has embarked on a groundbreaking initiative by spearheading the Electronic Document and Records Management System (EDRMS) project. Launched on June 2023, the project marks a significant milestone with the completion of requirement gathering and system requirement specification phases. EDRMS project aims to optimize work processes and ensure efficiency and effectiveness in data management.

In addition, the company conducted a comprehensive Business Technology Mapping exercise, yielding invaluable insights into key business challenges and opportunities. Through research and development efforts, potential solutions have been explored and documented in a structured report. This endeavor underscores NSS's commitment to innovation and strategic problem-solving to support overarching business objectives.

With an impressive display of technical skill, NSS achieved a significant milestone with the successful deployment of new Meter Data Management and Automated Meter Reading solutions in the NSS private cloud. Leveraging advanced technology, NSS enhanced data security and control while ensuring enhanced performance and efficiency. Moreover, the company has optimized operations through strategic measures such as archiving and hardware optimization, enabling seamless management of metering points and bolstering infrastructure resilience. Also, NSS achieved optimization success through the implementation of additional measures such as archiving, fine-tuning databases, and hardware optimization. These endeavors have allowed NSS to effortlessly accommodate over 350,000 metering points on hardware.

Furthermore, NSS completed Nama Dhofar Services Business Readiness Assessment for Water and Wastewater Services by establishing the foundation for an integrated billing system encompassing water, wastewater, and electricity services. NSS has also upgraded Nama Dhofar Services's system to CC&B version 2.7 and organizing onsite training and testing for a smooth transition, representing its enhanced operational efficiency and service delivery. Additionally, the company has successfully implemented a Warehouse Management System (WMS) for OETC, poised to optimize warehouse operations and streamline processes.

The company launched an ambitious digital transformation initiative in collaboration with industry leader Pure Storage. This strategic endeavor aims at revolutionizing operations and enhancing efficiency through the adoption of cutting-edge technological advancements. Leveraging Pure's advanced data storage technology, Nama Shared Services has significantly enhanced performance and user experiences for its digital services delivered to Nama Group companies and government entities. The adoption of Pure's infrastructure has resulted in a 10x increase in storage performance, faster service delivery, and improved app performance, with remote branches experiencing up to 70% performance improvement. In another strategic collaboration, NSS has partnered with Credit Oman Company to integrate internal systems with Microsoft Dynamics and Oracle, enhancing operational efficiency and data management.

In 2023, NSS was recognized as one of the essential data providers by Oman Credit and Financial Information Centre (Mala'a). These achievements reflect the company's dedication to driving innovation, efficiency, and operational excellence in the electricity sector, paving the way for a sustainable and digitally empowered future. NSS places a great emphasis on the development of its human capital and provides continuous training opportunities to improve their skills and competencies. In 2023, one of its employees has successfully completed the National Program for Leadership Development (Etimad).

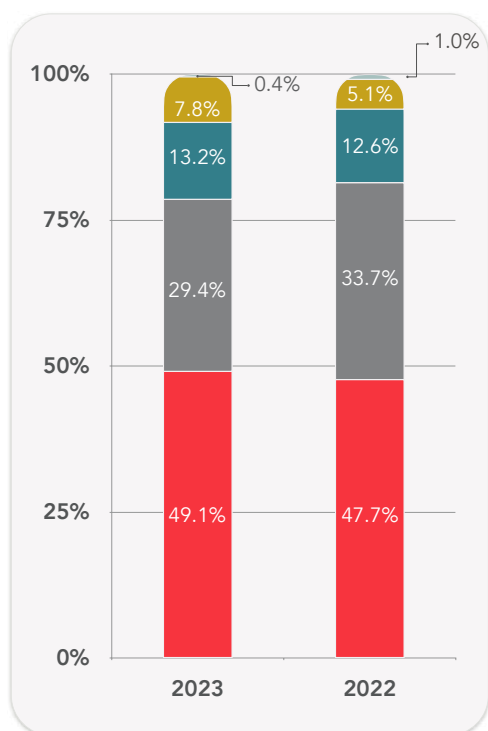
The background image shows two men in traditional Omani clothing, including white dishdashas and patterned kummahs. One man is standing and pointing at a computer screen, while the other is seated and wearing a headset, looking at the same screen. The setting appears to be a modern office with large windows and indoor plants.

FINANCIAL & OPERATIONAL PERFORMANCE

NOTE

The financial figures for the year 2022 is subject to change due to a recent directive from the Authority for Public Services Regulation (APSR) and the Ministry of Finance (MOF) has necessitated a restatement in February 2024. The directive stipulates that the water and wastewater sector's Price Control Regulation (PCR) will only come into effect following the issuance of the Sector Law, dated 20 June 2023, with the PCR effective from 1 January 2024. Accordingly, the Group has recorded a non-cash impairment loss of RO 1.8 billion. This loss has been adjusted by transfer from additional shareholder contribution to retained earnings. As a result, there is no impact on the Group's retained earnings for the year ended 31 December 2023.

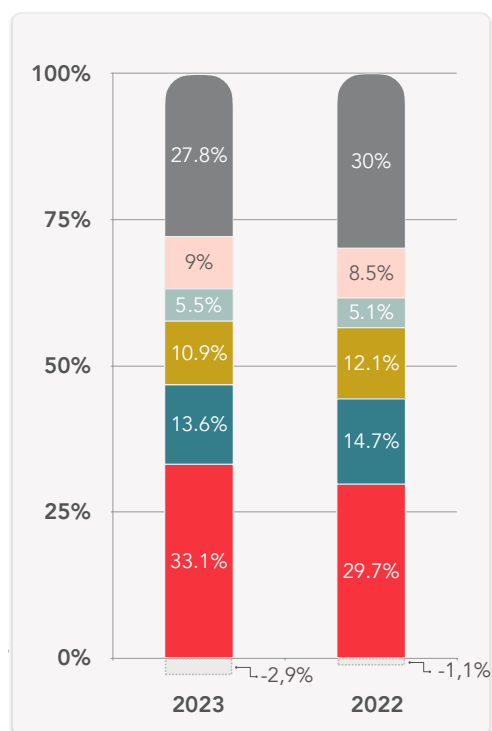
Total Revenue of Nama Group in 2022 and 2023



- Total Revenue in 2023: 1.698 Billion OMR
- Total Revenue in 2022: 1.559 Billion OMR

■ Amortisation of deferred revenue and others
■ Other operating revenue, net of price control adjustments
■ Water and Wastewater Sales
■ Government Subsidy (Electricity)
■ Electricity Sales

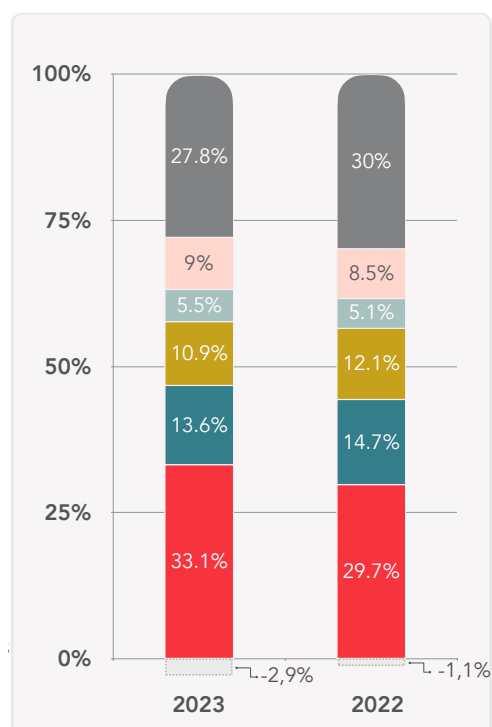
Total Expenses of Nama Group in 2022 and 2023



- Total Expenses in 2023: 1.590 Billion OMR
- Total Expenses in 2022: 1.490 Billion OMR

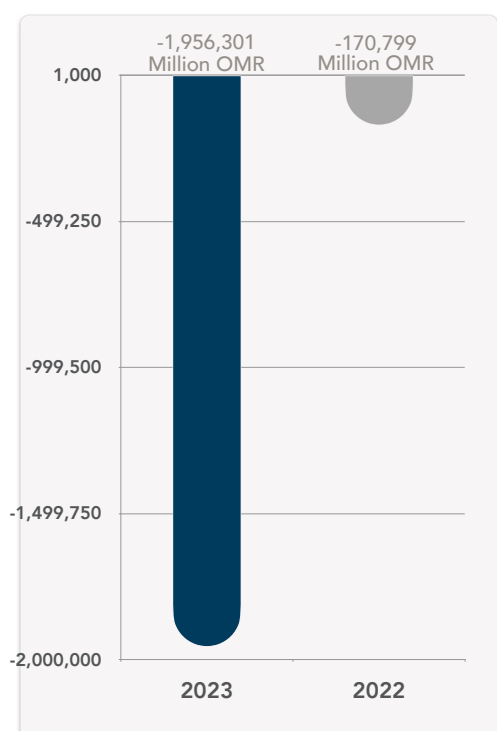
■ Depreciation & Amortization
■ Employees Benefit Expenses
■ General & Administrative Expenses
■ Other Operating Cost
■ Water Purchases
■ Energy Purchases
■ Impairment Losses of Financial Assets

Cost per MWh for Electricity in 2022 and 2023



- Cost per MWh in 2023: 41.1 OMR
- Cost per MWh in 2022: 40.9 OMR

Nama Group Profit Before Tax in 2022 and 2023



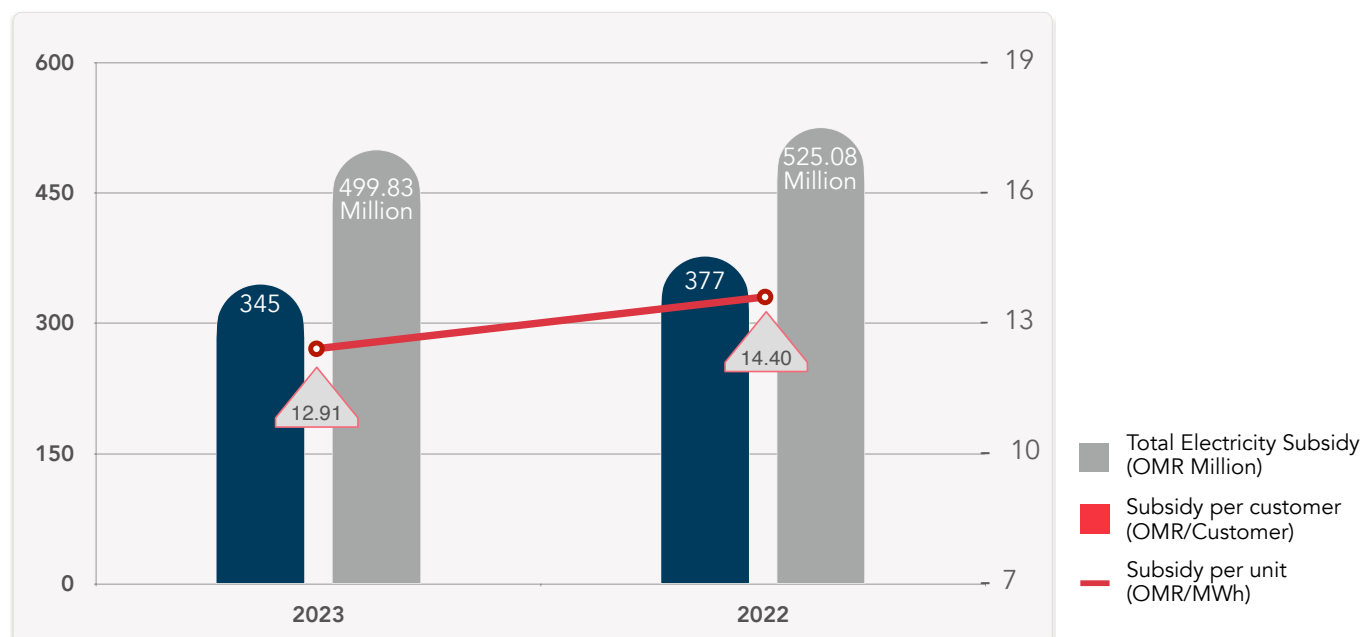
- Loss Before Tax in 2023: (1,956) Million OMR
- Loss Before Tax in 2022: (170,799) Million OMR

Subsidy per Unit for Electricity in 2022 and 2023

- Subsidy per Unit in 2023: 12.91 OMR
- Subsidy per Unit in 2022: 14.40 OMR

Subsidy per Customer for Electricity in 2022 and 2023

- Subsidy per Customer in 2023: 345 OMR
- Subsidy per Customer in 2022: 377 OMR

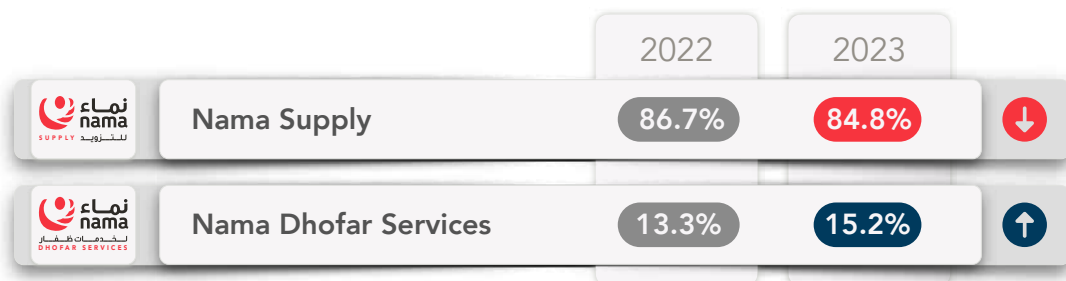


Note:

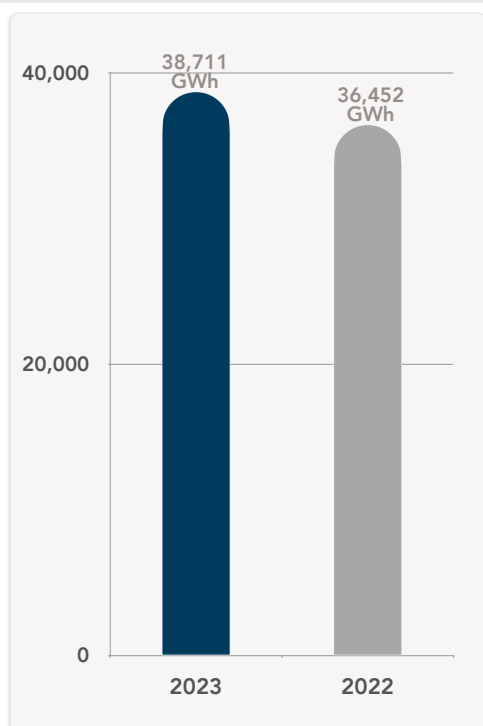
- Subsidy per Unit decreased by 10.36%
- Subsidy per Customer decreased by 8.5%

Subsidy per Company for Electricity in 2022 and 2023

- Total Subsidy in 2023: 499.83 Million OMR
- Total Subsidy in 2022: 525.08 Million OMR



Unit Sold for Electricity in 2022 and 2023



- Unit Sold (GWh) in 2023: 38,711
- Unit Sold (GWh) in 2022: 36,452

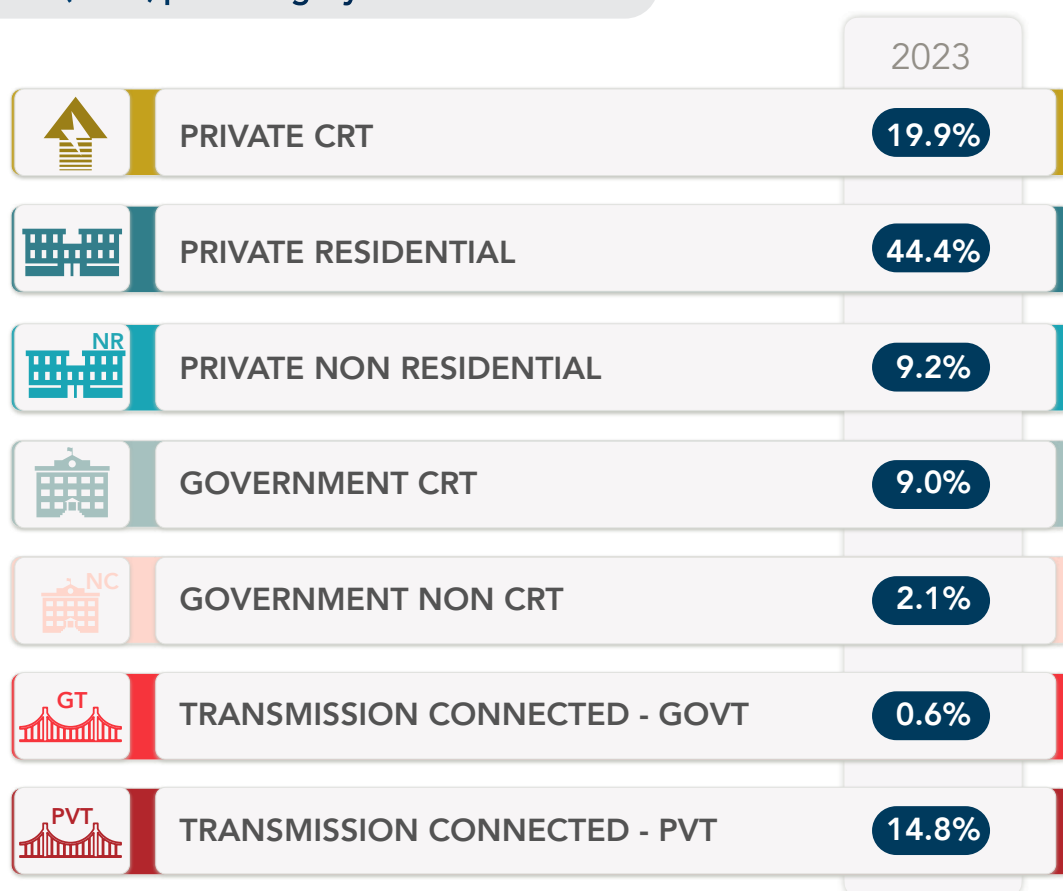
Notes:

- Unit Sold increased by 6.2%.

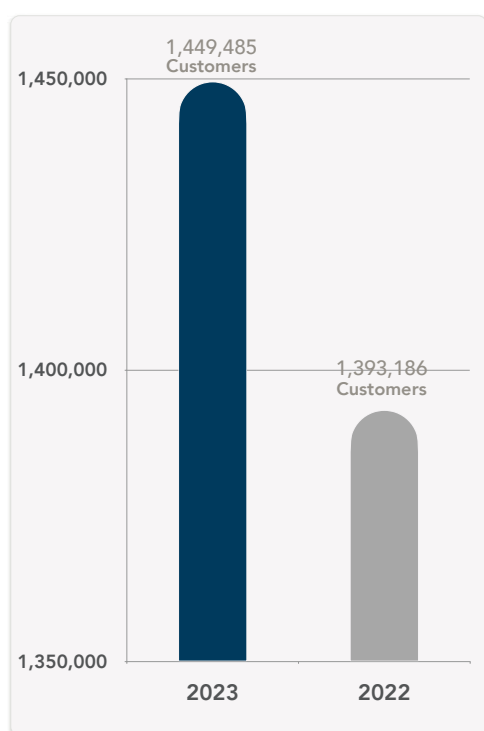
Unit Sold (GWh) per Company in 2022 and 2023



MIS Unit Sold (GWh) per Category in 2022 and 2023



Number of Electricity Customers in 2022 and 2023



- Total Number of Customers in 2023: 1,449,485
- Total Number of Customers in 2022: 1,393,186

Note:

- Number of customers was increased by 4%

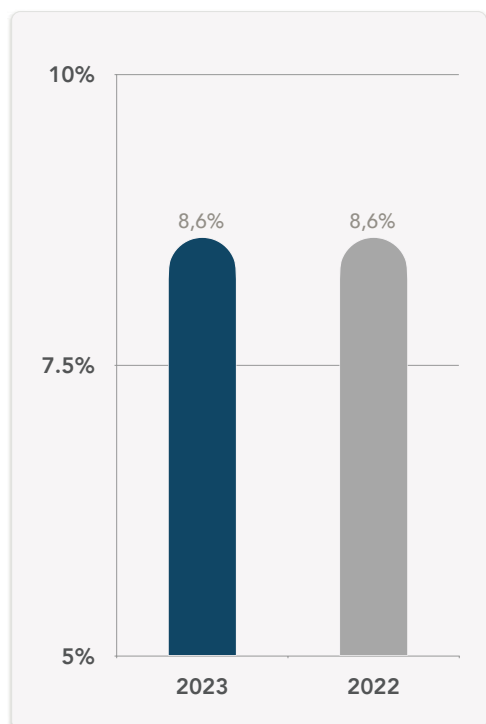
Number of Electricity Customers per Company

		2022	2023	
	Nama Supply	90.3%	89.7%	↓
	Nama Dhofar Services	9.7%	10.3%	↑

Number of Electricity Customers per Category

		2023
	PRIVATE CRT	1.1%
	PRIVATE RESIDENTIAL	72.2%
	PRIVATE NON RESIDENTIAL	24.0%
	GOVERNMENT CRT	0.4%
	GOVERNMENT NON CRT	2.3%
	TRANSMISSION CONNECTED - GOVT	0.0%
	TRANSMISSION CONNECTED - PVT	0.0%

Electricity Losses in 2022 and 2023

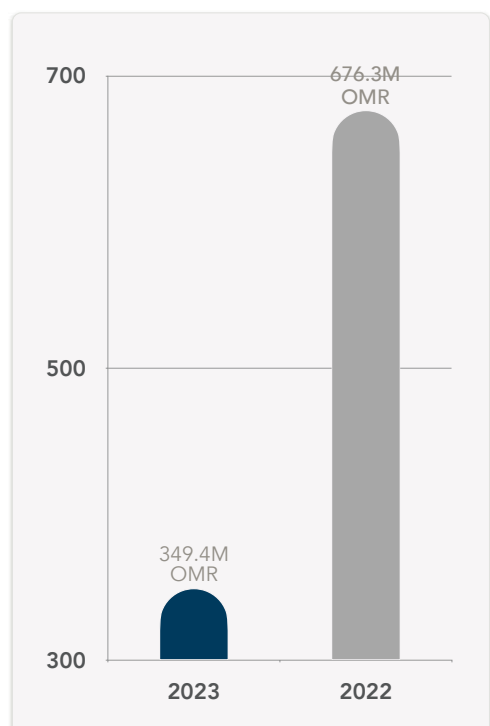


- MIS and DPC Electricity Losses in 2023: 8.6%
- MIS and DPC Electricity Losses in 2022: 8.6%

Electricity Losses per Company in 2022 and 2023

Company	2022	2023
Nama Supply	8.10%	8.23%
Nama Dhofar Services	13.2%	11.9%

Nama Group Total Capital Expenditure in 2022 and 2023



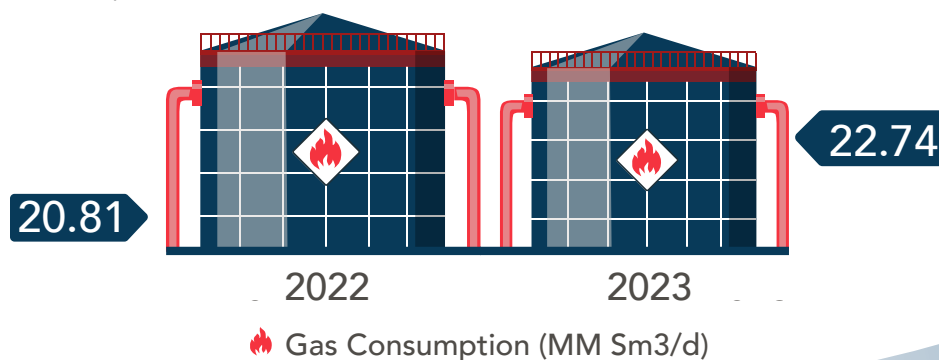
- Total amount of Capital Expenditure in 2023: 349.4 Million OMR
- Total amount of Capital Expenditure in 2022: 676.3 Million OMR

Distribution of the Capital Expenditure per Company

	2022	2023	
 RAECO	3.2%	1.9%	↓
 MJEC	6.0%	4.8%	↓
 Nama Distribution / MZEC	13.7%	26.2%	↑
 Nama Dhofar Services / DISC	12.8%	9.7%	↓
 Nama Supply / MEDC	4.8%	3.7%	↓
 OETC	25.5%	19.4%	↓
 Nama Water Services / DIAM	33.6%	34.1%	↑
Others / adjustments	0.5%	0.2%	↓

Gas Consumption for Electricity in 2022 and 2023

- Gas Consumption in 2023: 22.74 MM Sm³/day
- Gas Consumption in 2022: 20.81 MM Sm³/day



Note:

- Gas Consumption decreased by 9.3%.

Nama Power & Water Procurement Company: Electricity & Water Supply & Demand in 2022 & 2023

	2022	2023	
Total Capacity (MW)	8,673	8,673	

Energy (MWh)	2022	2023	Growth
MIS	35,582,383	37,697,024	5.9%
DPS	3,628,613	4,102,344	13.1%

Water (M ³)	2022	2023	Growth
MIS + A'Sharqiyah	367,563,682	375,790,396	2.2%
DPS	41,014,579	42,360,473	3.3%

MIS	2022	2023	Growth
Peak	6,628	7,112	7.3%
Average	4,052	4,303	6.2%

DPS	2022	2023	Growth
Peak	612	638	4.3%
Average	414	460	11.1%



SUSTAINABILITY REPORT



In the ever-changing world of corporate responsibility and sustainability, Nama Group stands out for its strong commitment to making positive impacts on the environment, society, and economy.

The 2023 Group Sustainability Report is a comprehensive record of our journey, highlighting achievements and transformative initiatives. As an organization deeply rooted in Oman's economic landscape, we understand the importance of incorporating sustainability in all aspects of our operations. Aligned with Oman Vision 2040, our projects are intentional steps toward building a prosperous and sustainable future.

Sustainability is a fundamental value embedded in our organization, driving us to actively support Oman's sustainable development through safe, reliable, and efficient electricity and water services. Positioned as a key driver in the utility sector, we navigated social, economic, and environmental objectives successfully. Our contributions to sustainability projects and sponsorships reached RO 500K, benefiting diverse stakeholders, institutions, and local communities.

Aligned with OIA directives, our initiatives contribute to local communities and the national economy generally. In 2023, Nama Group collaborated with key institutions like the Ministry of Education, Civil Defence and Ambulance Authority, and Oman Charity Organization, resulting in noteworthy initiatives such as the National Electricity Conservation Campaign, the Communication and Sustainability Graduate Program, Wiyakum Project, Daymah Exhibition, Oman Sustainability Week, Solar Panel Projects, Green Schools, and the Naqla Program. Additionally, the Group has successfully organized Nama Week campaign in three different locations, covering Dhofar, Al Dahkiliyah and Al Batinah North governorates in 2023 that mainly aim to increase environmental awareness, promote home safety, and encourage community engagement. It also contributes to further enhancing economic, social, and environmental sustainability through carrying out a diverse range of activities.

As we reflect on 2023, this report outlines our future roadmap, articulating ambitious goals and innovative approaches that will propel Nama Group toward even greater sustainability achievements in the years to come.

The Economic Pillar

Nama Group places substantial emphasis on the pivotal role of Omani talents in driving economic growth. Collaborating closely with relevant authorities, the Group organized significant projects dedicated to fostering sustainable development. In pursuit of this goal, the Group allocated RO 220,400 for the Economic Pillar, constituting approximately 44.08% of the total Sustainability Policy Budget for 2023.

This allocation was strategically employed to fund diverse projects falling under the Economic Pillar, including:

SR NO.	INITIATIVE	DESCRIPTION	EXPENSES
PROJECTS			
1	Naqla Program electricians training	The program aims to train and qualify electrical graduates. The program offers a comprehensive training project that covers theoretical and practical aspects. Participants will obtain electrical licenses and gain enhanced knowledge and skills to meet the requirements of technical work in dealing with electricity and applicable laws and regulations.	RO 50,000
2	Communication and Sustainability Graduate Program	A customized program to provide job experience for Omani talents pursuing careers in the field of communication and sustainability.	RO 18,900
3	Naqla Startup Accelerator Program	A partnership with al Jabr to carry out a technical and feasibility study to promote full-time and part-time job opportunities for certified electricians. It is a hands-on development program to develop and accelerate Startups in the electrical services sector, offering 1-1 learning from seasoned entrepreneurs, industry experts, and investors. The program provides the participants with a clear business opportunity to work with Nama to create the post-connection services. The program also acts as a channel to utilize Naqla training program graduate to be placed within an entrepreneurial institute to fuel the creation of new business in the utilities market.	RO 50,000
4	Nam Sustainability Week	In alignment with Nama Group's sustainability strategy, Nama Group along with key stakeholders and concerned institutions, launched Nama Week campaign in three governorates, including Dhofar, Al Dakheliyah and Al Batinah North. The primary goals of the campaign were to raise environmental awareness, promote home safety, and encourage community engagement, contributing to further enhance economic, social, and environmental sustainability through carrying out a diverse range of activities.	RO 58,000

SPONSORSHIPS			
1	Oman Forum sponsorship	Nama Group sponsored the 11th edition of Oman Forum, organized by Alam Al-Iktissad Magazine in collaboration with government entities. At the event, the Group received the Economics World Award for Sustainability Leadership, recognizing its dedication to sustainability practices.	RO 3,500
2	Expo Japan 2025	An upcoming World Expo organized and sanctioned by the Bureau International des Expositions (BIE), which will be held in Osaka, Japan 2025. The theme of the expo is 'Designing Future Society for Our Lives', with sub-themes of 'Saving Lives', 'Empowering Lives' and 'Connecting Lives'.	RO 25,000
3	Hackathon IoT in Sustainable Development	A Hackathon focused on the Internet of Things (IoT) in sustainable development. This event presents an exceptional chance to contribute in advancing sustainability initiatives in Dhofar through IoT applications, while simultaneously fostering the growth of students' skills in AI, IoT, innovation, and scientific research. These endeavors align seamlessly with the national agenda of Oman Vision 2040. Nama Dhofar Services has successfully implemented this project.	RO 15,000
TOTAL			RO 220,400

Projects

Naqla Program

Naqla is one of Nama sustainability projects, targeting the unemployed graduated candidates. The program continues to train Omani candidates since 2017 to qualify them to get the electrician license based on Oman Electrical Standard (OES) that will rise the job opportunities in the market.

The Program is established according to OES 4 edition 2 & 3 which was implemented in 2020 to oversee the economic and technical activities of Nama Group companies in addition to its duties over licensed companies. The Program reflects responsibilities towards the public, including the assurance of safe and efficient electricity supplies to customers.

Naqla project is run by Numo Institute for Competency Development (NICD), which is responsible for selecting the candidates and developing the training plans. The training program is divided into theoretical and practical training that assures the quality of delivering the required data to the candidates.

In 2023, the total number of applicants who were eligible to enter the electrician exam is 81 applicants. A total of 51 applicants passed the practical exam, out of 81 applicants. Since the beginning of Naqla program until end of 2023, the total number of trainees reached 401 electricians, the total number of electrical license holders were 313 electricians, and the success rate in obtaining the electrical license was 84%.

Communication and Sustainability Graduate Program

Nama Group set targets to improve skills and capabilities of Omani talents through offering internship opportunities. Nama Group trained 6 fresh graduates in 2023 at Nama Holding Communication and Sustainability Department.

The trainees obtained knowledge and techniques of handling projects and campaigns with a total of 10,800 training hours. Upon the completion of 2 years, 4 trainees received job offers and were recruited on a full-time basis in different sectors in public and private entities such as Oman LNG, PDO, OMRAN, and the Ministry of Finance.

Naqla Startup Accelerator Program

Following a comprehensive feasibility analysis conducted by Al Jabr LLC, it has been determined that creating a utility service app to facilitate technician services for residential buildings in Oman is a viable venture. The study's recommendations advocate for the utilization of existing SMEs and startups to deliver technical services, specifically by onboarding Naqla electricians through SME platforms.

In this context, startups seeking participation must meet Nama's stringent quality standards. To facilitate this, an accelerator program focused on the industry is proposed, aiming to uncover innovative solutions that can enhance the utility ecosystem. The accelerator program will serve as a platform bringing together industry leaders, investors, innovators, and skilled individuals from Naqla's training program to foster positive impact.

The primary objective of the Nama Naqla Startup Accelerator Program is to establish a strategic investment, driving innovation, development, and value within the utility services sector. This hands-on development initiative is designed to accelerate startups in the electrical services sector, providing one-on-one learning opportunities from seasoned entrepreneurs, industry experts, and investors. Furthermore, the program offers participants a tangible business opportunity to collaborate with Nama, creating post-connection services and establishing links with Naqla-certified electricians for potential business development. This fosters relationships, empowering graduates with real-world opportunities and enabling service providers to contact skilled and certified electricians.

Nama Sustainability Week

Aligned with Nama Group's sustainability strategy, Nama Week was launched in three governorates—Dhofar, Al Dakhiliyah, and Al Batinah North. The campaign aimed to heighten environmental awareness, promote home safety, and foster community engagement. Through a diverse array of activities, the initiative sought to enhance economic, social, and environmental sustainability with the participation of key stakeholders and concerned institutions.

With the participation of more than 1,320 participants in various environmental and community initiatives to achieve sustainability and raise community awareness, Nama Week in Dhofar witnessed a huge success and gained audience eyeballs. During the campaign, the Group reached and educated more than 125,000 individuals in social media programs, enabling them to effectively use





these platforms to raise awareness. In addition, 600 local seedlings were distributed to the company's employees to contribute to maintaining the environmental balance, with the participation of 150 volunteers. Nama Week in Dhofar also included the launch of the 'Baiti Amin' exhibition, in cooperation with the Civil Defense Authority, to enhance home safety, rationalize electricity and water consumption, and efficient use of energy, which was attended by over 500 visitors. Attended by 20 participants, awareness workshops on home safety and electricity and water conservation were organized in cooperation with the Omani Women's Association in Taqah.

Furthering its pursuit to promote sustainability and community engagement across the governorates of Oman, the Group conducted Nama Week in Al Dakhiliyah which covered a wide array of social and environmental initiatives including; the cleaning campaign in which several governmental and civil institutions, as well as 65 schools' students in Wilayat of Izki participated. The week also included the tree planting initiative to promote the culture of increasing plantation and environmental sustainability in Wilayat of Samail, where 80 students and a number of citizens and employees participated in planting 300 trees in Hassas Park in Izki. To further encourage individuals to adopt practices of achieving environmental balance by increasing the greenery, 700 seedlings were distributed to Nama staff in Al Dakhiliyah offices and participants in the planting initiative.

Additionally, Nama Group implemented a series of workshops and sessions in 20 schools, with a total of 500 students, to promote community awareness and the principle of rationalizing electricity and water consumption. The Group also launched Naqla Program for electricians to qualify and obtain graduates with the electrical license to replace expatriates in the electricity connection fields. The electricians were involved in the national infrastructure project of smart meters (AMR). During the week, Nama Water Services conducted water quality tests in 18 schools across the governorate to ensure the quality of water conforms to the standard specifications of the company.

Nama Week in North Al Batinah Governorate targeted more than 500 students from 20 schools to participate in various awareness workshops that promote the principle of sustainability. During the campaign, Nama Group successfully ran a planting initiative with the participation of 40 individuals in Saham, whereas 70 individuals participated in the cleaning initiative in the Wilayat of Suwaiq. In alignment with the Group's objectives to promote environmental sustainability by increasing greenery, the participants planted 300 seedlings and distributed 700 other seedlings as part of the tree-planting initiative. Nama Week continued in Al Batinah North by implementing the national project for smart meter infrastructure (AMR), where more than 1,600 traditional meters were replaced with smart meters.

Sponsorships

Oman Forum

Nama Group participated in the 11th edition of Oman Forum as a strategic partner. The forum stood as a pivotal gathering for thought leaders, and industry experts from across public and private entities, aiming to review means of enabling transitions to sustainability and shaping the future of an innovation-based economy. As a strategic partner, the Group engaged in dialogue on diverse topics revolved around the concept of sustainability. The event also included several business papers and discussion panels on the strategic measures taken by the Sultanate to address the economic challenges.

Expo Japan 2025

Expo Japan 2025, a prestigious World Expo sanctioned by the Bureau International des Expositions (BIE), is set to take place in Osaka, Japan. Under the theme 'Designing Future Society for Our Lives', with sub-themes of 'Saving Lives', 'Empowering Lives', and 'Connecting Lives', Expo 2025 aims to unite diverse cultures in shaping the future.

This global event strives to foster collaboration and create an excellent future society, aligning with the sustainable development goals set by the United Nations. Nama Group, committed to sustainability, sponsors this prominent event, contributing to the realization of a more sustainable and interconnected world.

Hackathon IoT in Sustainable Development

Embark on a transformative journey at the Internet of Things (IoT)-focused Hackathon for Sustainable Development, an extraordinary initiative that provides a unique opportunity to actively participate in the advancement of sustainability projects in Dhofar through innovative IoT applications. This event not only serves as a platform for honing students' expertise in Artificial intelligence (AI), IoT, innovation, and scientific research, but also aligns with the national agenda of Oman Vision 2024.

The hackathon camp aimed to engage 100 students and 50 supervising teachers, providing each student with a comprehensive training bag containing essential IoT tools. This strategic distribution, with one bag per student, ensures the sustained success and ongoing involvement of students in the program. As a recognition of their dedication and the completion of noteworthy technical projects in the field, a total of RO 2,100 was allocated for the top three winners. This initiative not only fosters a hands-on learning experience, but also encourages students to excel in the realm of technology and innovation.

Led by Nama Dhofar Services, this project aims to achieve a positive impact by empowering participants to contribute meaningfully to the sustainable development landscape while nurturing a new generation of tech-savvy innovators.

The Social Pillar

Nama Group is committed to instilling a sustainable spirit in Health, Safety, and Environment (HSE) practices, recognizing their profound impact on the well-being of employees and contractors and, by extension, the broader society. The Group places importance on continuous education and training initiatives, ensuring its workforce is knowledgeable in HSE practices. Engaging actively in societal well-being, Nama Group dedicates efforts to social campaigns and volunteer activities, exemplified by an annual allocation of RO 100,000 to support the Oman Charity Organization and granting employees the opportunity to volunteer for a day each year.

In 2023, Nama Group's unwavering commitment to sustainability extended to a financial investment of over RO 181,000 in projects, campaigns, and sponsorships within its Social Pillar, underscoring its dedication to sustainability initiatives throughout the Sultanate.

SR NO	INITIATIVE	DESCRIPTION	EXPENSES
PROJECTS			
1	Daymah Exhibition	A sustainability campaign of NPWP that focuses on spreading awareness to the public on the main sustainable projects of the company, as well as to educate the society on rationalizing electricity and water consumption.	RO 0
2	'Wiyakum' Program volunteering activities	Annual volunteering program designed by NG to encourage staff to participate in volunteering activities. The Group organized a blood donation campaign and distributed gifts during a visit to one of the local hospitals this year.	RO 0
SPONSORSHIPS			
1	Donation to Oman Charity Organization (OCO)	As instructed by the OIA, 20% of the total budget was re-directed to Oman Charitable Organization.	RO 100,000
2	Oman Civil Defense and Ambulance Conference & Exhibition	As part of its endeavors to enhance social partnerships, Nama Group participated in the first Oman Civil Defense and Ambulance Conference & Exhibition as the main sponsor. The event coincided with the Civil Defense Day.	RO 20,000
3	Bowsher General Endowment Foundation	NG supported the official launch ceremony of the Bowsher General Endowment Foundation, established by a ministerial decision. This foundation seeks to invest in the endowment by strengthening and consolidating social partnerships.	RO 5,000
4	Distribution of Water Tanks	As part of its social responsibility program, Nama Water Services distributed water tanks for social security families in Al-Sharqiyah Governorate, along with conducting awareness sessions on water conservation.	RO 50,000
5	Engaging in Hospital Visits to Uplift Patients' Spirits	This initiative aims to establish enduring systems to provide support to hospital patients through visits. These visits involve offering giveaways both emotionally and physically, fostering a sense of inclusion in Omani society for the patients. These initiatives allow our staff to engage with local society and contribute to cause a positive impact.	RO 6,000
TOTAL			RO 181,000

Projects

Daymah Exhibition

NPWP's Daymah initiative, signifying 'lasting' in English, stands as a testament to the company's unwavering commitment to sustainability. Dedicated to educating the youth about sustainable power and water solutions, Daymah aligns with NPWP's mission of creating a greener, healthier world. During a 4-day exhibition at Mall of Oman, diverse programs and activities were organized, including the Watching Zone, where the Daymah Animation Series celebrated NPWP's sustainable initiatives. Workshops offered creative paper art activities, the Solar Maze Zone featured an interactive game, and the Renewable Energy Zone educated and entertained. The Carbon Footprint Zone aimed to inform visitors about their carbon footprint. NPWP's continuous efforts in renewable energy education and collaboration with stakeholders underscore its commitment to environmental and social responsibility. The Daymah exhibition received over 1000 visitors and witnessed significant engagement on social media channels.

'Wiyakum' Program

Wiyakum program is a key corporate social responsibility initiative of Nama Group, which was added to the Group's portfolio in 2014 and recently completed its eighth edition. At the core of this program is the volunteering initiative, which aims to foster a culture of volunteering among Omani youth and the Group's employees at the local community level to promote awareness and responsibility.

As part of Nama Group's volunteering program in 2023, employees were granted a one-day volunteering leave to actively engage with local communities. This initiative comprised 13 activities, including national blood donation drives, planting and beach cleaning, and gift distribution to a local hospital, as well as providing support to charitable organizations like Al Rahma Association and Dar Al Atta.

In collaboration with the central blood bank, Nama Group organized a blood donation campaign, with NH, NSS, and OETC employees contributing to the cause. A total of 78 employees participated in the campaign, emphasizing Nama Group's commitment to social responsibility.

Furthermore, OETC initiated a voluntary program to visit children at Sultan Qaboos University Hospital (SQUH) on behalf of Nama Group. This initiative targeted 100 children from various sections at SQUH, involving 11 employees from different departments. This undertaking underscores Nama Group's dedication to social responsibility, encouraging employee participation in diverse social initiatives while promoting community service and volunteerism values.

Sponsorship

Donation to Oman Charity Organization

Nama Group is committed to supporting social projects and initiatives aimed at helping the underprivileged segments of society. As part of this commitment, the Group supported Oman Charity Organization with an amount of RO 100,000, providing assistance to those in need and promoting sustainable contributions. Nama Group initiative was dedicated to support the Organization Social Responsibility Program which includes 7 charitable projects. The allocated amount represents 20% of Nama Group Sustainability overall budget, in line with the Oman Investment Authority's mandate to contribute to local communities' development plans.

Sponsorship of Oman Civil Defense and Ambulance Conference & Exhibition

Nama Group takes the spotlight as the main sponsor of the First Oman Civil Defense and Ambulance Conference & Exhibition, underlining its unwavering commitment to the safety and well-being of the community. This strategic sponsorship reflects Nama Group's dedication to supporting social initiatives that play a pivotal role in enhancing emergency response and ensuring public safety. The collaboration serves as a testament to the Group's recognition of the significance of advancements in civil defense and ambulance services, further solidifying its position as a key contributor to community welfare.

The Civil Defense and Ambulance Authority orchestrated a highly impactful conference and exhibition in collaboration with key strategic partners, endorsing institutions, and supportive entities. The conference displayed an array of comprehensive business papers that explored cutting-edge research findings and the best practices at local and international levels. With an illustrious lineup of speakers, specialists, and experts, the event provided an ideal platform for insightful discussions. The concurrent exhibition showcased various sections, featuring the Authority, strategic sponsors, and both government and private institutions actively supporting safety initiatives. Additionally, companies specializing in security and safety equipment presented the latest in their offerings, including advanced technologies such as artificial intelligence. Boasting over 300 participants, specialists, and enthusiasts, the event witnessed remarkable success and widespread public engagement.

Sponsorship of Bowsheer General Endowment Foundation

Endorsing the inauguration ceremony of the Bowsheer General Endowment Foundation, established by a ministerial decision, reflects Nama Group's commitment to fostering social partnerships. The foundation is poised to strategically invest in the endowment, aligning with Nama Group's sustainability objectives, with a specific focus on implementing impactful solar projects. By engaging in this initiative, Nama Group underscores its dedication to sustainable development and the advancement of communal well-being.

Distributing Water Tanks for Social Security Families

In a generous move to support the local communities of Al-Sharqiyah Governorate, Nama Group, represented by Nama Water Services (NWS), distributed 2000 water tanks to the Social Security Families. This initiative was aimed at providing these families with an essential resource to meet their basic needs and sustain their daily lives. Furthermore, the Group also conducted awareness sessions about water conservation, emphasizing the importance of preserving this precious resource for future generations. Through this initiative, Nama Group showcases its commitment to corporate social responsibility and its dedication to making a positive impact on the communities it serves.

Engaging in Hospital Visits to Uplift Patients' Spirits

As part of Nama Group's sustainability initiatives within the social pillar, which aims to encourage employees to dedicate at least one workday annually to charitable activities, the OETC team conducted a visit to Sultan Qaboos University Hospital to uplift and boost the spirits of patients. With an allocated budget of RO 6,000, these visits involved providing meaningful giveaways and emotional support, fostering a sense of inclusion within Omani society for the patients. Such initiatives enable our staff to actively engage with the local community, contributing to a positive impact.

The Environmental Pillar

The Environmental Pillar of Nama Group assumes a pivotal role in upholding the nation's resources and advancing the Group's commitment to providing sustainable, secure, and dependable electricity. Aligned with this commitment, Nama Group has articulated two overarching objectives within its Sustainability Policy for this pillar. The first objective is to reduce the carbon footprint associated with each generated megawatt of electricity and water, adhering to international standards. The second objective involves the execution of annual energy conservation campaigns, fostering awareness among customers and local communities.

In 2023, Nama Group continued its resolute pursuit of these environmental objectives, channeling a substantial investment of RO 98,600 into diverse projects and sponsorships. This financial commitment accounted for approximately 19.72% of the overall Sustainability Budget, reflecting the Environmental Pillar's significant role.

SR NO	INITIATIVE	DESCRIPTION	EXPENSES
PROJECTS			
1	Solar Panel Project	To achieve NG environmental objectives, the Group collaborated with Nafath Renewable Energy LLC to install solar panels on social buildings including mosques and health center to reduce the costs of electricity bills across the Sultanate of Oman.	RO 0
2	The National Electricity Conservation Campaign	A media awareness campaign to encourage customers to reduce their electricity and water consumption.	RO 61,100
SPONSORSHIPS			
1	Oman Sustainability Week 2023	Acting as a key driver of sustainability, NG participates annually at this event to showcase its achievements and exchange knowledge with other international counterparts and local partners.	from 2022
2	Oman Sustainability Week 2024	Acting as a key driver of sustainability, NG participates annually at this event to showcase its achievements and share knowledge with other international counterparts and local partners.	RO 17,500
3	Green Schools	To achieve the environmental objectives, Nama Group collaborated with the Ministry of Education (MOE) to sponsor the national project of green schools which aims to ensure sustainability of the environment by harnessing the power of students' minds.	RO 20,000
TOTAL			RO 98.600

Projects

Solar Panel Project for Social Buildings

In line with its steadfast commitment to sustainability, Nama Group proudly sponsors Nafath Renewable Energy LLC in implementing a solar panel installation project for social buildings across the Sultanate of Oman. Nafath Renewable Energy, an SME specializing in consultancy, project management, and contracting for renewable energy and energy efficiency solutions, collaborates with Nama Group on this transformative initiative.

This partnership encompasses the design, supply, and commissioning of independent 10 kW and 20 kW solar energy systems on the rooftops of five mosques located in Maabila and Bawsher including (Al-Rasheed Mosque, Al-Mujeeb Mosque, Hai Al Baidhaa Mosque, Mohammed





Al Amin Mosque, Al Furdoos Mosque) and Bowsher Health Center, collectively contributing 117.2 kW to the renewable energy grid. The primary aim is to mitigate the high electricity costs faced by these facilities, allowing for the export of excess solar-generated power to the grid.

This impactful project addresses an issue faced by many mosques dealing with high electricity bills due to inefficient energy consumption management. The anticipated benefits include enhanced electricity bill management, support for Nama Group in achieving net-zero targets and raising awareness within local communities about electricity and water conservation through the provision of alternative energy solutions.

The National Electricity Conservation Campaign

In line with its sustainability goals of conserving national resources and its role in delivering safe and sustainable electricity, Nama Group continued working on the National Electricity Conservation Campaign. The Group launched a comprehensive media campaign throughout the year to promote awareness on energy conservation and encourage customers to reduce their electricity and water consumption.

The campaign comprised of 12 informative videos that showcased real-life customer experiences, alongside more than 50 information posts that were shared across all customer service channels and social media platforms. By providing practical tips and solutions, the campaign aimed to help customers make decisions and take action to reduce their electricity and water bills. Additionally, all distribution companies conducted awareness workshops in schools, helping to educate young minds on the importance of energy conservation and sustainability. Nama Group's dedication to spreading awareness on energy conservation not only supports its mandate of delivering safe, reliable, and sustainable electricity but also contributes to creating a more sustainable future for Oman.

Sponsorship

Oman Sustainability Week (OSW) 2023

Oman Sustainability Week (OSW) stands as a testament to the nation's commitment to sustainability leadership, embodying innovative strategies that meet the UN Sustainable Development Goals (SDGs) and Oman Vision 2040. Nama Group took center stage as an active participant in the first edition of OSW in 2022, presented its impactful projects and sustainability initiatives. The company's dedication was recognized during the OSW Awards, where Nama Group granted first place in the Platinum Award in the Medium to Large Businesses category.

Underscoring its commitment to sustainability, Nama Group launched the second edition of the "Sustainability and Prosperity" Magazine during the event exhibition. This publication serves as

a comprehensive showcase of the company's sustainability initiatives, progress, and plans. Also, Nama Group actively contributed to OSW Sustainability Talks, featuring three expert speakers and involving a number of delegates from its staff. The engagement reached a broad audience across various social media platforms. Nama Group further organized two site visits to the Wetland Sales Center and Lagoons site, offering participants an immersive experience witnessing the company's sustainability projects in action. Looking ahead, Nama Group will continue its commitment to sustainability in Oman Sustainability Week 2024.

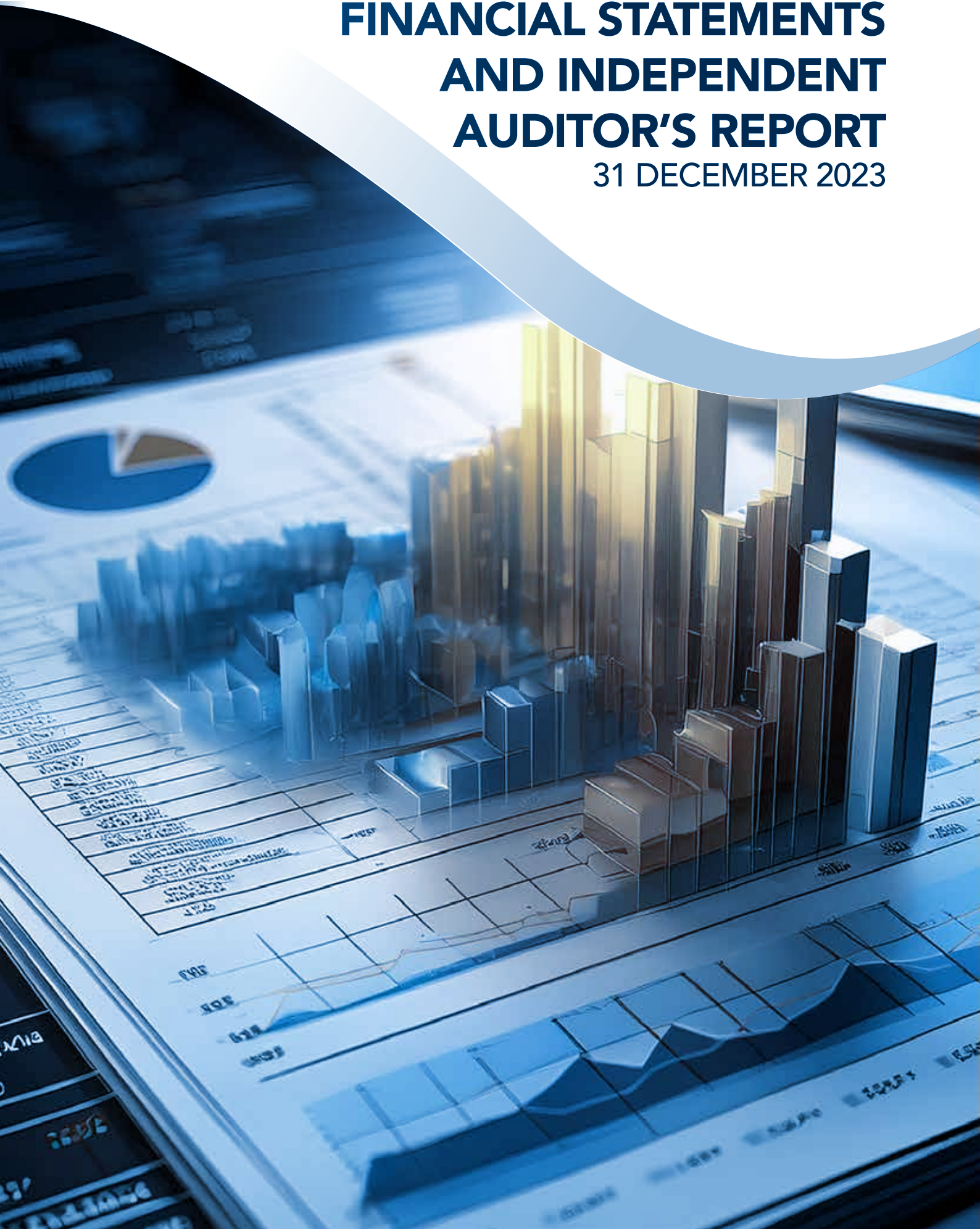
Green schools

In pursuit of its environmental objectives, Nama Group has joined forces with the Ministry of Education (MOE) in sponsoring the National Green Schools Project. This initiative is dedicated to fostering environmental sustainability by harnessing the intellectual proficiency of students. This step strives to create a lasting impact on the ecological landscape through innovative and educational endeavors within school communities.

As part of this initiative, sustainability curriculum and courses have been consistently delivered to students on a weekly basis throughout the academic year 2023/2024. A total of 53 school projects have undergone comprehensive evaluation. Moreover, employees from the Ministry of Education have visited all participating schools, distributing the program curriculum to relevant entities and companies. The Green Schools program made a notable appearance during COP28, where its objectives and impacts were showcased.

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

31 DECEMBER 2023



**ELECTRICITY HOLDING
COMPANY SAOC AND ITS SUBSIDIARIES**

Consolidated financial statements
For the year ended 31 December 2023

Registered office

PO Box 850
Mina Al Fahal
PC 116, Al-Qurum
Sultanate of Oman

**Principal place of
business**

Beach One Building
Mina Al Fahal
Sultanate of Oman

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ELECTRICITY HOLDING COMPANY AND ITS SUBSIDIARIES

Report on the audit of the consolidated financial statements

Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects the financial position of the Group as at 31 December 2023 and its consolidated 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 separate 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) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the 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.

Emphasis of matter - material uncertainty related to going concern

We draw attention to Note 1.1 of the consolidated financial statements, which describes that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

Audit Committee and management is responsible for the other information. The other information comprises the Chairman's report.

Our opinion on the consolidated 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 consolidated 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.

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
ELECTRICITY HOLDING COMPANY SAOC AND ITS SUBSIDIARIES (CONTINUED)**

Report on the audit of the consolidated financial statements (continued)

Responsibilities of management and Audit Committee for the consolidated 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.

In preparing the financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

Audit Committee is responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
ELECTRICITY HOLDING COMPANY SAOC AND ITS SUBSIDIARIES (CONTINUED)

Report on the audit of the consolidated financial statements (continued)

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

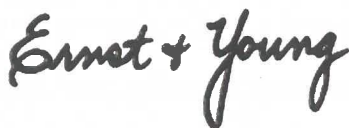
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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.

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 Group has maintained accounting records and the consolidated financial statements are in agreement therewith;
- the Group has carried out physical verification of inventories
- the financial information included in the Board of Directors' report is consistent with the books of accounts of the Group; 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 Group 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 consolidated financial performance of the Group for the year ended 31 December 2023 or its consolidated financial position as at 31 December 2023.



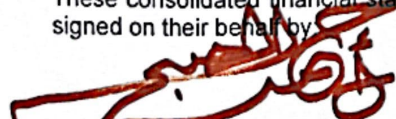

Mohamed Al Qurashi
21 April 2024
Muscat



Consolidated statement of financial position
As at 31 December 2023

	Notes	31 December 2023 RO'000	31 December 2022 RO'000 (Restated)	1 January 2022 RO'000 (Restated)
ASSETS				
Non-current assets				
Property, plant and equipment	6 (a)	5,234,824	6,963,988	6,650,114
Intangible assets and goodwill	6 (b)	8,444	13,242	14,205
Long term deposits	7	164,339	91,138	189,478
Right of use assets	16	1,329,534	1,526,355	1,689,649
Other non current assets	14	18,494	21,391	27,452
Total non-current assets		6,755,635	8,616,114	8,570,898
Current assets				
Long term deposits	7	5,000	100,515	100,874
Inventories	8	33,989	29,781	32,788
Trade and other receivables	9	787,477	846,302	674,952
Cash and cash equivalents	10	88,210	161,176	116,994
Total current assets		914,676	1,137,774	925,608
TOTAL ASSETS		7,670,311	9,753,888	9,496,506
EQUITY AND LIABILITIES				
Equity				
Share capital	11	477,313	477,313	477,313
Additional shareholders' contribution	1.2	707,192	2,876,945	2,571,125
Legal reserve	12	312,477	356,479	354,988
General reserve	13	90,315	107,738	86,452
Cumulative changes in fair value	14	5,921	8,864	(9,496)
Retained earnings / (accumulated losses)	1.2	255,470	(110,685)	94,593
Equity attributable to owners of the Parent Company		1,848,688	3,716,654	3,574,975
Non-controlling interest	34	310,765	290,329	268,946
Total equity		2,159,453	4,006,983	3,843,921
Non-current liabilities				
Long term borrowings	15	1,317,902	1,337,388	1,498,078
Lease liabilities	16	1,317,917	1,470,279	1,602,157
Other non current payables and provisions	18	123,423	147,981	142,741
Deferred revenue	19	477,164	441,321	433,328
Deferred tax liabilities	28	224,494	269,231	225,847
Total non-current liabilities		3,460,900	3,666,200	3,902,151
Current liabilities				
Long term borrowings- current portion	15	126,625	148,922	86,116
Short term borrowings	20	1,035,132	917,977	758,100
Deferred revenue	19	30,946	19,838	19,142
Lease liabilities	16	227,646	255,604	256,591
Trade and other payables	17	549,496	729,482	621,850
Current tax liabilities	28	80,113	8,882	8,635
Total current liabilities		2,049,958	2,080,705	1,750,434
Total liabilities		5,510,858	5,746,905	5,652,585
TOTAL EQUITY AND LIABILITIES		7,670,311	9,753,888	9,496,506

These consolidated financial statements were approved by the Board of Directors on 18 April 2024 and signed on their behalf by:



Eng. Ahmed Hamad Al Subhi
Chairman



Omar Mahmoud Al Mahrizi
Director



Ahmed Al Mahrizi
Chief Executive Officer

The accompanying notes on 1 to 37 form an integral part of these consolidated financial statements.

Consolidated statement of profit or loss and other comprehensive income
For the year ended 31 December 2023

	Notes	2023 RO'000	2022 RO'000 (Restated)
Revenue	21	1,697,762	1,559,235
Operating costs	22 & 1.2	(1,347,139)	(1,276,659)
Gross profit		350,623	282,576
General and administrative expenses	23	(243,201)	(213,460)
Allowance for expected credit losses	5	(34,083)	(95,802)
Impairment loss on property, plant and equipment	6 (a)	(1,828,250)	-
Impairment loss on intangible assets	6 (b)	(8,349)	-
Other income	25	8,771	1,863
Loss from operations		(1,754,489)	(24,823)
Finance income	26	12,807	14,619
Finance costs	27	(243,218)	(206,243)
Subsidy income (wastewater)	21	28,599	45,648
Loss before tax		(1,956,301)	(170,799)
Income tax expense	28	(32,711)	(42,871)
Net loss for the year		(1,989,012)	(213,670)
Other comprehensive loss:			
<i>Items that may be reclassified subsequently into profit or loss:</i>			
Net movement in fair value of cash flow hedge, net of tax	14	(2,943)	18,360
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(1,991,955)	(195,310)
Net loss for the year attributable to:			
Non-controlling interest	1 & 34	20,436	21,383
Owners of the Parent Company		(2,009,448)	(235,053)
		(1,989,012)	(213,670)
Total comprehensive loss attributable to:			
Non-controlling interest	1 & 34	20,436	21,383
Owners of the Parent Company		(2,012,391)	(216,693)
		(1,991,955)	(195,310)

The accompanying notes 1 to 37 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity
For the year ended 31 December 2023

RO'000	Share capital	Additional shareholders' contribution	Legal reserve	General reserve	Cumulative changes in fair value	Retained earnings	Equity attributable to owners of the Company	Non-Controlling interest (NCI)	Total
At 1 January 2022- as previously reported	477,313	766,051	354,988	86,452	(9,496)	149,422	1,824,730	268,946	2,093,676
Restatement (note 1.2)	-	1,805,074	-	-	-	(54,829)	1,750,245	-	1,750,245
At 1 January 2022 (restated)	477,313	2,571,125	354,988	86,452	(9,496)	94,593	3,574,975	268,946	3,843,921
Net loss for the year (restated)	-	-	-	-	-	(213,670)	(213,670)	-	(213,670)
Net profit attributable to NCI	-	-	-	-	-	(21,383)	(21,383)	21,383	-
Other comprehensive income	-	-	-	-	18,360	-	18,360	-	18,360
<i>Total comprehensive income / (expense)</i>	-	-	-	-	18,360	(235,053)	(216,693)	21,383	(195,310)
<i>Transactions with Owners of the Group:</i>									
<i>Contributions and distributions</i>									
Transfer to legal reserve (restated)	-	-	1,491	-	-	(1,491)	-	-	-
Transfer to general reserve	-	-	-	21,286	-	(21,286)	-	-	-
Additional shareholders' contribution	-	398,372	-	-	-	-	398,372	-	398,372
Transfer from additional shareholders' contribution to retained earnings	-	(92,552)	-	-	-	92,552	-	-	-
Dividend (note 30)	-	-	-	-	-	(40,000)	(40,000)	-	(40,000)
At 31 December 2022 (restated)	477,313	2,876,945	356,479	107,738	8,864	(110,685)	3,716,654	290,329	4,006,983
At 1 January 2023 (restated)	477,313	2,876,945	356,479	107,738	8,864	(110,685)	3,716,654	290,329	4,006,983
Net loss for the year	-	-	-	-	-	(1,989,012)	(1,989,012)	-	(1,989,012)
Net profit attributable to NCI	-	-	-	-	-	(20,436)	(20,436)	20,436	-
Other comprehensive expense	-	-	-	-	(2,943)	-	(2,943)	-	(2,943)
<i>Total comprehensive expense</i>	-	-	-	-	(2,943)	(2,009,448)	(2,012,391)	20,436	(1,991,955)
<i>Transactions with Owners of the Group:</i>									
<i>Contributions and distributions</i>									
Transfer to legal reserve	-	-	(44,002)	-	-	44,002	-	-	-
Transfer to general reserve	-	-	-	(17,423)	-	17,423	-	-	-
Additional shareholders' contribution (restated)	-	184,430	-	-	-	-	184,430	-	184,430
Transfer from additional shareholders' contribution to retained earnings	-	(2,354,183)	-	-	-	2,354,183	-	-	-
Dividend (note 30)	-	-	-	-	-	(40,005)	(40,005)	-	(40,005)
At 31 December 2023	477,313	707,192	312,477	90,315	5,921	255,470	1,848,688	310,765	2,159,453

The accompanying notes 1 to 37 form an integral part of these consolidated financial statements.

Notes forming part of the consolidated financial statements*For the year ended 31 December 2023***Consolidated statement of cash flows**

	Notes	2023 RO'000	2022 RO'000 (Restated)
Operating activities			
Loss before tax		(1,956,301)	(170,799)
Adjustments for:			
Depreciation on right on use assets	16	191,750	187,806
Depreciation on property, plant and equipment	6 (a)	246,977	187,106
Amortization on intangible assets	6 (b)	2,775	2,704
Amortization of deferred revenue		(8,209)	(8,209)
Allowance for inventory obsolescence	8	2,756	1,676
Accruals for employees benefits	18	309	757
Gain on disposal of property, plant and equipment		17	143
Allowance for expected credit losses	5	34,245	95,802
Impairment loss on property, plant and equipment	6 (a)	1,828,250	-
Impairment loss on intangible assets	6 (b)	8,349	-
Reversal of decommissioning provision	18	(3,189)	(268)
Finance costs	27	243,218	206,243
Finance income	26	(12,807)	(14,619)
		<u>578,140</u>	<u>488,342</u>
Changes in:			
Inventories		(6,964)	1,331
Trade and other receivables		61,093	(175,624)
Deferred revenue		46,951	8,689
Trade and other payables		<u>(34,149)</u>	<u>625,582</u>
Cash generated from operations		<u>645,071</u>	<u>948,320</u>
Employees' of end of service benefits paid	18	(1,311)	(1,027)
Income tax paid	28	<u>(1,566)</u>	<u>(2,667)</u>
Net cash from operating activities		<u>642,194</u>	<u>944,626</u>
Investing activities			
Acquisition of property, plant and equipment	6 (a)	(349,394)	(597,053)
Acquisition of intangible assets	6 (b)	2,023	(1,741)
Movement in bank deposits	7	22,314	98,699
Finance income received	26	<u>12,807</u>	<u>14,619</u>
Net cash used in investing activities		<u>(312,250)</u>	<u>(485,476)</u>
Financing activities			
Net movement in short-term borrowings		117,155	159,877
Net movement in the term loans		(41,783)	(97,884)
Payment of lease liabilities (principal and interest)	16	(317,050)	(331,926)
Dividend paid		(40,005)	(40,000)
Interest paid		<u>(121,442)</u>	<u>(104,893)</u>
Net cash used in financing activities		<u>(403,125)</u>	<u>(414,826)</u>
Net change in cash and cash equivalents		<u>(73,181)</u>	<u>44,324</u>
Cash and cash equivalents at 1 January	10	<u>161,774</u>	<u>117,450</u>
Cash and cash equivalents at 31 December	10	<u><u>88,593</u></u>	<u><u>161,774</u></u>

Refer note 33 for significant non-cash transactions.

The accompanying notes 1 to 37 form an integral part of these consolidated financial statements.

Notes forming part of the consolidated financial statements*For the year ended 31 December 2023***1 General and significant agreements****1.1 General**

Electricity Holding Company SAOC (the “Company” or “Parent Company”) is a closed Omani joint stock company registered under the Commercial Companies Law of Oman on 19 October 2002.

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 wholly owned by the Government of Sultanate of Oman through the Oman Investment Authority (“OIA”) which was formed during 2020.

The principal activities of the Company and its subsidiaries (together referred as “the Group”) comprise the:

- Management of Government investments in the electricity and related water and wastewater sector in the Sultanate of Oman.
- Regulated distribution and supply of electricity, collection, treatment of sewage water, electricity generation and electricity transmission and dispatch and undertaking procurement activities pertaining to electricity and desalinated water.
- Provision of training and support services mainly to the Group companies.

1.1 (a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and the requirements of the Commercial Companies Law, as amended.

1.1 (b) Basis of preparation

These consolidated financial statements have been prepared on the historical cost basis except for derivative financial instruments which are measured at fair value. The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies.

The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

1.1 (c) Fundamental accounting concept

As at 31 December 2023, the current liabilities of the Group exceeded its current assets by approximately RO 1,135 million (31 December 2022: RO 942 million), which may indicate the existence of a material uncertainty relating to going concern as the Group will require additional funding and financial support to meet its financial obligations as they fall due and continue its operations for the foreseeable future.

Management believes that it is appropriate to prepare the consolidated financial statements on a going concern basis on the strength of continued financial support from the shareholders including the undertaking from the Government, under the Sector Laws, to secure the availability of the necessary finance for the Group to undertake its activities and achieve its objectives as long as its capital is wholly owned by the Government. The above factors will enable the Group to continue to operate as a going concern for the foreseeable future and to discharge its liabilities to other parties, as they fall due, and management has no reason to doubt such support will continue. Accordingly, these consolidated financial statements are prepared on a going concern basis and management concluded that material uncertainty in respect of going concern does not exist.

Notes forming part of the consolidated financial statements

For the year ended 31 December 2023

1 General and significant agreements (continued)

1.1 (d) The details of the Group subsidiaries are as follows:

Subsidiary company	Shareholding percentage		Principal activities
	2023	2022	
1. Al Gubrah Power and Desalination Company LLC (GPDC)	100%	100%	Electricity generation and related water desalination.
2. Wadi Al Jizi Power Company LLC (WJPC)	100%	100%	WJPC ceased its operation and under the process of decommissioning.
3. Oman Electricity Transmission Company SAOC (OETC)	51%	51%	Electricity transmission.
4. Oman Power and Water Procurement Company SAOC (OPWP)	100%	100%	Bulk purchase and sale of electricity and also sell water/ buy water from desalination plants.
5. Nama Electricity Supply Company SAOC (NESC) (formerly Muscat Electricity Distribution Company SAOC)	100%	100%	Undertaking regulated supply of electricity in the all around Oman except Dhofar Governorate under a license issued by the Authority for Public Services Regulation.
6. Nama Electricity Distribution Company SAOC (NEDC) (formerly Mazoon Electricity Company SAOC)	100%	100%	Undertaking the regulated distribution of electricity in all governorates of Oman excluding Dhofar governorate under a license issued by the Authority for Public Services Regulation.
7. Majan Electricity Company SAOC (MJEC)	100%	100%	Distribution and Supply of electricity and maintenance of distribution networks in the wilayats of A'Dhahirah, Buraimi and North Batinah region. The shareholders have resolved to initiate the process of liquidation.
8. Numo Institute for Competency Development LLC (NICD)	100%	100%	Provides human resource services, consultancy and training services primarily to the group companies.
9. Nama Shared Services LLC (NSS)	100%	100%	Provides IT related support services to the group companies.
10. Rural Areas Electricity Company SAOC (RAECO / TANWEER)	100%	100%	Undertaking electricity generation, water desalination and electricity distribution activities in the Musandam Governorate, Alwusta region, Masirah Island, Khuweima and Qroon areas in Sharqiya region, Aswad area in Dahirah region, Dhofar Governorate (the area outside Dhofar Power Company SAOC's authorised area) and in Dakhliya region (the area outside Mazoon Electricity Company SAOC's authorised area) under a license issued by the Authority for Public Services Regulation.
11. Dhofar Integrated Services Company SAOC (DISC)	99.43%	99.41%	Undertaking regulated distribution and supply of electricity, water and treatment of waste water in the Dhofar region under a license issued by the Authority for Public Services Regulation and is authorised to design, develop, construct, manage and operate the water and wastewater system.
12. Salalah Sanitary Drainage Services Company SAOC (SSDC)	100%	100%	SSDC is in the process of liquidation.
13. Oman Water and Wastewater Services Company SAOC (OWWSC)	100%	100%	Design, develop, construct, manage and operate the water and wastewater system in Oman except for Dhofar region.

Notes forming part of the consolidated financial statements*For the year ended 31 December 2023***1 General and significant agreements (continued)****1.2 Restatement****(a) Pricing control regulations**

During 2022, OWWSC / DISC had received an official letter from Authority for Public Services Regulation ("APSR") instructing OWWSC / DISC to use Price Control Regulation ("PCR") mechanism to calculate the subsidy with effect from 1 January 2022. Based on the letter received among the other supporting communication, OWWSC / DISC had calculated its subsidy based on PCR mechanism which resulted in impairment in total assets value related to Water and Wastewater sector.

Further, OWWSC / DISC has received a letter from APSR dated 25 February 2024 in agreement with the letter received from Ministry of Finance ("MOF") dated 14 February 2024 which states that the PCR shall be effective from 1 January 2024 i.e., following the issuance of Sector Law which was issued on 20 June 2023. These instructions were issued based on the Article 8 of Royal Decree 131/2020 (the "Decree") which states that "The Water and Wastewater Sector-related laws, royal decrees, regulations, and decisions applied on the issuance date of the present Decree shall remain in force until the Law on the Regulation of the Water and Wastewater Sector is promulgated".

Accordingly, PCR will not apply for the years 2022 and 2023. The Decree also urges OWWSC / DISC to continue using the currently active funding mechanism during these years. In addition to this, MOF stated in their letter that subsidy provided to the Company to cover any operating losses and capital expenditures in 2022 and 2023 will be based on existing funding mechanism. The APSR is an official regulator of the Water and Wastewater sector as per Article 2 of the Decree, however, their instructions to the use PCR in 2022 is considered void as the new Sector Law was not issued until 20 June 2023 via Royal Decree 40/2023.

The management has considered all the facts available without using any hindsight information and believes that the PCR, which was initially implemented from 1 January 2022, has been cancelled and has considered this as an error in the financial statements and has decided to restate the financial statements for the years ended 31 December 2023, 31 December 2022, and 31 December 2021 to reflect the correct position at the end of each of these years.

Therefore, in accordance with Article 8 of the Decree, OWWSC / DISC is of the view that the funding and concession agreements in place prior to the introduction of PCR will remain valid and applicable for 2022 and 2023 as consistent with years before 2022.

Accordingly:

- restate the property, plant and equipment, additional shareholder contribution, accumulated losses and related deferred tax liabilities as at 1 January 2022;
- restate operating revenue, depreciation charge, income tax expense and subsidy income for the year ended 31 December 2022
- the management has also written off receivable from MOF during 2022 (OWWSC RO 55.4 million and DISC RO 7.9 million), as OWWSC / DISC is not expecting to recover this amount from MOF.
-
- The management has also restated the DISC's long-term portion of term loans to the short-term portion for the year 2022 due to a covenant breach.

Notes forming part of the consolidated financial statements*For the year ended 31 December 2023***1 General and significant agreements (continued)****1.2 Restatement (continued)****(b) Unrecorded capital work in progress and related liabilities (DISC)**

DISC (formerly "SSDC") entered into an agreement with Oman National Engineering and Investment Co SAOG (ONEIC) under Built, Operate and Transfer (BOT) on 2 September 2019, to build, operate and transfer sewerage network in Sahalnoot district of Salalah, Dhofar Governorate of the Sultanate of Oman. The project completed on 31 March 2023 and then repair and maintenance part of the agreement has been commenced. The entire funding to build the asset was arranged by ONEIC. DISC and ONEIC agreed on deferred payment schedule under which, total agreed contract value of RO 33.3 million will be settled over the period of 15 years on semiannual basis starting June 2024. However, no asset and related liability been recognized in the financial statements in prior years, which is not in compliance with International Financial Reporting standards. As result property, plant and equipment and related liabilities were understated as at 1 January 2022 and 31 December 2022.

During 2023, the management reassessed the progress on BOT project as at 1 January 2022 and 31 December 2022, and considered that the impact of unrecorded CWIP and liability (including borrowing costs) is material to the financial statements as a whole and considered these as correction of accounting errors. Accordingly, property, plant and equipment and related liability have been restated as at 1 January 2022 and 31 December 2022. No impact on Statement of comprehensive income related to finance costs and any related deferred tax as the asset was under construction stage and related finance costs been capitalized, as well as no taxable/deductible temporary difference arises as at 1 January 2022 and 31 December 2022.

(c) Regulated Asset Base Adjustment (RAB) (DISC)

DISC's electricity revenue is driven by Price Control Regulations (PCR), under which the DISC's electricity revenue entitlement is arrive through Maximum Allowed Revenue (MAR) formula which is based on notified values of both operating expenses (OPEX) and capital expenditure (CAPEX) at the start of PCR cycle which is repeated every three years.

Under the MAR formula all OPEX including depreciation plus return on the carrying value of property, plant and equipment referred as Regulated Assets Base (RAB) in PCR. At the end of each year, DISC recalculates the electricity revenue entitlement based on actual OPEX and CAPEX and the resulting impact on electricity revenue due to difference between revenue entitlement as per notified values and actual values is considered as K factor adjustment for the electricity segment which will be adjusted to electricity revenue and K factor receivable or payable accordingly.

DISC has recognised K factor adjustment related to notified and actual CAPEX in prior years as difference between notified and actual CAPEX which is an incorrect application of PCR formula. Instead, only depreciation and return on differential CAPEX (difference between notified and actual CAPEX) needed to be adjusted as K factor adjustment to revenue and related receivable/payable.

Notes forming part of the consolidated financial statements*For the year ended 31 December 2023***1 General and significant agreements (continued)****1.2 Restatement (continued)**

(d) The details of restatements (a), (b) and (c) as mentioned above as at 31 December 2022, 1 January 2022 and for the year ended 31 December 2022 are as follows:

	As previously reported	Restatements			Reclass- ification	As restated
	RO'000	note (a) RO'000	note (b) RO'000	note (c) RO'000	RO'000	RO'000
As at 1 January 2022						
<u>Statement of financial position:</u>						
Property plant and equipment	4,855,462	1,780,834	13,818	-	-	6,650,114
Additional shareholders' contribution	(766,051)	(1,805,074)	-	-	-	(2,571,125)
Retained earnings / (accumulated losses)	(149,422)	56,655	-	(1,826)	-	(94,593)
Trade and other payables	(623,677)	1	-	1,826	-	(621,850)
Deferred tax liabilities	(193,431)	(32,416)	-	-	-	(225,847)
Other payables	(128,923)	-	(13,818)	-	-	(142,741)
As at 31 December 2022						
<u>Statement of financial position:</u>						
Property plant and equipment	5,238,072	1,707,574	18,342	-	-	6,963,988
Trade and other receivables	964,570	(118,268)	-	-	-	846,302
Additional shareholders' contribution	(915,538)	(1,961,407)	-	-	-	(2,876,945)
Accumulated losses	(304,167)	416,843	-	(1,991)	-	110,685
Term loans - non-current portion	(1,407,223)	69,835	-	-	-	(1,337,388)
Term loans - current portion	(79,087)	(69,835)	-	-	-	(148,922)
Other payables	(129,639)	-	(18,342)	-	-	(147,981)
Trade and other payables	(720,436)	(11,037)	-	1,991	-	(729,482)
Deferred tax liabilities	(211,213)	(58,018)	-	-	-	(269,231)
Legal reserve	(362,420)	5,941	-	-	-	(356,479)
For the year ended 31 December 2022						
<u>Statement of profit or loss and other comprehensive loss:</u>						
Revenue	1,794,522	(245,045)	-	165	9,593	1,559,235
Operating costs	1,203,399	73,260	-	-	-	1,276,659
Other income	11,456	-	-	-	(9,593)	1,863
Government subsidy	-	45,648	-	-	-	45,648
Taxation	17,270	25,601	-	-	-	42,871
Total loss and comprehensive loss for the year	139,842	(353,677)	-	165	-	(213,670)

Notes forming part of the consolidated financial statements*For the year ended 31 December 2023***1. General and significant agreements (continued)****1.3 Others**

NICD and NSS hold investments as nominee shareholders in the share capital of all the Group companies, except DISC, SSDC and OWWSC, in the amount of approximately RO 69,000 (2022: RO 68,000). These investments are held in the beneficial interest of the Parent Company. Accordingly, investments and any accompanying income and expense related to these investments have been accounted for in the consolidated financial statements.

The Non-Controlling Interest ("NCI") in DISC as at 31 December 2023 is in respect of 289,000 ordinary shares (2022: 281,000 ordinary shares) equating to 0.95% (2022: 0.97%). The NCI of DISC profit share for the year is in the amount of approximately RO 1.9 million (2022: RO 2.1 million). The NCI for DISC has not been accounted for in these consolidated financial statements, as the Management believes the amount of non-controlling interest is not material to these consolidated financial statements. NCI related to OETC has been disclosed in note 34. WJPC is currently under the decommissioning process which is expected to be completed by the end of 2024.

These consolidated financial statements represent the results, cash flows and financial position of the operations of the Parent Company and its subsidiaries, as described in note 1.1 (collectively as Group).

1.4 Significant agreements**OWWSC****Bulk supply agreement**

OWWSC entered into a Bulk Supply Agreement (BSA) with OPWP (a related party) in prior years. Under BSA, the entire water produced by the following identified Independent Water Plants (IWPs) supplied to OWWSC, as per the dispatch instructions issued by OWWSC. OWWSC is authorized to supply water to its customers in entire Sultanate of Oman, except for Dhofar region, OPWP do not have any substantive substitution rights to bulk supply water to another company. Accordingly, this bulk supply of water arrangement, has been recognized as leases as per the guidelines of IFRS 16 'Leases'. These leases have terms ranging 8 to 20 years.

- ACWA Expansion II 12.5MIGD
- Barka I Phase I - extension
- BARKA IWP
- Barka Power Plant PH I
- Muscat City Desalination Company (MCDC)
- Qurayyat
- SMN Barka
- SOHAR IWP
- Sohar Power Company SAOC
- Sharqiya IWP (SDC - Old)
- Sharqiya IWP (SDC - New)
- Al Asilah Desalination Company SAOC

Funding agreement

Under terms of the Agreement, OWWSC has entered into a Funding agreement with the Government on 18 May 2010 represented by the Ministry of Finance. The Funding agreement between OWWSC and Government specifies the terms of funding of infrastructure development and net operating expenses incurred by OWWSC. As per Funding agreement, the Government is responsible for 100% funding of Concession infrastructure to be developed by OWWSC and all assets developed under Concession agreement will be owned by the Government, OWWSC will have access to operate and maintain the Concession assets.

Notes forming part of the consolidated financial statements*For the year ended 31 December 2023***1 General and significant agreements (continued)****1.4 Significant agreements (continued)****OWWSC (continued)****Funding agreement (continued)**

Further, as per Funding agreement net operating losses incurred by OWWSC during each year will be reimbursed by the Government in form of subsidy.

Usufruct agreement

The Usufruct Agreement is with the Government represented by the Ministry of Housing, Electricity and Water. Pursuant to clause 3.3 of the Agreement, the Government and OWWSC have agreed to execute this usufruct agreement to grant OWWSC right to benefit, under Royal Decree 5/81 (as amended) (issuing the law regulating the use/benefit of the Sultanate's lands) and Royal Decree 88/82 (as amended) (issuing the implementing regulations for the use/benefit of the Sultanate's lands), in the usufruct area and certain rights of way and easements, so as to enable OWWSC to construct new facilities and the operation and maintenance of the wastewater system and in general to enjoy its rights and to perform its obligations under the Agreement.

Treated effluent sale and purchase agreement

Under the term of the Agreement, OWWSC has entered into Treated effluent sale and purchase agreement with the Government represented by the Diwan of the Royal Court, Muscat Municipality (the Municipality). Under the agreement, per day 50,000 m3 of treated effluent, at take or pay basis at the agreed rate, is billed on monthly basis to the Municipality.

Concession Agreement

OWWSC has entered into Concession agreement (" the Agreement") with the Government represented by the Ministry of Finance, for the development and operation of the wastewater system in the Governorate of Muscat for a period of 30 years commencing from 1 January 2006, as per which:

- The Government requires the development and operation of wastewater system in the concession area and the availability for purchase of treated effluent.
- The Government desires OWWSC to develop, design, finance, own, operate, maintain, construct and commission both the existing assets and the new assets for the purpose of providing the services and implementing the works in the concession area in accordance with the master plan.
- OWWSC shall be granted certain rights and interests in the existing assets.
- Conditions permitting, it is the intention of the Government that OWWSC will be privatized in whole or in part.
- On expiry or early termination of the Concession period, OWWSC shall transfer back to the Government the wastewater system and all other rights and interests provided for in this agreement.
- This Agreement and the rights and obligations are granted and executed by the Government pursuant to the Royal Decree; and
- The Government and OWWSC wish to record matters referred to above and do so in the Agreement.

Notes forming part of the consolidated financial statements*For the year ended 31 December 2023***1 General and significant agreements (continued)****1.4 Significant agreements (continued)****DISC**

- **Meter Reading Agreement** with Oman National Engineering and Investment Company SAOG ("ONEIC") for the meter reading activities in the Salalah region till 31 July 2024.

- **Bill printing and bill delivery agreement** with ONEIC for the bill delivery and bill printing activities in the Salalah region till 31 July 2024.

- **Recovery and defaulter management services on Factoring Agreement** with ONEIC for the recovery and defaulter management services on Factoring activities in the Salalah region till 31 July 2024.

- **Power Bulk Supply agreement** with Oman Power and Water Procurement Company SAOC ("OPWP"), this will cover the power purchase cost and regularize the purchasing process. The Company entered to the agreement in January 2014. In addition, there is also an agreement with OPWP for the rural area to regularize the purchase of power in the rural area.

- **Water Bulk Supply agreement** with OPWP, this will cover the water purchase cost and regularize the purchasing process. The Company entered to the agreement in January 2019.

- **Built Operate and Transfer (BOT) agreement** with ONEIC for executing stage I water reclamation plant in Sahlnoot. This agreement were signed early 2020 and shall last for 15 years. The operation phase of this agreement started from June 2023.

DOSC has ongoing Bulk Supply Agreement (BSA) with Oman Power and Water Procurement Company SAOC (OPWP) (a related party) in prior years. Under BSA, the entire water produced by the "Sembcorp Salalah Power and Water Company SAOC and Dhofar Generating Company SAOC, an Independent Water Producer (IWP), supplied to DISC, as per the dispatch instructions issued by DISC.

DISC is authorised to supply water to its customers in Dhofar region, OPWP do not have any substantive substitution rights to bulk supply water to another company. Accordingly, this bulk supply of water arrangement, has been recognized as leases as per the guidelines of IFRS 16 'Leases'. These leases have terms ranging 15 to 20 years.

Notes forming part of the consolidated financial statements*For the year ended 31 December 2023***2 Application of new and revised International Financial Reporting Standards (IFRS)***o 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 Group's consolidated financial statements are disclosed below.

The Group 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
- Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively.

o New and amended standards and interpretations

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2023.

The Group 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
- International Tax Reform—Pillar Two Model Rules – Amendments to IAS 12

The above standards do not have an impact on the consolidated financial statements of the Group.

The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

Notes forming part of the consolidated financial statements*For the year ended 31 December 2023***3 Material accounting policy information****Leases (IFRS 16)****A. As a lessee**

The Group 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. Generally, the Group uses its incremental borrowing rate as the discount rate. 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 Group's incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group 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 Group's estimate of the amount expected to be payable under a residual value guarantee or if the Group 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 Group presents right-of-use assets and lease liabilities separately in the consolidated 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	1 to 60
Leased vehicles	1 to 7
Building rent	1 to 10
Bulk supply agreements	15 to 20

Short term leases and leases of low value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short term assets that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

B. As a lessor

The Group has not entered into any arrangement in which it is acting as a Lessor.

Notes forming part of the consolidated financial statements*For the year ended 31 December 2023***3 Material accounting policy information (continued)****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 Group becomes a party to the contractual provisions of the instrument. The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

1. Trade and other receivables
2. Cash and cash equivalents
3. Term deposits
4. Amounts due from related parties
5. Government subsidy receivable
6. Term loans
7. Long term borrowing - Sukuk
8. Short term borrowings
9. Bank overdrafts
10. Trade and other payables
11. Lease liabilities
12. 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:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- 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 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:

- a) 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;
- b) 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
- c) 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.

Notes forming part of the consolidated financial statements*For the year ended 31 December 2023***3 Material accounting policy information (continued)****Financial instruments (continued)****Subsequent measurement of financial assets****Financial assets***Financial assets 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 Group categorises its financial liabilities into two measurement categories: FVTPL and amortised cost. The Group 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. 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 Group'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 Group are measured at amortised cost.

*Reclassification**Financial assets*

The Group only reclassifies financial assets if, and only if, the objective of the business model for managing those financial assets is changed. Such changes are expected to be very infrequent as these changes must be significant to the Group's operations and demonstrable to external parties. If the Group determines that its business model has changed in a way that is significant to its operations, then it reclassifies all affected assets prospectively from the first day of the next reporting period (the reclassification date). Prior periods are not restated.

Financial liabilities

The Group determines the classification of financial liabilities on initial recognition. Subsequent reclassification is not allowed.

*Modification**Financial assets*

If the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised, and a new financial asset is recognised at fair value. If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Group recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in the profit or loss account.

Financial liabilities

If the terms of a financial liability are modified and the cash flows of the modified liability are substantially different then, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in the profit or loss account.

Notes forming part of the consolidated financial statements*For the year ended 31 December 2023***3 Material accounting policy information (continued)****Financial instruments (continued)***Derecognition**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:

- a) The rights to receive cash flows from the asset have expired; or
- b) The Group 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

The Group 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 Group is recognised as a separate asset or liability.

When the Group 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 Group continues to recognise the transferred asset to the extent of the Group’s continuing involvement. In that case, the Group 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 Group 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 Group could be required to repay.

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.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently 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 liability simultaneously.

Notes forming part of the consolidated financial statements*For the year ended 31 December 2023***3 Material accounting policy information (continued)****Financial instruments (continued)***Impairment of financial assets*

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' ('ECL') model. This requires considerable judgement about how changes in economic factors affect expected credit losses, which will be determined on a probability-weighted basis.

The Group recognises loss allowances for ECLs on the following instruments that are not measured through fair value through profit or loss account:

- Financial assets measured at amortised cost;
- Debt instruments measured at fair value through other comprehensive income;
- Lease receivable in the scope of IAS 17;
- Financial guarantee contracts and loan commitments in scope of IFRS 9; and
- Contract assets (as defined in IFRS 15).

Measurement of loss allowances

The financial assets at amortized cost consist of trade receivables and cash and cash equivalents. Under IFRS 9, loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Group has elected to measure loss allowances for trade receivables at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since the initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk. The Group assumes that the credit risk on a financial asset has significantly increased since initial recognition and while estimating expected credit loss, when there is objective evidence or indicator for the financial assets. Examples of such indicators include:

- Significant financial difficulty of the borrower or issuer;
- Delinquency by borrower;
- Restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a borrower or issuer will enter bankruptcy;
- The disappearance of an active market for a security; or
- If it past due for more than 30 days.

Loss allowances for trade and other receivables, contract assets and lease receivable without significant financing are always measured at an amount equal to lifetime expected credit loss.

IFRS 9 does not define the term 'default', but instead requires each entity to do so. The definition has to be consistent with that used for internal credit risk management purposes for the relevant financial instrument and has to consider qualitative indicators e.g. breaches of covenants – when appropriate.

Notes forming part of the consolidated financial statements*For the year ended 31 December 2023***3 Material accounting policy information (continued)****Financial instruments (continued)***Impairment of financial assets (continued)**Measurement of loss allowances (continued)*

Lifetime expected credit losses: These losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument, if there is significant increase in credit risk or under simplified approach 12-month expected credit losses: These losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group is exposed to credit risk. An asset is credit-impaired if one or more events have actually occurred and have a detrimental impact on the estimated future cash flows of the asset.

The term 'significant increase in credit risk' is not defined in IFRS 9. An entity decides how to define it in the context of its specific types of instruments. An entity assesses at each reporting date whether the credit risk on a financial instrument has increased significantly since initial recognition. To make the assessment, an entity considers changes in the risk of default instead of changes in the amount of expected credit losses.

An entity assesses whether there has been a significant increase in credit risk at each reporting date. The impairment model in IFRS 9 is symmetrical, and assets can move into and out of the lifetime expected credit losses category. To be 'significant', a larger absolute increase in the risk of default is required for an asset with a higher risk of default on initial recognition than for an asset with a lower risk of default on initial recognition.

Expected credit losses are a probability-weighted estimate of credit losses.

Financial assets that are not credit-impaired at the reporting date

Measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

Financial assets that are credit-impaired at the reporting date

Measured as the difference between the gross carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. Any adjustment is recognised in the profit or loss account as an impairment gain or loss.

Presentation of expected credit losses

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets and is charged to the profit or loss account or the statement of other comprehensive income as applicable.

Notes forming part of the consolidated financial statements*For the year ended 31 December 2023***3 Material accounting policy information (continued)****Financial instruments (continued)***Write – off*

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments as trading investments to hedge its risks associated with interest rate, foreign currency, commodity price fluctuations and also to satisfy the requirements of its customers. 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 assets when the fair value is positive and as liabilities when the fair value is negative.

For the purpose of hedge accounting, hedges are classified as:

- Hedges of the exposure to changes in fair value of recognised assets or liabilities or firm commitments (fair value hedge); or
- Hedges of highly probable future cash flows attributable to a recognised asset or liability, or a forecasted transaction (cash flow hedge).

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group 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, the nature of the risk being hedged and how the entity will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined).

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

- There is 'an economic relationship' between the hedged item and the hedging instrument.
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship; and
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of hedged 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 Group 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 Group 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.

Notes forming part of the consolidated financial statements*For the year ended 31 December 2023***3 Material accounting policy information (continued)****Financial instruments (continued)****Derivative financial instruments and hedge accounting (continued)***Effectiveness testing, rebalancing and discontinuation*

The Group 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 Group 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 Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

The Group 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.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, all bank balances including overdraft balances and short-term deposits with a maturity of three months or less from the date of placement.

Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Interest-bearing liabilities are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing liabilities are stated at amortised cost with any difference between cost and redemption value being recognised in the profit and loss and other comprehensive income over the period of the borrowings on an effective interest basis.

Notes forming part of the consolidated financial statements*For the year ended 31 December 2023***3 Material accounting policy information (continued)****Determination of fair values**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

As at 31 December 2023, the Group held interest rate swap derivatives instruments measured at fair value. The fair values of the interest rate swap arrangements are determined using level 2 valuation technique.

Basis of consolidation*Subsidiaries*

The consolidated financial statements incorporate the financial statements of the Parent Company and entities controlled by the Group. The control is achieved when the Group:

- has power over the investee;
- is exposed, or has right, to variable returns from its investment with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are circumstances to indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than majority of voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power.

Consolidation of a subsidiary commences when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Notes forming part of the consolidated financial statements*For the year ended 31 December 2023***3 Material accounting policy information (continued)****Basis of consolidation (continued)***Subsidiaries (continued)*

Profit or loss and each component of other comprehensive income are attributed to the owners of the Parent Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Parent Company and to the non-controlling interests even if this results in the non-controlling interests having deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with Group's accounting policies. All intra group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amounts by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Parent Company.

Non-controlling interests ("NCI")

NCI are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Loss of control

When the Group loses control over a subsidiary, it:

Derecognize:

- The assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, and
- The carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them),
- The cumulative transaction differences recorded in equity.

Recognize:

- The fair value of the consideration received, if any, from the transaction, event or circumstances that resulted in the loss of control;
- If the transaction, event or circumstances that resulted in the loss of control involves a distribution of shares of the Subsidiary to owners in their capacity as owners, that distribution; and
- Any investment retained in the former subsidiary at its fair value at the date when control is lost.

Any resulting gain or loss is recognised in the statement of profit or loss.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair value of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

The Group applies book value accounting for the transfers under the common control transactions in recognizing the assets acquired and liabilities assumed in the consolidated financial statements. In applying book value accounting, an adjustment is made (if any) within equity to reflect any difference between the consideration paid and the share capital of the acquiree.

Notes forming part of the consolidated financial statements*For the year ended 31 December 2023***3 Material accounting policy information (continued)****Basis of consolidation (continued)****Goodwill**

Goodwill is measured as the excess if the sum of the consideration transferred, the amount of any non-controlling interests in the acquire and the fair value of the acquirer's previously held equity interest in the acquire (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. Goodwill is carried at cost as established at the date of acquisition of the business, as explained above, less accumulated impairment losses, if any.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rate based on carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in the profit or loss. An impairment loss recognized for goodwill not reversed in subsequent period. On disposal of a relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Functional and presentation currency

Items included in the consolidated financial statements of the Group are measured and presented using Rials Omani ("RO") which is the currency of the Sultanate of Oman, being the economic environment in which the Group operates (the functional currency). The consolidated financial statements are prepared in RO, rounded to the nearest thousand.

Foreign currency

In preparing the consolidated financial statements, transactions in currencies other than the Group'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 in the year in which they arise.

Notes forming part of the consolidated financial statements*For the year ended 31 December 2023***3 Material accounting policy information (continued)****Basis of consolidation (continued)****Property, plant and equipment**

Construction in progress is stated at cost, net of accumulated impairment losses, if any. Plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Property, plant and equipment transferred from customers are initially measured at cost at the date on which control is obtained.

A revaluation surplus is recorded in OCI and credited to the asset revaluation surplus in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, the increase is recognised in profit and loss. A revaluation deficit is recognised in the profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation surplus. An annual transfer from the asset revaluation surplus to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation surplus relating to the particular asset being sold is transferred to retained earnings.

Depreciation

Depreciation is recognised in the profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The principal estimated useful lives used for this purpose are:

	Years
Production assets	10 to 30
Network and storage assets	10 to 50
Buildings	30 to 50
Transmission and related assets	1 to 60
Distribution and related assets	20 to 40
Other plant and machinery	2 to 50
Decommissioning assets	8 to 20
Furniture, vehicles and equipment	2 to 10
Plant spares	20 to 40

The Group reviews the estimated residual values and expected useful lives of assets at least annually. In particular, the Group considers the impact of health, safety and environmental legislation in its assessment of expected useful lives and estimated residual values. An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised. The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Notes forming part of the consolidated financial statements*For the year ended 31 December 2023***3 Material accounting policy information (continued)****Impairment of non-financial assets**

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indications exist, then the asset's recoverable amount is estimated.

An impairment loss is recognized if the carrying amount of an asset or cash generating unit exceeds its recoverable amount. Recoverable amount is the greater of its value in use and its fair value less costs to sell. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Intangible assets*Recognition and measurement*

Intangible assets represent 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.

The intangible assets are amortised over the period of 5 to 7 years.

Dividend

Dividends are recognised as a liability in the period in which they are approved by the shareholders. Dividends for the period that are approved after the reporting date are dealt with as an event after the reporting date and disclosed as proposed dividend only.

The Group will disclose in the notes, the amount of dividends proposed or declared before the financial statements were authorized for issue but not recognized as a distribution to owners during the period, and the related amount per share. The Group will not declare dividend in the event of losses brought forward.

Notes forming part of the consolidated financial statements*For the year ended 31 December 2023***3 Material accounting policy information (continued)****Current versus non-current classification**

The Group 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.

Revenue from Contracts with Customers

Revenue represents the sale of electricity to the Government, commercial and residential customers within the Group's distribution network, sale of desalinated water, sale of treated effluent and compost, subsidy from Government and wastewater. Revenue is measured at fair value of the consideration received or receivable. Revenue is reduced for estimated rebates and other similar allowances.

The Group recognises revenue based on the five-step model set out in IFRS 15:

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 Group 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 Group will allocate the transaction price to each performance obligation in an amount that depicts the consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.

Step 5 Recognise revenue when (or as) the entity satisfies a performance obligation.

Notes forming part of the consolidated financial statements*For the year ended 31 December 2023***3 Material accounting policy information (continued)****Revenue from Contracts with Customers (continued)**

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

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as and when the Group performs; or
- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- The Group's performance does not create an asset with an alternative use to the Group and the Group 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.

Variable consideration

Variable consideration amount is 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 Group 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 Group 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 Group 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 Group 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. The Group accounts for a modification prospectively if the goods or services in the modification are distinct from those transferred before the modification. Conversely, the Group 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 Group 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 Group recognises an asset only if the fulfilment costs meet the following criteria:

- relate directly to an existing contract or specific anticipated contract;
- generate or enhance resources that will be used to satisfy performance obligations in the future; and
- are expected to be recovered.

If the costs incurred to fulfil a contract are in the scope of other guidance, then the Group accounts for such costs using the other guidance. The Group 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 Group recognises these losses to the extent that the carrying amount of the asset exceeds the recoverable amount.

Notes forming part of the consolidated financial statements*For the year ended 31 December 2023***3 Material accounting policy information (continued)****Revenue from Contracts with Customers: (continued)****a) 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 Group'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.

b) Deferred revenue**i) Installation and connection revenue**

Before application of IFRS 15, the Group 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 Group with regard to this revenue stream, and these services cannot be distinguished from the primary business activity of Group i.e. supply of electricity and water. Accordingly, these revenues have been deferred and will be recognized throughout the useful life of the related connections (i.e. 15 to 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 recognized throughout the useful life of the relevant assets transferred from customers.

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.

c) Revenue from services

Revenue from connection charges, monthly rental tariff, basic service tariff, tanker offloading revenue, tanker hire revenue is recognized as the performance obligation is satisfied over time.

Notes forming part of the consolidated financial statements*For the year ended 31 December 2023***3 Material accounting policy information (continued)****Revenue from Contracts with Customers: (continued)****d) Revenue from sale of treated effluent and compost**

Revenue from the sale of treated effluent is recognized on monthly basis based on metered sales i.e., performance obligation is satisfied over time. Revenue from sale of compost is recognized when the performance obligation is satisfied i.e., compost is delivered to the customer. Control of the goods is transferred at the time of delivery and accordingly revenue is recognized point in time.

e) Revenue from metered, non-metered and bulk water sales

Revenue is measured at fair value of the consideration that is expected to be received for the services rendered in the normal course of business. Revenue primarily comprises of charges for the consumption of water. This includes water supply to residential, commercial and Government customers. Revenue is recognised during the period in which the water is consumed, based on the actual meter readings and/or estimated water consumption.

f) Connection and installation fee

Connection fee represents charges billed to the customers, which is amortised as income over the estimated useful life of the related assets on straight line basis. The Group has concluded that in all of its revenue arrangements the Company is principal, since it is the primary obligor in all the revenue arrangements, has pricing latitude and is also exposed to credit risks.

g) Revenue from the connection to the grid contracts

The services included in the contract (i.e. connection service and continue access to the electricity grid) represents single performance obligation to fulfil over time, as they are not distinguished within the context of the contract. Revenue from the connection contracts is deferred on the basis of the nature of the obligation arising from the contract with the customer. The Group considers all relevant facts and circumstances in assessing whether a contract contains a financing component and whether that financing component is significant to the contract. In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed to by the parties to the contract (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In this regard, the Group recognizes the obligation to transfer the customer said connection services for which it has received consideration as contract liabilities and recognize contract assets for the amount accrued to the Group based on the financing element.

h) Finance costs and income

Finance income comprises interest received or receivable on funds invested. Interest income is recognised in the profit or loss using effective interest rate method when Group's right to receive is established. Interest expense is recognised in the profit or loss as it accrues using the effective interest rate method.

i) Other income

Other income includes sale of scrap, tender fees and fines accounted on an accrual basis.

j) Government subsidy / grant

The Group'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 other current assets.

Notes forming part of the consolidated financial statements*For the year ended 31 December 2023***3 Material accounting policy information (continued)****Inventories**

Inventories are stated at the lower of cost and net realizable value.

Costs comprise purchase cost and where applicable, direct labor costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated principally using the weighted average method. Allowance is made for slow moving and obsolete inventory items where necessary, based on management's assessment.

Taxation

Under fiscal regulation of the Sultanate of Oman each legal entity is liable for tax liability.

Income tax is calculated as per the fiscal regulations of the Sultanate of Oman. Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous period.

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax is calculated on the basis of the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates and tax laws that have been enacted or substantially enacted by the reporting date. The tax effects on the temporary differences are disclosed under non-current liabilities as deferred tax liability.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits can be utilised. The carrying amount of deferred tax assets is Unaudited at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax is recognised as an expense or benefit in profit or loss except when they relate to items credited or debited directly to equity, in which case the tax is also recognised directly in equity.

Provisions

Provisions are recognised in the consolidated statement of financial position when the Group has a legal or constructive obligation as a result of a past event and it is probable that it will result in an outflow of economic benefit that can be reliably estimated.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Where some or all of the economic benefits required to settle a provision are expected to be recovered from third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received, and the amount of the receivable can be measured reliably.

Notes forming part of the consolidated financial statements*For the year ended 31 December 2023***3 Material accounting policy information (continued)****Provision for employees' benefits**

A liability is recognised for benefits accruing to employees in respect of wages, salaries and annual leave when it is probable that settlement will be required, and they are capable of being measured reliably.

Provision for employee benefits is accrued having regard to the requirements of the Oman Labour Law 2003 as amended or in accordance with the terms and conditions of the employment contract with the employees, 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 disclosed 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 the Ministry of Housing, Electricity and Water on 1 May 2005 is calculated based on the terms agreed between the Group and the Government. An accrual has been made and is classified as a non-current liability in the statement of financial position.

In accordance with the provisions of IAS 19, Employee Benefits, management carries out an exercise to assess the present value of the Group's obligations as of the reporting date, in respect of employees' end of service benefits payable to determine whether it is not materially different from the provision made.

Under this method, an assessment is made of an employee's expected service period with the Group and the expected basic salary at the date of leaving the service, discounted over the period of remaining expected period using the country's risk-free rate.

Provision for decommissioning

A provision for decommissioning is recognised when there is a present obligation as a result of activities undertaken pursuant to the Usufruct agreements, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of provision can be measured reliably. The estimated future obligations include the costs of removing the facilities and restoring the affected areas. The provision for future decommissioning cost is a best estimate of the present value of the expenditure required to settle the decommissioning obligation at the reporting date based on the current requirements as per the Usufruct agreement. Future decommissioning cost is reviewed annually and any changes in the estimate are reflected in the present value of the decommissioning provision at each reporting date. Changes in the estimate of the provision for decommissioning is treated in the same manner, except that the unwinding of the effect of the provision is recognised as a finance cost in the profit or loss rather than being capitalised into the cost of the related asset.

Government grants

Grants from the Government are recognised at their nominal value for rent-free usufruct lands and fair value for other grants where there is a reasonable assurance that the grant will be received, and the Group will comply with all attached conditions, if applicable. Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to construction of assets are included in deferred revenue within non-current liabilities and are credited to profit or loss on a straight-line basis over the expected useful lives of related assets.

Notes forming part of the consolidated financial statements*For the year ended 31 December 2023***3 Material accounting policy information (continued)****Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets is substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for authorization. All other borrowing costs are recognised in the profit or loss in the year in which they are incurred.

4 Critical accounting estimates

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas requiring a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are set out below:

Useful lives of property, plant and equipment

The Group'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 inventory obsolescence

Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on anticipated selling prices. Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the statement of profit or loss and comprehensive income.

Notes forming part of the consolidated financial statements*For the year ended 31 December 2023***4 Critical accounting estimates (continued)***Expected credit loss allowance*

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance). The provision matrix is initially based on the Group's historical observed default rates.

The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate.

The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the statement of comprehensive income.

The impact of total financial assets as at 31 December 2023, is disclosed in the note 5 of the consolidated financial statements.

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

During the year, the Group has assessed the recoverable amount of water sector assets and based on the assumptions using the future cash flows based on the PCR applied from 1 January 2024 and impairment of RO 1.8 billion was triggered. The management believe that in 2022 there were no foreseen of the expected date of the issuance of Sector Law and hence it was not possible to estimate the possibility of the effectiveness of the PCR and therefore it was not used to estimate the future cash flows, however since the Sector Law was issued on 20 June 2023, the management was able to determine the effectiveness of the PCR from 1 January 2024.

Notes forming part of the consolidated financial statements*For the year ended 31 December 2023***4 Critical accounting estimates (continued)***Revenue recognition*

Due to the nature of the business, a certain portion of the Group'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 Group 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 Group's revenue would be impacted to the extent of such differences.

Installation and connection revenue

Before application of IFRS 15, the Group 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 Group with regard to this revenue stream, and these services cannot be distinguished from the primary business activity of the Group 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).

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 tax income and expense already recorded. The Group 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 Group 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.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. These calculations use current period actual free cash flows, contractual cash flows and projections based on management's best estimates considering the future market outlook. The net carrying amount of goodwill at 31 December 2023 was RO 4.3 million (2022: RO 4.3 million).

Notes forming part of the consolidated financial statements*For the year ended 31 December 2023***4 Critical accounting estimates (continued)***Determining the lease term*

In determining the lease term, 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). Potential future cash outflows have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated). The Group has the option, under some of its leases to lease the assets for additional terms. The Group 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 Group 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).

Leases – estimating the incremental borrowing rate

The Group 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 Group 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 Group '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 Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity.

5 Financial risk management

The Group's activities expose it to a variety of financial risks including market risk (including foreign exchange risk and interest rate risk), liquidity risk and credit risk. However, the Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Credit, liquidity and market risk management is carried out by the Group's management under policies approved by the Board of Directors ("the Board").

The Board provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, and credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Market risk

A fundamental review and reform of major interest rate benchmarks is being undertaken globally. There is uncertainty as to the timing and the methods of transition for replacing existing benchmark Interbank Offered Rates (LIBORs) with alternative rates. As a result of these uncertainties, significant accounting judgement is involved in determining whether certain hedge accounting relationships that hedge the variability of foreign exchange and interest rate risk due to expected changes in LIBORs continue to qualify for hedge accounting as at 31 December 2023. LIBOR continues to be used as a reference rate in financial markets and is used in the valuation of instruments with maturities that exceed the expected end date for LIBOR. Therefore, the Group believes the current market structure supports the continuation of hedge accounting as at 31 December 2023.

Notes forming part of the consolidated financial statements*For the year ended 31 December 2023***5 Financial risk management (continued)****Financial risk factors****Price risk**

The permitted tariff (prices) for supply of electricity and water and wastewater services is determined either by long-term agreements with the customers or under the Permitted Tariff Regulations issued by the Regulator. Hence, the Group is not subject to significant price risk.

Foreign currency risk

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

Interest rate risk*Bank deposits and borrowings*

The Group has deposits which are interest bearing and are exposed to changes in market interest rates. The Group carries out periodic analysis and monitors the market interest rate fluctuations taking into consideration the Group's needs in order to manage interest rate risk. The Group has interest bearing liabilities, which expose the Group to interest rate risk.

A 1% increase or decrease in interest rate on bank deposits would have increased / decreased the profit, by the amounts and at the reporting date, the Group's interest-bearing financial instruments are as below:

	2023	2022
	RO'000	RO'000
1% +/- on bank deposits	<u>1,703</u>	<u>1,925</u>
1% +/- on variable interest bearing borrowings	<u>14,781</u>	<u>13,428</u>
<i>Borrowings</i>		
Long term loans	420,273	422,715
Short term borrowings	1,035,132	917,977
Bank overdrafts	<u>22,676</u>	<u>2,072</u>
	<u>1,478,081</u>	<u>1,342,764</u>

Sukuks and bonds are issued at fixed rate of interest and accordingly, are not exposed to any interest rate risk.

Notes forming part of the consolidated financial statements*For the year ended 31 December 2023***5 Financial risk management (continued)****Financial risk factors (continued)****Interest rate risk (continued)**

The interest rate on the Group's bank overdrafts, long term loans (excluding sukuks and bonds) and short-term borrowings is subject to change as and when renewed.

After taking into account the effect of interest rate swaps a change of +/- 1% in the interest rates (net of hedging) on variable interest rate borrowing would have had a pre-tax annual impact of approximately RO 5 million (2022: RO 3 million) on the profits of the Group for the year ended 31 December 2023.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding from an adequate amount of committed credit facilities.

Management maintains flexibility in funding by maintaining availability under committed credit lines. Management monitors the Group's liquidity by forecasting the expected cash flows.

The table below analyses the Group's financial liabilities and net-settled derivative financial liabilities that will be settled on a net basis into relevant maturity grouping based on the remaining period at the reporting date to the contractual maturities date.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within twelve months equal their carrying balances, as the impact of discounting is not significant.

		Total			
	Carrying amount RO'000	contractual cash flows RO'000	Less than 1 year RO'000	1 year to 5 years RO'000	More than 5 years RO'000
31 December 2023					
<i>Non-interest bearing</i>					
Trade and other payables	644,708	644,708	549,496	95,212	-
<i>Interest bearing</i>					
Long term borrowings	1,444,527	1,792,992	136,792	1,656,200	-
Short term borrowings	1,035,132	1,097,240	1,097,240	-	-
Bank overdrafts	22,676	23,923	23,923	-	-
Lease liabilities	1,545,563	2,397,533	214,029	453,767	1,729,737
	4,047,898	5,311,688	1,471,984	2,109,967	1,729,737
31 December 2022 (Restated)					
<i>Non-interest bearing</i>					
Trade and other payables	844,828	844,828	729,482	115,346	-
<i>Interest bearing</i>					
Long term borrowings	1,486,310	1,792,992	136,792	1,656,200	-
Short term borrowings	917,977	945,516	945,516	-	-
Bank overdrafts	2,072	2,145	2,145	-	-
Lease liabilities	1,725,883	2,824,138	548,736	1,465,467	809,935
	4,132,242	5,564,791	1,633,189	3,121,667	809,935

Notes forming part of the consolidated financial statements*For the year ended 31 December 2023***5 Financial risk management (continued)****Financial risk factors (continued)****Credit risk**

Credit risk is the risk of financial loss to the Group, if a customer or counterparty to financial instruments fails to meet its contractual obligations. The credit risk of the Group is primarily attributable to trade receivables, contract assets, investment in bank deposits and bank balances.

The exposure to credit risk at the reporting date is on account of:

	2023	2022
	RO'000	RO'000
		(Restated)
Trade receivables (gross) (note 9)	531,907	523,101
Government subsidy receivable (note 9)	64,972	109,304
Amount due from related parties (note 9)	130,773	79,339
Other receivables, excluding prepayments (note 9)	217,306	257,911
Bank deposits (note 7)	170,292	192,521
Cash at bank (note 10)	111,188	163,765
	<u>1,226,438</u>	<u>1,325,941</u>

Trade receivables

The Group's exposure to credit risk on trade receivables is influenced mainly by the individual characteristics of each customer. The Group has established credit policies and procedures that are considered appropriate and commensurate with the nature and size of receivables. Trade and other receivables primarily represent amounts due from government and private customers and receivable from government and related parties. The exposure to credit risk for trade receivable at the reporting date by type of customers are with in Sultanate of Oman.

The Group has applied simplified approach for the assessment of ECL for trade receivables general approach has been applied the assessment of ECL under IFRS 9.

	31 December 2023				31 December 2022 (Restated)			
	ECL	Estimated	Lifetime	Net	ECL	Estimated	Lifetime	Net
	rate %	total gross	ECL	carrying	rate %	total gross	ECL	carrying
		amount at	RO'000	value		amount at	RO'000	value
		default		RO'000		default		RO'000
		RO'000	RO'000			RO'000	RO'000	
Not past due	23.5%	104,734	(24,624)	80,110	6.2%	90,426	(5,608)	84,818
0 to 30 days	8.9%	153,129	(13,695)	139,434	2.0%	34,582	(697)	33,885
31 to 90 days	22.9%	93,244	(21,331)	71,913	14.4%	134,727	(19,339)	115,388
91 to 365 days	63.3%	112,240	(71,026)	41,214	19.7%	102,355	(20,173)	82,182
> 365 days	69.5%	68,560	(47,643)	20,917	61.0%	161,011	(98,290)	62,721
		<u>531,907</u>	<u>(178,319)</u>	<u>353,588</u>		<u>523,101</u>	<u>(144,107)</u>	<u>378,994</u>

Notes forming part of the consolidated financial statements

For the year ended 31 December 2023

5 Financial risk management (continued)

Financial risk factors (continued)

Credit risk (continued)

			12 months or Lifetime ECL	Gross amount RO'000	ECL RO'000	Net carrying amounts RO'000
	Note	ECL Model				
31 December 2023						
Trade receivables	9	External rating	12 month	531,907	(178,319)	353,588
Cash and cash equivalents	10	External rating	12 month	111,188	(383)	110,805
Contracts assets	14	External rating	12 month	11,168	(39)	11,129
Bank deposits	7	External rating	12 month	170,292	(953)	169,339
				<u>824,555</u>	<u>(179,694)</u>	<u>644,861</u>
31 December 2022 (Restated)						
Trade receivables	9	External rating	12 month	523,101	(144,107)	378,994
Cash and cash equivalents	10	External rating	12 month	163,765	(598)	163,167
Contracts assets	14	External rating	12 month	10,087	(38)	10,049
Bank deposits	7	External rating	12 month	192,521	(868)	191,653
				<u>889,474</u>	<u>(145,611)</u>	<u>743,863</u>

Bank balances and bank deposits

The Group limits its credit risk with respect to bank deposits by only dealing with banks with high credit rating. The Group's bank accounts are placed with reputed financial institutions.

The table below shows the balances with banks categorised by short term credit ratings as published by Moody's Service at the reporting date.

Customers past due 360 days has been considered as default. 100% provision has been created for full exposure more than one year.

Bank and deposits balances	Rating	2023 RO'000	2022 RO'000
Bank Muscat SAOG	Ba1	138,161	154,365
First Abu Dhabi Bank	Aa3	1,770	185
Sohar Islamic Bank	Ba3	7,974	6,236
Al Ahli Bank Oman	Baa3	3,295	35,132
National Bank of Oman	Ba3	44,815	22,711
Bank Dhofar SAOG	Ba1	2,706	72,627
Oman Arab Bank	Ba1	20,032	25,770
Bank Nizwa	B1	-	12,188
Maisa rah Islamic Bank	Ba3	20,000	5,000
Meethaq Islamic Bank	Ba3	20,051	20,000
		<u>258,804</u>	<u>354,214</u>

Notes forming part of the consolidated financial statements*For the year ended 31 December 2023***5 Financial risk management (continued)****Financial risk factors (continued)****Credit risk (continued)**

At the reporting date, ECL provision established on the intercompany balances has not been eliminated, as the amount is not significant and will have no material impact on the consolidated financial statements.

	2023	2022
	RO'000	RO'000
<i>Break down of provision as at 31 December:</i>		(Restated)
Trade receivable (note 9)	178,319	144,107
Cash and cash equivalents (note 10)	383	598
Contract assets (note 14)	39	38
Bank deposits (note 7)	953	868
	179,694	145,611
<i>Movement in ECL for the financial assets:</i>		
At 1 January	145,611	105,228
Impairment during the year	34,083	95,802
Subsidy written off	-	(55,419)
At 31 December	179,694	145,611

Investment in bank deposits and bank balances

The Group manages credit risk on bank balances by placing balances with reputed financial institutions with a good credit rating. The gross carrying amount of financial assets represents the maximum credit exposure.

Government subsidy receivables

In accordance with the article 18 of the 'Law for the Regulation and Privatisation of the Electricity and Related Water Sector', the MOF shall pay the value of the annual financial subsidy to licensed suppliers. Accordingly, Management believes that Government subsidy balance is fully recoverable, and no provision is required in the consolidated financial statements. The categories of the Group's financial instruments at their carrying values are as follows:

	2023	2022
	RO'000	RO'000
<i>Financial assets</i>		(Restated)
<i>Amortised cost:</i>		
Trade receivables	353,588	378,994
Government subsidy receivable	64,972	109,304
Amount due from related parties	130,773	79,339
Other receivables, excluding prepayments	217,306	257,911
Bank deposits	169,339	191,653
Cash and cash equivalents	110,886	163,248
	1,046,864	1,180,449
<i>Financial liabilities</i>		
<i>Amortised cost:</i>		
Long term borrowings	420,273	422,715
Short term borrowings	1,035,132	917,977
Bank overdrafts	22,676	2,072
Trade and other payable	549,496	729,482
Lease liabilities	1,545,563	1,725,883
	3,573,140	3,798,129
<i>Fair value:</i>		
Derivative financial instruments	6,966	10,429

Notes forming part of the consolidated financial statements*For the year ended 31 December 2023***5 Financial risk management (continued)****Fair value of financial assets and liabilities**

The Management of the Group believes that the fair value of financial assets and liabilities are not significantly different from their carrying values in the consolidated financial statements.

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, and to provide an adequate return to shareholders.

The Group's policy is to maintain a strong capital base so as to maintain creditor and market confidence and to sustain future development of the business. The capital structure of the Group comprises share capital, reserves, retained earnings and shareholders' funds.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets.

Other than the requirements of the Commercial Companies Law, as amended, some of the subsidiaries are subject to externally imposed capital requirements under the "Dual currency term facility agreement" which requires them to maintain a certain debt-equity gearing ratio and the same has been maintained by those subsidiaries.

Fair value estimation

The carrying amounts of financial assets and liabilities with a maturity of less than one year are assumed to approximate to their fair values.

6 (a) Property, plant and equipment

The Group's building and substations are constructed on lands leased from the Ministry of Housing, Government of Sultanate of Oman.

Capital work-in progress includes works which are in different stages of completion and relates to (a) construction and upgrading of substations and feeders and production assets, (b) electrical distribution and transmission works networks and networks and storage assets, (c) extension of power supply to customers, (d) furniture and fixtures, computers and software, and (e) other common assets.

Certain assets were transferred from TANWEER to DISC and OWWSC as per the directives from the Parent Company. These transfers have been considered as a transaction between entities under common control. Accordingly, the consideration has been classified as additional shareholders contributions.

Assets with Net book Value of RO 192.7 Million (2022: RO 192.7 Million) identified and described in the transaction documents and agreements between the Group and its 99.99 percent owned subsidiary Mazoon Assets Group SAOC, for the 10 Year US\$ 500 Million Sukuk Certificate as on the date of the transaction, are continued to be shown under the respective assets categories, while recognizing the receipt of the proceeds from Mazoon Assets Co. SAOC as a long term borrowing. By virtue of the license issued by the Authority for Public Services Regulation (APSR), Oman, only the Group is authorized to operate and maintain the assets which forms part of the distribution network of the Group within the authorised area. The risk and rewards associated with the assets continue to be with the Group as per the transaction documents executed.

Notes forming part of the consolidated financial statements*For the year ended 31 December 2023***6 (a) Property, plant and equipment (continued)**

Based on the PCR notification received from APSR, maximum allowed revenue with respect to of transferred assets pertaining to Water and Wastewater segment will restricted to 35%.

The management considers this as an indicator of potential impairment of assets related to Water and Wastewater segment and accordingly carried out an assessment of recoverable amount of these assets as at the reporting date.

The recoverable amount of the property, plant and equipment relating to Water and Wastewater segment (cash generating unit) amounted to RO 1,236 million (DISC RO 126 million / OWWSC RO 1,110 million) as at 31 December 2023 which has been determined based on a value in use calculation using cash flow projections from financial budgets approved by the Company's Board of Directors covering a five-year period.

The pre-tax discount rate applied to cash flow projections is 15% and cash flows beyond the five-year period are extrapolated using a 2 % growth rate that is in line with the similar industry practice and reflective the trend of demand growth. It was concluded that the fair value less costs of disposal did not exceed the value in use. As a result of this analysis, the management has recognised an impairment charge of RO 1,828 million (DISC RO 73 million / OWWSC RO 1,755 million) in the current year against the assets of Water and Wastewater segment as at 31 December 2023.

The impairment charge is recorded in the consolidated statement of profit or loss and other comprehensive income.

The estimate of value in use was determined using a pre-tax discount rate of 7.1% in OWWSC and 6.2% in DISC, and terminal value growth rate of -2.40% from 2028 onwards.

6(a) Property, plant and equipment (continued)

Cost	Buildings RO'000	Transformation and related assets RO'000	Distribution and related assets RO'000	Other plant and machinery RO'000	Decomm- issioning assets RO'000	Furniture, vehicle and equipment RO'000	Plant spares RO'000	Production assets RO'000	Network and storage RO'000	Capital work in progress RO'000	Total RO'000
1 January 2022 (as previously reported)	423,095	1,475,519	2,193,471	470,770	13,053	93,060	18,315	252,146	549,380	744,786	6,233,595
Restatement (note 1.2)	107,142	-	-	16,441	-	16,914	-	493,912	965,303	530,378	2,130,090
At 1 January 2022 - (restated)	530,237	1,475,519	2,193,471	487,211	13,053	109,974	18,315	746,058	1,514,683	1,275,164	8,363,685
Additions	10,773	20,415	81,157	19,931	-	4,785	2,090	2,089	14,190	520,907	676,337
Transfer to related parties	-	-	(131,494)	-	-	-	-	-	-	-	(131,494)
Transfer / classification	28,437	-	36,860	18,184	116	1,352	(1,455)	(22,697)	(60,797)	-	-
Writeoff	(1,831)	-	-	(1,995)	-	(419)	-	(7,233)	(8,326)	(1,231)	(21,035)
Transfers from WIP	26,489	95,237	229,452	20,248	-	822	69	28,962	421,213	(822,492)	-
Disposals	(1,900)	(5,835)	(8,892)	(12,662)	-	(425)	(36)	-	-	-	(29,750)
At 1 January 2023 - (restated)	592,205	1,585,336	2,400,554	530,917	13,169	116,089	18,983	747,179	1,880,963	972,348	8,857,743
Additions	9,641	230	28,840	20,340	-	5,271	740	407	19,249	264,676	349,394
Transfers from WIP	52,339	336,995	57,297	22,265	116	859	(68)	714	149,298	(622,888)	(3,073)
Disposals	(12)	-	(213)	1,101	-	(15)	(4)	-	-	(1,130)	(273)
31 December 2023	654,173	1,922,561	2,486,478	574,623	13,285	122,204	19,651	748,300	2,049,510	613,006	9,203,791

6(a) Property, plant and equipment (continued)

	Buildings RO'000	Transformation and related assets RO'000	Distribution and related assets RO'000	Other plant and machinery RO'000	Decomm- issioning assets RO'000	Furniture, vehicle and equipment RO'000	Plant spares RO'000	Production assets RO'000	Network and storage RO'000	Capital work in progress RO'000	Total RO'000
Depreciation											
1 January 2022 (as previously reported)	114,732	290,253	552,873	174,543	12,374	80,039	8,745	55,814	216,722	(102)	1,505,993
Restatement (note 1.2)	8,698	-	-	-	-	5,454	-	84,296	109,208	(78)	207,578
At 1 January 2022 - (restated)	123,430	290,253	552,873	174,543	12,374	85,493	8,745	140,110	325,930	(180)	1,713,571
Transfers	(3,489)	(2,657)	7,218	690	-	(3,197)	(72)	(5,934)	(58,281)	-	(65,722)
Charge for the year	19,519	50,090	71,339	20,854	227	7,626	1,182	24,538	60,529	-	255,904
Related to disposals	(195)	(905)	(2,397)	(4,496)	-	(725)	-	(514)	(766)	-	(9,998)
At 1 January 2023 - (restated)	139,265	336,781	629,033	191,591	12,601	89,197	9,855	158,200	327,412	(180)	1,893,755
Impairment	89,090	-	32,746	9,638	-	8,620	192	339,928	977,885	370,151	1,828,250
Charge for the year	20,184	118,858	971	22,126	226	7,109	1,538	24,926	51,039	-	246,977
Related to disposals	-	-	-	-	-	(2)	(13)	-	-	-	(15)
31 December 2023	248,539	455,639	662,750	223,355	12,827	104,924	11,572	523,054	1,356,336	369,971	3,968,967
<i>Carrying value</i>											
31 December 2023	405,634	1,466,922	1,823,728	351,268	458	17,280	8,079	225,246	693,174	243,035	5,234,824
31 December 2022	452,940	1,248,555	1,771,521	339,326	568	26,892	9,128	588,979	1,553,551	972,528	6,963,988
At 1 January 2022 - (restated)	406,807	1,185,266	1,640,598	312,668	679	24,481	9,570	605,948	1,188,753	1,275,344	6,650,114

2023
RO'000

2022
RO'000
(Restated)

Depreciation charge:

Operating costs (note 22)

General and administrative expenses (note 23)

239,868 248,278

7,109 7,626

246,977 255,904

Notes forming part of the consolidated financial statements
For the year ended 31 December 2023

6(b) Intangible assets and goodwill

	2023 RO'000	2022 RO'000
Software	4,124	8,922
Goodwill	4,320	4,320
	8,444	13,242
Software		RO'000
Cost		
At 1 January 2022		31,428
Additions		1,741
At 31 December 2022		33,169
At 1 January 2023		33,169
Additions		6,326
At 31 December 2023		39,495
Accumulated amortization		
At 1 January 2022		21,543
Charge for the year (note 23)		2,704
At 31 December 2022		24,247
At 1 January 2023		24,247
Impairment of software		8,349
Charge for the year (note 23)		2,775
At 31 December 2023		35,371
Net book value		
At 31 December 2023		4,124
At 31 December 2022		8,922

During the year, the Group performed an assessment on its investment in the implementation of CC&B software for customer database and billing management. As a result, the management concluded that the intended purpose from the use of the software has not been fulfilled. Accordingly, an impairment loss of RO 8.3 million has been recognized for the software.

Goodwill

Goodwill is attributable to excess of consideration paid and fair value to net assets acquired at the acquisition date of DISC, which was acquired in 2009. No impairment for goodwill has been accounted for in these consolidated financial statements as the recoverable amount is higher than the carrying value for the goodwill based upon management assessment. The recoverable amount is calculated as higher of fair value less cost of disposal and value in use is calculated based upon the present value of discounted cash flows using appropriate discount rate as mentioned below. The fair value measurement was categorised as a Level 3 fair value based on the inputs in the valuation technique used. The key assumptions used in the estimation of the recoverable amount are set out below. The values assigned to the key assumptions represent management's assessment of future trends and have been based on historical data from both external and internal sources.

	2023	2022
Discount rate	5.8%	5.64%
Terminal value growth rate	1%	1%
Budgeted profit from operations (average of next five years)	3.5%	3.6%

The cash flow projections included specific estimates for five years and a terminal growth rate thereafter. The terminal growth rate was determined based on management's estimate of the long-term compound annual growth rate, consistent with the assumptions that a market participant would make.

Notes forming part of the consolidated financial statements*For the year ended 31 December 2023***7 Bank deposits**

Bank deposits have a maturity period of 180 days to 1,064 days (2022: 180 days to 1,064 days) from the reporting date and are held with commercial banks in Oman at interest ranging from 3.8% to 4.5 % per annum (2022: 3.8% to 4.5 % per annum).

	2023 RO'000	2022 RO'000
Bank deposits	170,292	192,521
Less: Allowance for expected credit losses (note 5)	(953)	(868)
	<u>169,339</u>	<u>191,653</u>
Non-current	164,339	91,138
Current	5,000	100,515
	<u>169,339</u>	<u>191,653</u>

Refer to note 5 for movement in the allowance for expected credit losses.

8 Inventories

	2023 RO'000	2022 RO'000
Inventories	43,561	36,597
Less: Allowance for inventories obsolescence	(9,572)	(6,816)
	<u>33,989</u>	<u>29,781</u>
<i>Movement in allowance for inventories obsolescence</i>		
At 1 January	6,816	5,140
Charge for the year	2,756	1,676
At 31 December	<u>9,572</u>	<u>6,816</u>

9 Trade and other receivables

	2023 RO'000	2022 RO'000 (Restated)
Trade receivables	531,907	523,101
Less: Allowance for expected credit losses	(178,319)	(144,107)
Net trade receivables	353,588	378,994
Government subsidy receivable	64,972	109,304
Amount due from related parties (note 29)	130,773	79,339
Other receivables	238,144	278,665
	<u>787,477</u>	<u>846,302</u>
<i>Movement in allowance for expected credit losses</i>		
At 1 January	144,107	103,692
Charge for the year	34,212	40,415
At 31 December	<u>178,319</u>	<u>144,107</u>

Other receivable includes mainly revenue receivable on account of short fall of actual regulated revenue over maximum allowed as per price control formula and Value Added Tax (VAT) receivables. Oman Tax Authority has directed the Group 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. NESC 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 MOF. The Group has agreed VAT recovery mechanism with MOF during 2022. The Group has received a letter from MOF to confirm and agreed on VAT recovery mechanism.

Notes forming part of the consolidated financial statements*For the year ended 31 December 2023***10 Cash and cash equivalents**

At the reporting date, the Group has availed overdraft facilities with the different local commercial banks to finance the working capital requirements and to support its other operational requirements.

Interest on such overdrafts ranges from 3.5% to 5% per annum (2022: 3.5% to 5% per annum). Bank overdrafts are repayable on demand and carry interest at commercial rates, negotiated with the banks.

	2023	2022
	RO'000	RO'000
Cash at bank	111,188	163,765
Less: Allowance for expected credit losses (note 5)	(383)	(598)
	110,805	163,167
Bank overdrafts	(22,676)	(2,072)
Cash in hand	81	81
Cash and cash equivalents in the statement of financial position	88,210	161,176
Cash and cash equivalents in the statement of financial position	110,886	107,262
Add: Allowance for expected credit losses	383	598
Cash and cash equivalents in the statement of cash flows	88,593	161,774

11 Share capital

The Company's authorised, issued and paid-up capital consists of 477.313 million shares of RO 1 each (2022: 477.313 million of RO 1 each).

12 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.

13 General reserve

In accordance with the Group's policy and Article 133 of Commercial Companies Law, as amended, an amount not exceeding 20% of the profit after transfer to legal reserve should be transferred to the general reserve until the balance of the general reserve reaches one half of the share capital. This reserve is available for distribution to shareholders. This policy is applied at the subsidiary level.

Notes forming part of the consolidated financial statements*For the year ended 31 December 2023***14 Other non-current assets**

	2023 RO'000	2022 RO'000
Fair value derivative financial instruments	6,966	10,429
Contract assets	11,129	10,049
Advances to contractors	399	913
	<u>18,494</u>	<u>21,391</u>

Fair value of derivative financial instruments and cumulative changes in fair value

At 1 January	10,429	(11,172)
Change in fair value of derivative financial instruments	<u>(3,462)</u>	21,601
At 31 December	6,966	10,429
Less: related deferred tax (note 28)	<u>(1,045)</u>	(1,565)
At 31 December	<u>5,921</u>	<u>8,864</u>

Net movement in fair value of cash flow hedge, net of tax (note 28)	<u>(2,943)</u>	<u>18,360</u>
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The hedging reserve represents the cumulative effective portion of gains or losses arising on changes in fair value of hedging instruments entered into for cash flow hedges. The cumulative gain or loss arising on changes in fair value of the hedging instruments that are recognised and accumulated under the heading of changes in fair value of hedge will be reclassified to profit or loss only when the hedged transaction affects the profit or loss or included as a basis adjustment to the non-financial hedged item, consistent with the Group's accounting policy. At the reporting date, the Group has Interest Rates Swap (IRS) agreements covering 100% of the term loan. The swap rates vary from 1.821%-2.42% per annum (2022: 1.821% -2.42% per annum). The fair value of the interest rate swaps is based on market value of instruments on the reporting date. The interest rate swaps are designated as cash flow hedges and the fair value thereof has been dealt with in equity.

Valuation techniques and significant unobservable inputs:

The following tables show the valuation techniques used in measuring Level 2 fair values for financial instruments in the statement of financial position and there are no significant unobservable inputs used.

Type	Valuation techniques
Other financial liabilities	Discounted cash flows: The valuation model considers the present value of expected payments, discounted using a risk-adjusted discount rate.
Interest rate swaps	Swap models: The fair value is calculated as the present value of the estimated future cash flows. Estimates of future floating-rate cash flows are based on quoted swap rates, futures prices and LIBOR rates. Estimated cash flows are discounted using a yield curve constructed from similar sources and which reflects the relevant benchmark interbank rate used by market participants for this purpose when pricing interest rate swaps. The fair value estimate is subject to a credit risk adjustment that reflects the credit risk of the Group and of the counterparty; this is calculated based on credit spreads derived from current credit default swap or bond prices. The interest rate swaps have been valued as the difference in Net Present Values of Fixed and Floating legs of the swaps. Floating rates are based on LIBOR rates with biannual coupon payments. The forward rates have been determined from the zero curve rates. These rates have been used to compute the cash flows for the swaps.

Contract assets

Contract assets arises from the Group's right for consideration for work completed. The Group recognizes contract assets on customer transmission connection contracts where payment terms are longer as compared to the life of the asset. Revenue is settled over time throughout the life of the assets. A provision amounting to RO 39,000 (2022: RO 38,000) has been recognised in the books of OETC against the other assets (note 5).

Notes forming part of the consolidated financial statements
For the year ended 31 December 2023

15 Long term borrowings

The maturity profile of the long term borrowing is as follows:

	Long term loans		Sukuk		Bonds		Total	
	2023	2022	2023	2022	2023	2022	2023	2022
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
At 1 January	422,715	586,009	192,500	192,500	808,605	808,605	1,423,820	1,587,114
Additions	70,207	4,445	-	-	25,000	65,000	95,207	69,445
Less unamortised transaction cost	(3,693)	(5,380)	(434)	(548)	(1,417)	(1,962)	(5,544)	(7,890)
Payments	(68,956)	(162,359)	-	-	-	-	(68,956)	(162,359)
At 31 December	420,273	422,715	192,066	191,952	832,188	871,643	1,444,527	1,486,310

Movement in the transaction cost is as under:

At 1 January	5,380	6,712	548	662	1,962	2,258	7,890	9,632
Less unamortised transaction cost	(1,687)	(1,332)	(114)	(114)	(545)	(296)	(2,346)	(1,742)
At 31 December	3,693	5,380	434	548	1,417	1,962	5,544	7,890

Long term borrowings are classified as current and non current as below:

Non-current	293,648	273,793	192,066	191,952	832,188	871,643	1,317,902	1,337,388
Current	126,625	148,922	-	-	-	-	126,625	148,922
	420,273	422,715	192,066	191,952	832,188	871,643	1,444,527	1,486,310

Notes forming part of the consolidated financial statements*For the year ended 31 December 2023***15 Long term borrowings (continued)**

The brief description of significant long term borrowings with respect to individual subsidiaries is as follows:

Long term loans***DISC:***

On 8 June 2016, DISC has entered into a "Dual Currency Term Facility Agreement" as a syndicate loan as Tranche 1 with National Bank of Abu Dhabi PJSC (Facility Agent) for an amount of RO 100 million (USD 260 million) which was fully utilized by 31 December 2017. The Tranche 1 term loan carries an interest rate of LIBOR plus 3.25% and is repayable in 40 quarterly payments started from 31 March 2017. The loan is unsecured and is payable in cash.

On 24th December 2017, DISC entered into a "Dual Currency Term Facility Agreement" as a unsecured syndicate loan as Tranche II with Ahli Bank SAOG (Facility Agent) for an amount of RO 41 million (USD 107 million) with interest rate of (3.25% + SOFR). DISC has fully availed the facility by May 2019 and is repayable in 40 quarterly payment started from June 2019.

The facility agreement with the bank contains certain covenants pertaining to maintaining debt service coverage ratio and total net indebtedness to total equity. As at 31 December 2023 and 2022, DISC was not in compliance with debt service coverage ratio and hence, the term loans have been classified as current liabilities.

MJEC:

In April 2016, MJEC availed USD 330 million equivalent approximately to RO 127.05 million term loan from consortium of banks and is repayable in 40 quarterly payments started from 31 March 2017 with a final bullet payment in December 2026.

In November 2017, MJEC obtained an additional USD 165 million equivalent approximately to RO 63.53 million term loan from consortium of banks and is repayable in 38 quarterly payments started from 30 September 2018.

All terms loans have been transferred to NEDC under the business transfer agreement at 1 June 2023 as part of restructuring and related loan agreements have been novated subsequently in the name of NEDC.

Notes forming part of the consolidated financial statements*For the year ended 31 December 2023***15 Long term borrowings (continued)****Long term loans (continued)****NEDC:**

NEDC entered into a Dual Currency Term Loan Facility Agreement dated 17 September 2015 with a consortium of Lenders, with Ahli Bank acting as Facility Agent and Account bank, for an amount of RO 240 million. The loans are unsecured, and the final maturity falls due on 30 June 2026.

- RO 117 million, at a fixed interest rate for a period of 5 years from the date of first utilization dated 10 October 2015 of the tranche of the Term Loan, thereafter interest to be reviewed annually. At the reporting date, the balance of the facility availed amounted to RO 46.8 million (31 December 2022: RO 56.1 million).
- USD 320 million (equivalent to RO 123 million), at floating interest rate. At the reporting date, the balance of the facility availed amounted to RO 49.3 million (31 December 2022: RO 59.1 million).

As part of the reorganization of the electricity sector the following term facilities pertaining to distribution businesses have been novated from Nama Electricity Supply Group SAOC (NESC) formerly known as Muscat Electricity Distribution Group SAOC (MEDC). The loans are unsecured, and the final maturity date falls due on 30 June 2026 and 31 March 2028 respectively.

- RO 85 million Dual Currency Term Loan Facility Agreement dated 17 September 2015, at a fixed interest rate for a period of 5 years from the date of first utilization of the tranche of the Term Loan, thereafter interest to be reviewed annually. At the reporting date, the balance of the facility availed amounted to RO 34 million.
- USD 221 million (equivalent to RO 85.1million) Dual Currency Term Loan Facility Agreement dated 17 September 2015, at floating interest rate. At the reporting date, the balance of the facility availed amounted to RO 34 million.
- USD 211 million (equivalent to RO 81.2 million) Dual Currency Term Loan Facility Agreement dated 26 November 2017, at floating interest rate. At the reporting date, the balance of the facility availed amounted to RO 38.6 million.

As part of the reorganization of the electricity sector the following term facilities pertaining to distribution businesses have been novated from Majan Electricity Group SAOC (MJEC). The loans are unsecured, and the final maturity date falls due on 31 December 2026 and 31 December 2027 respectively.

- USD 330 million (equivalent to RO 127 million) Dual Currency Term Loan Facility Agreement dated 18 April 2016, at floating interest rate. At the reporting date, the balance of the facility availed amounted to RO 55.9 million.
- USD 165 million (equivalent to RO 63.5 million) Dual Currency Term Loan Facility Agreement dated 1 November 2017, at floating interest rate. At the reporting date, the balance of the facility availed amounted to RO 28.6 million.

The term loan facilities contain certain covenants pertaining to, amongst other things, liquidation and merger, entering into material new agreements, negative pledge, disposal of asset, granting of loan and guarantee, acquisition of capital assets, debt service coverage ratio, change of business, loan and guarantee, hedging agreement, etc., which NEDC is required to comply. At 31 December 2023 and 2022, NEDC was in compliance with these covenants.

Notes forming part of the consolidated financial statements*For the year ended 31 December 2023***15 Long term borrowings (continued)****Long term loans****NESC:****Loan 1**

In August 2015, NESC 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 NESC 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 restructuring of supply and distribution business.

Loan II

In November 2017, NESC 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) NESC 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 restructuring of supply and distribution business.

Sukuks**NEDC:**

During the year 2017, NEDC raised long term finance to meet the capital expenditure needs through assets backed Sukuk route. In order to facilitate the funding the Group formed Mazoon Assets Company SAOC, a Special Purpose Vehicle (SPV) purely for the purpose of raising the Sukuk finance. On 1 November 2017, Mazoon Assets Company SAOC successfully priced its debut Reg S/144A US\$ 500 million (RO 192,500 million) 10-year Sukuk offering following the Shari'a compliant Ijara Structure. The profit rate payments are due on 8 May and 8 November every year during the tenure of the Sukuk certificate and the certificates are due for repayment in full on 8 November 2027.

The Certificates are listed on the Irish Stock Exchange and the issuance was managed by Mazoon Electricity Company SAOC and the Holding Group along with J.P. Morgan Securities plc, Bank Muscat SAOG, KFH Capital Investment Group KSCC, and First Abu Dhabi Bank PJSC acting as Joint Lead Managers and Noor Bank PJSC and Warba Bank (K.S.C.) acting as co-managers. The scheme was executed on 8 November 2017. The legal form of contracts entered into for the purpose of raising, servicing and repayment of the Sukuk finance includes:

- a) Sale by NEDC and purchase by Mazoon Assets Group SAOC of PPE assets.
- b) Lease back of these assets by Mazoon Electricity Group SAOC from NEDC under a Lease Agreement and Servicing Agency Agreement.
- c) Subscription agreement.
- d) Declaration of trust agreement.
- e) Purchase undertaking agreement and sale and substitution agreement.

Mazoon Assets Company SAOC, which is a 99.99 percent owned subsidiary, has no economic purpose to serve other than to act as a Special Purpose Vehicle. As per agreement, Mazoon Electricity Group SAOC is obliged to bear all the initial issue costs as well as all recurring costs of operation. NEDC recognises the financial liability in respect of the Sukuk obligation while retaining the property, plant and equipment on its statement of financial position.

Notes forming part of the consolidated financial statements*For the year ended 31 December 2023***15 Long term borrowings (continued)****Bonds*****OETC:***

During 2015, OETC obtained long-term loan - bonds of USD 1 billion (RO 385 million) from M/s Lamar Funding Limited by issue of an unconditional and irrevocable guarantee dated 7 May 2015 (the "Deed of Guarantee"). The loan is repayable on 7 May 2025 and interest on the loan is payable on a half yearly basis on 7 May and 7 November of each year.

M/s Lamar Funding Limited, an exempted Company incorporated in Cayman Islands, issued USD 1 billion (RO 385 million) 3.958% Guaranteed Notes due on 7 May 2025, listed on Irish Stock Exchange and provided the proceeds of the issue as a loan to the Company with the benefit of the Deed of Guarantee. The notes are rated Ba3 by Moodys Investor Services Ltd. and BB- by Fitch Ratings Limited. There is no re-payment of loan principal during the year.

During 2017, OETC obtained a further long-term loan - bonds of USD 500 million (RO 192.5 million) from M/s OmGrid Funding Limited by issue of an unconditional and irrevocable guarantee dated 16 May 2017 (the "Deed of Guarantee"). The loan is repayable on 16 May 2027 and interest on the loan is payable on a half yearly basis on 16 February and 16 August of each year.

M/s OmGrid Funding Limited, an exempted Company incorporated in Cayman Islands, issued USD 500 (RO 192.5 million) million 5.196% Guaranteed Notes due on 16 May 2027, listed on Irish Stock Exchange and provided the proceeds of the issue as a loan to OETC with the benefit of the Deed of Guarantee. The notes are rated Ba3 by Moodys Investor Services Ltd. and BB- by Fitch Ratings Limited. There is no re-payment of loan principal during the year.

During 2021, OETC obtained long-term loan - bonds of USD 600 Million (approximately RO 231 million) from M/s Oryx Funding Limited by issue of an unconditional and irrevocable guarantee dated 3 February 2021 (the "Deed of Guarantee"). The loan is repayable on 3 February 2031 and interest on the loan is payable on a half yearly basis on 3 February and 3 August of each year.

M/s Oryx Funding Limited, an exempted Company incorporated in Cayman Islands, issued USD 600 Million (RO 231 million) 5.80% Guaranteed Notes due on 3 February 2031, listed on Irish Stock Exchange and provided the proceeds of the issue as a loan to the Company with the benefit of the Deed of Guarantee. The notes are rated Ba3 by Moodys Investor Services Ltd. and BB- by Fitch Ratings Limited. There is no re-payment of loan principal during the year.

During 2022, OETC has obtained an unsecured long-term loan at fixed interest rate from National Bank of Oman SAOG for a period of 5 years containing a moratorium for a period of 3 years from the date of completion of drawdown. The purpose of loan is to meet the capital expenditure / funding of OETC. The facility has been fully with drawn as at 31 December 2023 (2022: RO 65 million).

The term loan facilities contain financial covenants and OETC is compliant with the loan covenants.

Notes forming part of the consolidated financial statements

For the year ended 31 December 2023

16 Right of use assets and lease liabilities

Right of use assets and lease liabilities mainly comprise of power purchase agreements with independent power generation companies, water purchase agreements with independent water producers and lands from Government of Sultanate of Oman under usufruct agreements.

	2023	2022
	RO'000	RO'000
<i>Right of use assets</i>		
<i>Cost</i>		
1 January	2,344,644	2,287,424
Addition for the year, net	13,263	57,220
31 December	<u>2,357,907</u>	<u>2,344,644</u>
<i>Accumulated depreciation</i>		
1 January	818,289	630,483
Adjustment	18,334	-
Charge for the year	191,750	187,806
31 December	<u>1,028,373</u>	<u>818,289</u>
<i>Carrying value</i>		
31 December	<u><u>1,329,534</u></u>	<u><u>1,526,355</u></u>
<i>Lease liabilities</i>		
<i>Movement in lease liabilities:</i>		
1 January	1,725,883	1,891,456
Adjustment	1,691	7,783
Additions	13,263	57,220
Interest expense	121,776	101,350
Payment (principal and interest)	(317,050)	(331,926)
31 December	<u><u>1,545,563</u></u>	<u><u>1,725,883</u></u>
<i>The maturity profile of these lease liabilities are as under:</i>		
Non-current portion	1,317,917	1,470,279
Current portion	227,646	255,604
	<u><u>1,545,563</u></u>	<u><u>1,725,883</u></u>
<i>Amount recognized in profit or loss:</i>		
Depreciation on right on use assets (note 22 and 23)	191,750	187,806
Interest on lease liabilities (note 27)	121,776	101,350

The maturity analysis of lease liabilities is describes in note 5.

Notes forming part of the consolidated financial statements
For the year ended 31 December 2023

17 Trade and other payables

	2023 RO'000	2022 RO'000
Trade payables	145,238	116,327
Dividend payable	-	5,941
Employees' benefits (note 18)	3,478	5,082
Accruals, Retention payables and others	400,780	602,132
	<u>549,496</u>	<u>729,482</u>

Retention payables and other represent mainly retention payables for capital work in progress contracts, and contract liabilities that will be recognized as revenue when the company performs under the contract. The dividend payable will be adjusted against water restructuring and privatization consultancy expenses, approved by MOF, from the Company.

18 Other non-current payables and provisions

	2023 RO'000	2022 RO'000 (Restated)
Employees end of service benefits	27,129	28,364
Provision for decommissioning costs	1,082	4,271
Project related payables (ONEIC)	17,388	18,342
Retention payables and others	77,824	97,004
	<u>123,423</u>	<u>147,981</u>
Provision for employees' benefits:		
Employees end of service benefits	27,129	28,364
Employees' benefits (current)	3,478	5,082
	<u>30,607</u>	<u>33,446</u>
At 1 January	33,446	33,716
Transfer	(1,837)	-
Charge for the year (note 24)	309	757
Payments	(1,311)	(1,027)
At 31 December	<u>30,607</u>	<u>33,446</u>
Provision for decommissioning costs:		
At 1 January	4,222	4,492
Released on asset decommissioned	(3,192)	(270)
	<u>1,030</u>	<u>4,222</u>
Unwinding of provision of decommissioning costs (note 27)	52	49
At 31 December	<u>1,082</u>	<u>4,271</u>

GPDC has the obligation to restore the plant side to its original state. Accordingly, a provision has been recorded based on the expected cash flows to be incurred discounted using the discount rate of 5%.

In 2019, SSDC (transferred to DISC on 1 June 2021) entered into an agreement with ONEIC, for the construction, operations and maintenance of the Sewerage Network in Sahalnoot District of Salalah in Dhofar region of the Sultanate of Oman at agreed consideration of RO 33.3 million for construction and RO 11.8 million for operations and maintenance part of the agreement. The construction of the asset has been completed during 2023 and operations and maintenance part of the agreement has been started which will be finished by the end of 2038. After the completion of operations and maintenance part, the asset will be transferred to DISC at no additional consideration. The payment of construction part of the agreement are deferred over the period of 15 years will be made on semi-annual basis starting from 30 June 2024. DISC has computed the cash equivalent value by discounting the RO 33.3 million at the rate of 8% per annum, which represents available borrowing rate for DISC to fund the construction of this project to arrive at a value of RO 13.8 million (refer to note 1.2 for details).

Notes forming part of the consolidated financial statements*For the year ended 31 December 2023***19 Deferred revenue***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 installation and connection revenue is recognized over the period of time as per IFRS 15. The Group has estimated the average life to be 25 years based on the useful life on connection and installation assets and recognized installation and connection fee over this period. Following the adoption of IFRS 15 the Group recognizes the installation and connection fee over 25 years.

Government sponsored projects/customers contributed assets

The Government provide funding towards the cost of property, plant and equipment and customer contributed assets. These funding/contributions are deferred over the life of the relevant property, plant and equipment.

Regulatory asset base adjustment

Regulatory asset base adjustment relates to excess of maximum allowed revenue arising from the difference in price control allowed capex and actual capex out turn that will be adjusted while setting the future price control.

Classification of deferred revenue into current and non-current portion

The following table includes revenue to be expected to be recognised in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date.

	2023	2022
	RO'000	RO'000
Revenue from installation and connection charges	143,373	133,886
Revenue from Government sponsored projects	283,109	243,199
Revenue from customer contributed assets	41,741	54,904
Regulatory asset base adjustment	39,887	29,170
	<u>508,110</u>	<u>461,159</u>
Deferred revenue- Non current	477,164	441,321
Deferred revenue- Current	30,946	19,838
	<u>508,110</u>	<u>461,159</u>

Notes forming part of the consolidated financial statements*For the year ended 31 December 2023***20 Short term borrowings****RAECO:**

RAECO has availed a total facility amount of 54.64 million from local banks at interest rate ranging from 3.5% to 4.75% per annum (2022: 3.5% to 6% per annum). At 31 December 2023, RAECO has utilized this Short-term loan to the extent of RO 54.64 million (31 December 2022: 98.84 million).

RAECO has also availed a letter of credit facility effective June 2021 from National Bank of Oman amounting to RO 6.16 million against a long-term power purchase agreement, at an interest rate of 2.4%. This letter of credit is valid until November 2024."

Working capital facilities directly pertains to distribution and supply businesses of RO 28.5 million and 5.7 million respectively have been classified under liabilities held for distribution to shareholders.

OWWSC:

On 30 June 2020, OWWSC entered Into a Facility Agreement with the local Banks amounting to RO 60 million for a period of one year, extendable for further period at the Banks discretion, at and interest rate of 4% per annum. Each utilization of the facility to be repaid within 6 months from the date of draw down.

The facility is subject to a charge for all the bank accounts maintained by OWWSC with the local Bank.

OWWSC have also entered into facility agreement with the local Bank on 2 December 2021 amounting to RO 693 million for a period of 1 year, at an interest rate of USD LIBOR + Margin of 2.5%. The facility is fully settled in January 2023.

In addition to that OWWSC have also entered into another facility agreement with the local bank on 21 December 2022 amounting to RO 93 million for a period of 1 year, at an interest of 3.5%. OWWSC entered into a facility agreement with the local Bank on 30 July 2023 for RO 35 million at 6% p.a. interest rate. The facility with the local Bank will be extended by RO 45 million, making it total to RO 80 million. The interest rates are subject to change at the discretion of the bank, upon renewal of the facility.

During the first quarter of 2023, OWWSC settled a loan taken from EHC at interest rate of 4.5% amounting to RO 27.5 million.

OPWP:

OPWP has a short-term aggregate loan facility of RO 200 million from Bank Muscat and National Bank of Oman. The loan carries a rate of interest in the range of 3.5% to 5.5% (2022: 3.5% to 5.5%) per annum on commercial terms and is repayable in ninety days.

OPWP is not required to pay any arrangement or commitment fees. Borrowings are secured by letter of comfort given by the Company.

Notes forming part of the consolidated financial statements*For the year ended 31 December 2023***20 Short term borrowings (continued)****NEDC:***Working capital facilities*

During the year 2019, NEDC entered into a short term working capital facility with Bank Muscat for an amount of Rial Omani 40 million vide an agreement dated 11 November 2019. The facility was renewed during the year 2020, 2021 and 2022 and as at 31 Dec 2023 the facility outstanding is RO Nil (31 December 2022: RO 10 million). During June 2023, this facility novated to NESC as part of the reorganization of the electricity sector.

Bridge loan facilities

In 2021, NEDC raised a bridge loan of USD 235 million (RO 90.4 million) to meet the capital expenditure needs through an asset backed Ijara Loan. The agreement was executed on 16 March 2021 and amended and extended for another 12 month period during the year. Further, NEDC exercised the Accordion option and enhanced the facility by an amount of USD 115 million (RO 44.3 million) and availed the same thereby making the total facility USD 350 million (RO 135 million). The legal form of contracts entered into for the purpose of raising, servicing and repayment of the Ijara Loan finance includes.

- Sale by NEDC and purchase by Bank Muscat SAOG (Investment Agent) of PPE assets.
- Lease back of these assets by NEDC from Investment Agent under a Lease Agreement and Servicing Agency Agreement.
- Declaration of trust agreement.
- Purchase undertaking agreement and sale undertaking agreement.

During the year, NEDC vide an agreement dated 27th July 2022 entered into a Wakala Bridge facility agreement with Alizz Islamic Bank SAOC for an amount of RO 35 million. As at 31 December 2023, the availed and balance under this facility is RO 35 million.

During the year 2023, NEDC has availed a short-term loan facility vide agreement dated 12 April 2023 for U.S.\$350 million refinancing the Ijara short-term facility. The facility is unsecured and is repayable by 12 April 2024.

As part of the reorganization of the electricity sector, the following facility pertaining to distribution businesses has been novated from NESC. The loan is unsecured and is maturing on 31 August 2023.

NEDC has taken over RO 50 million part of the short term facility with Bank Muscat SAOG from NESC.

NEDC has taken over RO 28.50 million part of the bridge facility with National Bank of Oman SAOG from RAECO. As part of the reorganization of the electricity sector, the facility pertaining to distribution businesses has been novated from RAECO. The loan is unsecured and is maturing on 31 March 2024.

Notes forming part of the consolidated financial statements
For the year ended 31 December 2023

21 Revenue

	2023 RO'000	2022 RO'000 (Restated)
Point of time:		
Electricity sales	834,271	743,552
Government subsidy (Electricity)	499,832	525,080
Water and wastewater sales	224,070	196,525
Other operating revenue, net of price control adjustments	132,070	79,025
	<u>1,690,243</u>	<u>1,544,182</u>
Over period of time:		
Amortisation of deferred revenue and others	7,519	15,053
	<u>1,697,762</u>	<u>1,559,235</u>

Subsidy income (wastewater) represents funds received as government subsidy relates to reimbursement for expenses incurred by the Group.

22 Operating costs

	2023 RO'000	2022 RO'000 (Restated)
Energy purchases	527,105	442,086
Water purchases	216,141	219,052
Depreciation on property, plant and equipment (note 6 (a))	239,868	248,278
Depreciation on right of use assets (note 16)	190,427	186,495
Plant operation, maintenance costs and others	117,064	126,282
Material and chemical costs	56,534	54,466
	<u>1,347,139</u>	<u>1,276,659</u>

23 General and administrative expenses

	2023 RO'000	2022 RO'000 (Restated)
Employees' benefit expenses (note 24)	143,831	126,545
Commission	35,538	33,941
License, insurance and others	20,283	14,746
Depreciation on property, plant and equipment (note 6 (a))	7,109	7,626
Depreciation on right of use asset (note 16)	1,323	1,311
Amortization of intangible assets (note 6 (b))	2,775	2,704
	<u>210,859</u>	<u>186,873</u>
Service expenses	17,655	17,132
Directors' remuneration and sitting fees (note 29)	1,412	360
Other expenses	13,275	9,095
	<u>32,342</u>	<u>26,587</u>
	<u>243,201</u>	<u>213,460</u>

Notes forming part of the consolidated financial statements*For the year ended 31 December 2023***24 Employees' benefit expenses**

	2023	2022
	RO'000	RO'000
Wages, salaries and other benefits	143,522	125,788
Employees' end of service benefits (note 18)	309	757
	<u>143,831</u>	<u>126,545</u>

25 Other income

It represents mainly penalties, fines and sale of scrap.

26 Finance income

It represents mainly interest on bank deposits / call account.

27 Finance costs

	2023	2022
	RO'000	RO'000
Interest on lease liabilities (note 16)	121,776	101,350
Interest on long term borrowings (note 15)	80,386	67,664
Interest on short term borrowings (note 20)	34,376	25,579
Unwinding of provision of decommissioning costs (note 18)	52	49
Interest on overdraft facilities	6,628	11,601
	<u>243,218</u>	<u>206,243</u>

28 Taxation

Income tax is provided as per the provisions of the Law of Income Tax on Companies in Oman after adjusting for items which are not taxable or disallowed. The deferred tax on all temporary differences has been calculated and dealt with in the profit or loss.

The respective companies within the Group are liable to income tax in accordance with the Income Tax Law of the Sultanate of Oman at the enacted tax rate of 15% (2022: 15%).

Notes forming part of the consolidated financial statements

For the year ended 31 December 2023

28 Taxation (continued)

	2023 RO'000	2022 RO'000 (Restated)
Current tax	76,928	2,729
Deferred tax	(44,217)	40,142
	<u>32,711</u>	<u>42,871</u>
Reconciliation of income taxes:		
Accounting loss before tax:	<u>(1,956,301)</u>	<u>(170,799)</u>
Income tax at Oman tax rate		
Add / (less) tax effect of:		
Temporary differences	78	78
Tax impact of non-deductible expenses and other adjustments	<u>32,633</u>	<u>42,793</u>
	<u>32,711</u>	<u>42,871</u>

Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 15% (2022:15%).

Movement in current and deferred tax (liability) during the year is as below:

	Current tax		Deferred tax	
	2023 RO'000	2022 RO'000	2023 RO'000	2022 RO'000 (Restated)
At 1 January (as previously reported)	8,882	8,635	269,231	193,431
Restatement (note 1.2)	-	-	-	32,416
At 1 January (restated)	8,882	8,635	269,231	225,847
Charge for the year	76,928	2,729	(44,217)	40,142
Charge for the year- other comprehensive income	-	-	(520)	3,241
Adjustments	(4,131)	185	-	1
Payment	(1,566)	(2,667)	-	-
At 31 December	<u>80,113</u>	<u>8,882</u>	<u>224,494</u>	<u>269,231</u>

Notes forming part of the consolidated financial statements*For the year ended 31 December 2023***28 Taxation (continued)**

The Company has submitted an appeal for tax year 2006 to 2016 with the Income Tax Committee and a decision is yet to be issued. Pending the appeal decision, the Company had paid the tax due as per the assessment orders issued by the tax authorities. The tax authorities have completed the assessments for tax years 2017 and 2018 in which the tax authorities, similar to earlier years, have attributed expenses to exempt income. The Company has submitted an objection which is currently under review. Following are the status of pending assessment years of the Group with the Oman Taxation Authorities:

Name of subsidiaries	Tax years pending
NEDC	2020-2022
MJEC	2020-2022
NESC	2017-2022
RAECO	2022
OPWP	2021-2022
DISC	2022
GPDC	2019-2022
WJPC	2019-2022
OETC	2020-2022
NSS	2021-2022
NICD	2020-2020
OWWSC	2019-2022

Management is of the opinion that additional taxes, if any, relate to the open tax years would not be significant to the Group's consolidated financial position as at 31 December 2023.

29 Related parties transactions and balances

Related parties comprise the shareholders, directors, key management personnel and business entities in which they have the ability to control or exercise significant influence in financial and operating decisions (other related parties). 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 Group and an entity that is a related party of the same government, the Group 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 Group entered into transactions in the ordinary course of business with related parties' other affiliates and parties in which certain members and senior management have a significant influence (other related parties). The related parties transactions are carried out at mutually agreed terms.

The year-end receivable balances with related parties are as below (note 9):

	2023	2022
	RO'000	RO'000
<u><i>Related party receivables (note 9)</i></u>		
Oman Investment Authority (OIA)	-	71
Ministry of Finance (MOF)	<u>130,773</u>	<u>79,268</u>
	<u>130,773</u>	<u>79,339</u>

Notes forming part of the consolidated financial statements*For the year ended 31 December 2023***29 Related parties transactions and balances (continued)**

The receivables from MOF represents mainly reimbursable expenses for water and privatization, payments to subsidiaries on behalf of MOF and 5% value added tax on the subsidy and electricity sold to citizens who are eligible for benefit under Special Protection Initiative (SPI).

The receivables from OIA represent mainly the reimbursable expenses for secondments staff.

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any Director (whether executive or otherwise).

	2023 RO'000	2022 RO'000
Short term employee benefits	5,157	5,815
Post-employment benefits	773	389
Directors' remuneration and sitting fees (note 23)	1,412	360
	<u>7,342</u>	<u>6,564</u>
Number of staff included	<u>72</u>	<u>75</u>

Government and related entities

The Group has generated revenue of RO 181 million (31 December 2022: RO 132 million) from the sale of water and wastewater services to the Government and related entities during the current year.

The Group received subsidy of RO 213 million (2022: RO 444 million) from MOF to fund its net operating costs and capital expenditures under the Funding Agreement for wastewater business as well as financial support to fund its water operations.

Refer to note 37 for details regarding the Group restructuring.

The Group also received an electricity subsidy of RO 499 million (2022: RO 525 million) under PCR for electricity customers.

30 Dividend

The Board of Directors in their meeting held on 18 April 2024 has proposed a dividend of RO 0.021 per share aggregating to RO 10 million for the year ended 31 December 2023.

This dividend is subject to the approval of the shareholders in the Annual General Meeting (2022: dividend of RO 40.005 million, paid during 2023).

31 Commitments

	2023 RO'000	2022 RO'000
Capital commitments	340,754	521,116
Guarantees	741	743
	<u>341,495</u>	<u>521,859</u>

Notes forming part of the consolidated financial statements*For the year ended 31 December 2023***32 Contingencies***NESC*

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

OWWSC

As of 31 December 2023, OWWSC is subject to significant litigations in the normal course of its business. The claims are around RO 13.9 million (2022: RO 21.7 million) (not including interest where applicable). OWWSC believes that it has grounds to nullify the pending litigation disputes / arbitration awards and has taken the necessary legal steps provided under Oman law in this regard.

OETC

As of 31 December 2023, OETC had three commercial cases and one administrative case. These legal disputes include construction disagreements with contractors involved in the projects and have submitted a claim of RO 7.8 million. These cases are currently at the trial (primary) court stage and therefore, in the opinion of the Group, it is unlikely that any liability will crystallise in respect of these cases. Accordingly, no provision has been made in the financial statements for this claim.

OETC has a rental dispute with the Public Establishment for Industrial Areas "Madayn," which was filed in Primary Court. The Primary Court issued its judgment on 23rd January 2023 in favor of Madayn, making OETC liable to pay RO 317K to Madayn in addition to the delay penalty.

OETC filed an appeal on 26 February with Administrative Appeal Court. The Administrative Appeal Court issued its judgment on 3rd April 2023 in favor of OETC to overturn the Primary Administrative Court's judgment. Madayn filed appeal before the Supreme Court against judgment issued by Administrative Appeal Court. The supreme Court issued its judgment on 27th December 2023 to return the case to be heard by a different tribunal. Given the progress of this case as at 31 December 2023, it is unlikely that any liability will crystallise. Accordingly, no provision has been made in the financial statements for this claim.

NEDC

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

Notes forming part of the consolidated financial statements*For the year ended 31 December 2023***32 Contingencies (continued)***DISC**Case filed by Bank Muscat against Ozdil*

Ozdil Energy Resources LLC ('Ozdil') entered into a Contract with DISC on 6th August 2011 for the construction of a 132 KV overhead line between awqad GSS, IWPP GSS and Associated Works. The contract value for the said project was RO 7,673,232.

Ozdil had valid credit facilities from Bank Muscat SAOG (the "Bank") for the execution of this project and assigned the receivables in favour of the Bank. The Bank filed a suit against Ozdil and others before the Muscat Primary Court under number 364/2014 for the recovery of the outstanding amounts. DISC is the 4th defendant in that suit. The Bank demanded that the court appoint an expert to calculate the financial dues payable by DISC to Ozdil and declaration/injunction that DISC would not challenge the claim of the Bank against Ozdil. On 26 June 2014 DISC filed its statement of defence. DISC's main demand was that the Court may adjudge inadmissibility of the case primarily owing to the existence of an arbitration clause in the contract entered into between Ozdil and DISC and secondarily owing to the fact that DISC is not a party to the dispute between the Bank and Ozdil. The Court in the Meantime ordered the Bank to join the liquidators of Ozdil, Salim Al Khusaibi Auditors, as a co-defendant in the suit, which was done. In the hearing held on 8 January 2015 the Bank submitted an amended statement of claim.

DISC submitted its response to the amended statement of claim in the hearing held on 29 January 2015. On 29 October 2015, the Court appointed an accountancy firm, Abu Timam Grant Thornton, as expert in this case who submitted their report on 25 October 2015. DISC submitted their comments on the Expert Report on 19 November 2015. After reviewing the comments submitted by the parties, the Court directed the Expert to submit a Supplementary Report. The expert submitted the report on 25 February 2016 and later posted the case for judgment. The court pronounced its judgment on 12 May 2016 and obliged the office of Salim Al Khusibi – (Liquidator of the first defendant) along with the second defendant; jointly and severally to the plaintiff RO 10,481,870 with interest of 12% per annum from date of suit till final settlement. The Court also obliged the 1st and 2nd defendant with the Court fees and RO 300 as lawyer fees and rejected all the other reliefs. DISC was the 4th defendant in this case.

Ozdil appealed this judgment before the Court of Appeal (case no. 511/2016) and on 11 December 2016 the Appeal Court issued the judgment, accepting the appeal in form and on the merits rejected the appeal and upheld the primary court judgment and also obliged the appellant with court expenses.

Bank Muscat filed an appeal before the Supreme Court, and the management has filed their response on 30 November 2017. The first hearing in the remanded case was held at the Muscat Primary Court on 05 July 2021 in which DISC requested the Court to stay the case procedures until the Supreme Court issues its judgment. The Bank submitted a request to the court to join Mott MacDonald LLC ("Mott") as a co-defendant. In a subsequent hearing held on 08 November 2021, the court adjourned the case to 27 December 2021 for (1) DISC to submit their response on the request submitted by the Bank for joining Mott as a co-defendant and (2) for the court to make a decision on DISC's request to stop the case procedures until the Supreme Court issues its verdict.

On 5 July 2021, the Court of Appeal, Muscat, issued Judgment (1) confirming the withdrawal of the case in respect of Al Azaiba Services Company, Juma Ali Al Juma and Ali Kiskin; (2) cancelling the Primary Court Judgment in respect of Dhofar Power Company SAOC and Oman Electricity Transmission Co. and transferring the case back to the Primary Court for re-trial; and (3) upholding the rest of the Primary Court judgment obliging Ozdil and Oman Electricity Transmission Co. to settle the court fees.

On 25 May 2021, DISC appealed the said judgment before the Supreme Court which is pending final judgment. On 16 November 2021 the Court accepted the Bank's request to stay the case procedures until the Supreme Court issued its judgment.

Notes forming part of the consolidated financial statements*For the year ended 31 December 2023***32 Contingencies (continued)***DISC (continued)**Case filed by Bank Muscat against Ozdil (continued)*

On 13 October 2022, the Supreme Court issued its judgment dismissing the appeal filed by DISC. Following the Supreme Court's judgment, the Muscat Primary Court reinstated the proceedings in the remanded case and set the date of 30 January 2023 for its hearing.

On 30 January 2023, Oman Electricity Transmission Company submitted their memo and produced a copy of the Supreme Court judgment to the Muscat Primary Court. The Court adjourned the case to 1 May 2023 for the parties to submit their final memos.

On 30 October 2023, the supreme court issued its judgment dismissing the appeal filed by DPC. Following the Supreme Court judgment, the Muscat Primary Court reopened the proceedings. The case is now adjourned to 19 February 2024 for Expert Report.

On 30 January 2023, OETC submitted their memo and produced a copy of the Supreme Court judgment to the Muscat Primary Court. The Court adjourned the case to 1 May 2023 for the parties to submit their final memos.

On 30 October 2023, the supreme court issued its judgment dismissing the appeal filed by DISC. Following the Supreme Court judgment, the Muscat Primary Court reopened the proceedings and on 19 February 2024, an expert was appointed and then replaced with another expert by the Court. The session was adjourned till 29 April 2024 to receive the expert report. The management believes that no additional provision is required to be recorded as at 31 December 2023.

Dispute with ACE (Associated Consulting Engineers)

This is an arbitration claim filed by SSDC against Associated Consulting Engineering international LLC (ACE). The claim is for losses in the total amount of OMR 9,000,695 plus interests and attorney fees. SSDC has initiated this claim due to ACE's negligence in the performance of its duties under the agreement signed between the two parties for the design and supervision of the expansion of the wastewater treatment plant in Raysut, Salalah.

The arbitration award was issued on 22 April 2020 in favour of SSDC. The award obligates ACE to pay SSDC:

- an amount of OMR 8,205,762;
- arbitration fees amounting to OMR 220,718; and
- Attorney fees of OMR 30,000.

SSDC deposited the arbitration award at Muscat Primary Court on 25 June 2020. ACE filed annulment proceedings before the Administrative Court of Appeal. The court accepted SSDC's defence that the court has no jurisdiction over the dispute; it dismissed the annulment proceedings and obliged ACE to bear the case registration fee. ACE filed annulment proceedings before the Court of Appeal in Muscat. On 11 October 2020, SSDC submitted the memorandum of response. On 15 November 2020, the Appeal Court in Muscat dismissed ACE annulment claim and obliged them to pay case expenses and an amount of OMR 300 for attorney fees. SSDC opened enforcement file at Muscat Enforcement court with number 3606/9103/2020. On 22 December 2020, SSDC submitted a request to continue the enforcement procedure. On 28 December 2020, ACE filed Estishkal at the enforcement Court. The first hearing is scheduled on 03 January 2021. On 3 January 2021, SSDC submitted memorandum of response to the ACE's Estishkal and the court decided to reject the Estishkal on 17 January 2021. ACE filed appeal of Estishkal at the Appeal court in Muscat, the first hearing was on 14 February 2021.

SSDC submitted our memorandum of response and the Court decided on 7 March 2021 to reject ACE's appeal.

Notes forming part of the consolidated financial statements*For the year ended 31 December 2023***32 Contingencies (continued)***DISC (continued)**Dispute with ACE (Associated Consulting Engineers) (continued)*

On 29 June 2021, the Court issued arrest warrants and detain the authorized signatories of ACE. SSDC also requested the Court to send a letter to Ministry of Finance to know the projects that ACE is working on it in order to seize it.

SSDC requested the Court also to send a letter to Oman Water Wastewater Services Company SAOC to seize what ACE has funds with them as they have some project with them. The Court has accepted SSDC's request and send it the above-mentioned letters. SSDC followed up with the Enforcement Court on 28 July 2021 and 16 August 2022 to chase up the proceedings. On 12 October 2021, the court informed us that they will send a follow up letter to the local banks and the Royal Oman Police. On 24 November 2021, we submitted a request to the court to issue an order to arrest warrants and detain ACE authorized signatories. SSDC followed up with the Court on 5 December 2021.

On 3 August 2022, the Enforcement Court issued an arrest order against the authorized signatories of DISC. On 8 November 2022, Boshier Police station had informed the Court that they arrested one of the Authorized signatories. On 27 December 2022, DISC submitted a request to followed up and continue the enforcement process. The matter is still ongoing.

DISC believes that there is an uncertainty regarding the recovery of the amount from ACE, accordingly, DISC has disclosed the same as contingent asset in the financial statements for the year ended 31 December 2023.

Khotoot Al Reef Services SAOG (KARS) initiated an ad-hoc arbitration before a sole arbitrator in relation to a dispute arising out of a construction contract for building Hasek Area Water Network in Salalah. In its statement of claim,

KARS requested the Arbitrator to order DISC to pay an amount of OMR 1,572,040 (US\$ 4,084,073.46), being amounts related to the extension of time, unpaid invoices, prolongation of cost and a compensation for the damages caused by issuing variation orders. On 14 June 2023, DISC filed a counterclaim, in which requested the Arbitrator to order KARS to pay an amount of OMR 389,376 for delay banalities, an amount of OMR 230,505 as a compensation, the counterclaim expenses and the attorney fees. On 24 August 2023, the Arbitrator decided to appoint an engineer and an accountant expert, who have submitted their main and supplementary report. Subsequent to the appointment of an engineer and an accountant expert, Arbitration panel has issued judgement on 1 February 2024, rejecting the claims of both parties based on the engineer and accountant expert's conclusion. Accordingly, the management believes that no provision is required to be recorded as at 31 December 2023.

33 Non-monetary transactions

Following non-cash transactions have been excluded from consolidated statement of cash flows, as these do not involve any cash movement.

	Note	2023 RO'000	2022 RO'000 (Restated)
Additions to right of use assets and lease liabilities, net of adjustments	16	<u>13,263</u>	<u>57,220</u>

Notes forming part of the consolidated financial statements*For the year ended 31 December 2023***34 Non-controlling interest**

The following table summarizes the information relating to the Group's subsidiary that has material NCI, before any intra-group adjustments/eliminations.

	2023	2022
NCI percentage (OETC)	49%	49%
	RO'000	RO'000
Non-current assets	1,665,766	1,540,904
Current assets	106,801	179,325
Non-current liabilities	(1,141,617)	(1,072,983)
Current liabilities	(97,791)	(123,064)
Net assets	533,159	524,182
Net assets attributable to NCI	261,248	256,849
Revenue	139,605	126,635
Profit and total comprehensive income	41,706	43,640
Profit and total comprehensive income attributable to NCI	20,436	21,383
<i>Movement in NCI:</i>		
At 1 January	290,329	268,946
Movement during the year	20,436	21,383
At 31 December	310,765	290,329
Net cash generated from operating activities	84,476	77,668
Net cash used in investing activities	(45,720)	(76,483)
Net cash (used in) / generated from financing activities	(51,956)	20,661
Net changes in cash and cash equivalents	(13,200)	21,846

35 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 Group's direct exposure to countries directly involved in the recent international disputes is non-existent, the Group's operations are partially concentrated in economies that are relatively dependent on the price of crude oil and accordingly, the Group 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.

Notes forming part of the consolidated financial statements*For the year ended 31 December 2023***36 Climate related risks**

The Group 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 behavior 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 Group is making progress on embedding climate risk in its risk framework.

37 Restructuring of business

The Oman Investment Authority (OIA) has received a letter number 1145 / December 2021 dated 26 December 2021, from H.E. Mohammed Al Rumhi, 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, with the exception of the Dhofar Governorate and in this regard stipulates: "combining the distribution and supply companies into two companies (a supply company and another distribution in all governorates of the Sultanate except for the Governorate of Dhofar) to enhance efficiency and reduce operational and administrative costs" (DISCO Reorganisation).

The following events have occurred during the current year:

- The Board of Directors have resolved in their meeting held on 27 April 2023, to start the process of transfer of assets and liabilities pertaining to:
 - distribution assets from NESC, MJEC and RAECO to NEDC.
 - supply assets from NEDC, MJEC and RAECO to NESC.
- The shareholders of the companies in the Ordinary General Meeting dated 7 May 2023 unanimously resolved and approved the start of restructuring directives. The shareholders approved to enter into a Business Transfer Agreement, to transfer of distribution's assets to the NEDC from NESC, MJEC and RAECO as per earlier APRS directives on 26 Dec 2021. The shareholders also approved to enter into a Business Transfer Agreement, to transfer of supply assets out of the Group to NEDC, MJEC and RAECO, as per earlier APRS directives on 26 Dec 2021.
- As all the companies (i.e. NEDC, NESC, MJEC and RAECO) involved in restructuring are under common control of the Company, the above transaction has been entered into with no consideration. Accordingly, the transfer in / out of net assets has been considered as a additional contribution / distribution to the shareholders in the financial statements of the respective subsidiaries.

Notes forming part of the consolidated financial statements*For the year ended 31 December 2023***37 Restructuring of business (continued)**

- Pursuant to the above Board of Directors and Ordinary General Meeting, Business Transfer Agreement (BTA) has been finalised on 1 June 2023 between the Group companies involved in the restructuring.
- Authority for Public Services Regulation (APSR) issued a new license.
- The new license is effective from 1 June 2023. The new structure was put in place and executed on 1 June 2023.
- All the employees pertaining to distribution / supply business of MJEC, NESC, NEDC and RAECO were transferred to NEDC and NESC on 1 June 2023.
- Accordingly, the legal formalities associated with the restructuring have been completed during the current period and the restructuring of business is effective from 1 June 2023. The distribution and supply business effective from 1 June 2023 has been transferred to the Group. Accordingly, the assets and liabilities pertaining to distribution and supply business of NESC, MJEC and RAECO, at 1 June 2023 (date of transfer), have been transferred to the Group and accounted for prospectively from effective date of transfer.



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