MAZOON ASSETS COMPANY SAOC

REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 2022

Registered address
P.O. Box1229, P.C. 131
Al-Hamriya
Sultanate of Oman

MAZOON ASSETS COMPANY SAOC

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

Directors' Report

The Directors submit their report and the audited financial statements for the period ended 31 December 2022.

Principal activities

The Company is established as a Special Purpose Vehicle (SPV) for the purpose of raising finance including issuing of Sukuk Certificates (the Certificates) in the international market, for financing the capital expenditure of Mazoon Electricity Company SAOC (the Parent Company).

Basis of preparation of accounts

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

Results and appropriation

The results of the Company for the period ended 31 December 2022 are set out on page 5 and 6 of the financial statements.

Auditors

The separate financial statements have been audited by ERNST & YOUNG LLC. EY is a global leader in assurance, tax, transaction and advisory services. EY is committed to doing its part in building a better working world. The insights and quality services which EY delivers help build trust and confidence in the capital markets and in economies the world over. For more information, please visit ey.com

On behalf of the Board of Directors

Salim Said Al Kamyani **Chairman**	**Majid Nasser Al Busaidi** **Director**	**Mohammed Salim Al Ghenaimi** **Director**

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF MAZOON ASSETS COMPANY SAOC

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Mazoon Assets Company SAOC (the "Company"), which comprise the statement of financial position as at 31 December 2022, and the statement of profit or loss and comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects the financial position of the Company as at 31 December 2022 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (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.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs and the relevant requirements of the Commercial Companies Law of the Sultanate of Oman, as amended, 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations or has no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF MAZOON ASSETS COMPANY SAOC (CONTINUED)

Report on the audit of the financial statements (continued)

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF MAZOON ASSETS COMPANY SAOC (CONTINUED)

Report on the audit of the financial statements (continued)

Report on other legal and regulatory requirements
In our opinion, the financial statements comply, in all material respects, with the relevant requirements of the Commercial Companies Law of 2019 of the Sultanate of Oman.

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

- we have obtained all the information and explanations we considered necessary for the purposes of our audit;
- the Company has maintained accounting records and the financial statements are in agreement therewith;
- the financial information included in the Board of Directors' report is consistent with the books of accounts of the Company; and
- based on the information that has been made available to us, nothing has come to our attention, which causes us to believe that the Company has contravened, during the year ended 31 December 2022, any of the applicable provisions of the Commercial Companies Law of 2019 or its Articles of Association, which would materially affect the financial performance of the Company for the year ended 31 December 2022 or its financial position as at 31 December 2022.

Ernst & Young LLC

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س.ت: ١٢٢٤٠١٣
ص.ب: ١٧٥٠ روي - ١١٢، سلطنة عمان
ERNST & YOUNG LLC
C.R. No. 1224013
P.O. Box 1750 - P.C. 112 Sultanate of Oman

Mohamed Al Qurashi
21 March 2023
Muscat

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	Notes	2022 RO '000'	2021 RO '000'
ASSETS			
Non-current assets			
Islamic financing asset	*5*	**192,500**	192,500
Current assets			
Due from Parent Company	*6*	**1,506**	1,506
Interest receivable	*7*	**6**	6
Short term deposits	*7*	**515**	515
Cash and cash equivalents	*8*	**28**	14
Total current assets		**2,055**	2,041
TOTAL ASSETS		**194,555**	194,541
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	*9(a)*	**500**	500
Legal reserve	*9(b)*	**4**	3
Retained earnings		**37**	29
Total equity		**541**	532
Non-current liabilities			
Sukuk issued	*10*	**192,500**	192,500
Current liabilities			
Other payables	*11*	**1,512**	1,507
Tax payable	*15*	**2**	2
Total current liabilities		**1,514**	1,509
Total liabilities		**194,014**	194,009
TOTAL EQUITY AND LIABILITIES		**194,555**	194,541

The financial statements were approved and authorized for issue in accordance with the resolution of the Board and signed on their behalf by

Salim Said Al Kamyani **Chairman**	**Majid Nasser Al Busaidi** **Director**	**Mohammed Salim Al Ghenaimi** **Director**

The attached notes 1 to 18 form part of these financial statements.

MAZOON ASSETS COMPANY SAOC

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	**31 December 2022 RO'000'**	31 December 2021 RO'000'
Income from Islamic financing activities	*12*	**10,010**	10,010
Cost of sukuk funding	*13*	**(10,010)**	(10,010)
GROSS PROFIT		**-**	-
General and administrative expenses	*14(a)*	**(11)**	(10)
Finance income		**23**	23
PROFIT BEFORE TAX		**12**	13
Taxation	*15*	**(2)**	(2)
NET PROFIT FOR THE PERIOD		**9**	11

The attached notes from 1 to 18 form part of these financial statements.

MAZOON ASSETS COMPANY SAOC

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

	Share capital RO'000	Legal reserve RO'000	Retained earnings RO'000	Total RO'000
1 January 2021	**500**	**2**	**19**	**521**
Profit and total comprehensive income for the year	**-**	**-**	**11**	**11**
Transfer to legal reserve	**-**	**1**	**(1)**	**-**
31 December 2021	**500**	**3**	**29**	**532**
1 January 2022	**500**	**3**	**29**	**532**
Profit and total comprehensive income for the year	**-**	**-**	**9**	**9**
Transfer to legal reserve	**-**	**1**	**(1)**	**-**
31 December 2022	**500**	**4**	**37**	**541**

The attached notes from 1 to 18 form part of these financial statements.

MAZOON ASSETS COMPANY SAOC

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022

	2022	2021
	RO'000	RO'000
Operating activities		
Profit before tax	**12**	13
Adjustments for:		
Finance income	**(23)**	(23)
	(11)	(10)
Changes in:		
Due from Parent Company	**-**	1,674
Interest receivables	**-**	(1)
Other payables	**2**	(1,679)
Net cash used in operating activities	**(9)**	(16)
Investing activities		
Interest received	**23**	23
Short term deposits	**-**	(65)
Net cash from / (used in) investing activities	**23**	(42)
Net increase/(decrease) in cash and cash equivalents	**14**	(58)
Cash and cash equivalents at 1 January	**14**	72
Cash and cash equivalents at 31 December (note 8)	**28**	14

1. General

Mazoon Assets Company SAOC (the "Company") is a closely held Omani joint stock Company registered under the Commercial Companies Law of Oman, having its registered office in Al Hamryah, PO Box 1229, Postal Code 131, Muscat, Sultanate of Oman.

The Company is established on 17 October 2017 as a Special Purpose Vehicle (SPV) for the purpose of raising finance including issuing of Sukuk Certificates (the Certificates) in the international market, for financing the capital expenditure of Mazoon Electricity Company SAOC (the Parent Company).

The Parent Company is obliged to bear all the initial issue costs as well as all incurred costs of operations of the SPV, to transfer funds to the SPV to make payment of the profits to Sukuk holders and settle the Sukuk liability. The Company is a 99.99% subsidiary of Mazoon Electricity Company SAOC; a Company registered in the Sultanate of Oman, and the remaining shares of 0.01% are held equally by Numo Institute for Competency Development LLC (NICD) and Nama Shared Services LLC (NSS). NICD, NSS and the Parent Company are ultimately wholly owned by Electricity Holding Company. The Ultimate Parent is the Government of Sultanate of Oman, as it holds 100% shareholding in the Holding Company through the Oman Investment Authority (OIA) which was formed during the year 2020 pursuant to the Royal Decree 61/2020 under which all the shareholdings owned by Ministry of Finance (MoF) in the Holding Company have been transferred to OIA. Before the formation of OIA 100% shares of the Holding Company were held by MoF.

On November 1, 2017, Mazoon Assets Company SAOC successfully priced its debut Reg S/144A US$500 million 10-year Sukuk offering. The Shari'a compliant Ijara Structure was adopted for issue of the Sukuk Certificates and the profit rate was set at 5.2% per annum. The profit rate payments are due on 8 May and 8 November every year during the tenure of the Certificate and the Certificates are due for payment in full on 8 November 2027. The Certificates are listed on the Irish Stock Exchange.

As part of the issue of Sukuk and transfer of the proceeds to the Parent Company, the Company has entered into the following agreements with the Parent Company and Citi Bank N.A., London Branch (the Delegate and the Principal Paying Agent), where applicable:

- Purchase Agreement
- Lease Agreement
- Purchase Undertaking
- Sale and Substitution Undertaking
- Declaration of Trust
- Servicing Agency Agreement
- Agency Agreement

2. Basis of preparation

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and the applicable provision of the Commercial Companies Law of 2019.

2. Basis of preparation *(continued)*

Basis of measurement

These financial statements are prepared on the historical cost basis except for certain financial assets and financial liabilities which are valued at amortised cost. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Functional and presentation currency
These financial statements are presented in Rial Omani, which is the Company's functional currency. All amounts have been rounded to the nearest thousand, unless other wise indicated.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

3. Application of new and revised International Financial Reporting Standards (IFRS)

A number of new standards, amendments to standards and interpretations are effective for year beginning on or after 1 January 2021. Those, which are relevant to the Company, are set out below.

3.1 New and revised IFRS in issue but not yet effective

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

- 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 IAS12
- Lease Liability in a Sale and Leaseback - Amendments to IFRS 16
- Classification of Liabilities as Current or Non-current - Amendments to IAS 1
- FRS 9 Financial Instruments - Fees in the '10 per cent' test for derecognition of financial liabilities
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Company is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

3.2 New and amended standards and interpretations

The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2022.
- Reference to the Conceptual Framework – Amendments to IFRS 3
- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16
- IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time Adopter
- Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37
- IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities
- IAS 41 Agriculture – Taxation in fair value measurements

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

3. Application of new and revised International Financial Reporting Standards (IFRS) *(continued)*

Accounting policies

The accounting policies applied in these separate financial statements are the same as those applied in the Company's separate financial statements as at and for the year ended 31 December 2021.

The amended standards and interpretations are not expected to have a significant impact on the Company's financial statements:

4. Summary of significant accounting policies

a. Financial Instruments

i. Classification and measurement of financial assets and financial liabilities

IFRS 9 requires all financial assets to be classified and subsequently measured at either amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

Initial measurement of financial instruments
All financial assets and liabilities are initially recognised on the trade date, i.e., the date that the Company becomes a party to the contractual provisions of the instrument. On this date, financial assets are classified at amortised cost or fair value.

Subsequent measurement of financial assets
IFRS 9 divides all financial assets that were in the scope of IAS 39 into two classifications - those measured at amortised cost and those measured at fair value. Where the Company measures financial assets at fair value, gains and losses are either recognised entirely in profit or loss (fair value through profit or loss, "FVTPL"), or recognised in other comprehensive income (fair value through other comprehensive income, "FVTOCI"). The Company does not have FVTPL and FVTOCI financial assets.

Debt instruments
The Company measures a debt instrument that meets the following two conditions at amortised cost (net of any write down for impairment):

Business model test: The objective of the entity's business model is to hold the financial asset to collect the contractual cash flows (rather than to sell the instrument prior to its contractual maturity to realise its fair value changes).

Cash flow characteristics test: The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Business model assessment

The business model reflects how the Company manages the assets in order to generate cash flows. This is whether the Company objective is solely to collect contractual cash flows from the assets or is it to collect both the contractual cash flows and cash flows arising from the sale of the assets. If neither of these are applicable then the financial assets are classified as other business model. Factors considered by the Company in determining the business model for a group of assets includes the past experience on how the cash flows for the asset were collected, how the assets performance was evaluated by the key management personnel, how risks are assessed and managed and how managers are compensated.

Summary of significant accounting policies *(continued)*

a. Financial Instruments *(continued)*

i) Classification and measurement of financial assets and financial liabilities *(continued)*

Contractual cash flows comprise of solely payment of principal and interest
Where the Company has a business model to collect contractual cash flows, the Company assesses whether the financial instrument cash flows represents solely payments of principal and interest (SPPI). 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset. Interest is defined as consideration for time value of money and for the credit risk associated with the principal and for other basic lending risks and costs as well as a profit margin.

In making this assessment, the Company considers whether the contractual cash flows are consistent with the basic lending agreement which means the interest paid only includes the consideration for time value of money and credit risk. Financial instruments whose cash flows characteristics include elements other than time value of money and credit risk do not pass the test and are classified and measured at fair value through profit or loss.

Contractual cash flows comprise of solely payment of principal and interest
The Company's financial assets includes Islamic financing asset, due from parent company, short term deposits and cash and cash equivalents. These financial assets qualify for and are classified as debt instruments measured at amortised cost.

Reclassification of financial asset
The Company reclassifies a financial asset when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent.

Subsequent measurement of financial liabilities
The Company categorises its financial liabilities into two measurement categories: FVTPL and amortised cost. The Company's financial liabilities include trade and other payables, amounts due to related parties, loan from shareholders and senior facility loan. All financial liabilities of the Company are measured at amortised cost.

The Company does not have any FVTPL financial liability.

Derecognition of financial assets

The Company determines if the asset under consideration for derecognition is:

- an asset in its entirety; or
- specifically identified cash flows from an asset (or a Company of similar financial assets); or
- a fully proportionate (pro rata) share of the cash flows from an asset (or a Company of similar financial assets); or
- a fully proportionate (pro rata) share of specifically identified cash flows from a financial asset (or a Company of similar financial assets);

4. Summary of significant accounting policies *(continued)*

a. Financial Instruments *(continued)*

i) Classification and measurement of financial assets and financial liabilities *(continued)*

Once the asset under consideration for derecognition has been determined, the Company performs an assessment as to whether the asset has been transferred, and if so, whether the transfer of that asset is subsequently eligible for derecognition. An asset is transferred if either the Company has transferred the contractual rights to receive the cash flows, or the Company has retained the contractual rights to receive the cash flows from the asset, but has assumed a contractual obligation to pass those cash flows on under an arrangement that meets the following three conditions:

- the Company has no obligation to pay amounts to the eventual recipient unless it collects equivalent amounts on the original asset;
- the Company is prohibited from selling or pledging the original asset; and
- the Company has an obligation to remit those cash flows without material delay.

Once the Company has determined that the asset has been transferred, it then determines whether or not it has transferred substantially all of the risks and rewards of ownership of the asset. If substantially all the risks and rewards have been transferred, the asset is derecognised. If substantially all the risks and rewards have been retained, derecognition of the asset is precluded.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if:

- there is a currently enforceable legal right to offset the recognised amounts; and
- there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Due from Parent Company

Due from Parent Company is recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, in which case they are recognised at fair value. The Company holds this balance with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

Other payables

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

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amount of cash, which are subject to an insignificant risk of changes in value and have maturity of three months or less at the date of placement.

4. Summary of significant accounting policies *(continued)*

a. Financial Instruments *(continued)*

ii) Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets receivables, lease receivables and debt investments at FVOCI, but not on investments in equity instruments. The financial assets at amortised cost consist of trade receivables and cash and cash equivalents.

Under IFRS 9, loss allowance are measured on either of the following bases:

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

The Company measures loss allowance at an amount equal to lifetime ECLs, except for the following, which are measured as 12- month ECLs:

- Financial assets that are determined to have low credit risk at the reporting date; and
- Finance assets for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

General approach

The Company applies three-stage approach to measuring ECL. Assets migrate through the three stages based on the change in credit quality since initial recognition. Financial assets with significant increase in credit risk since initial recognition, but not credit impaired, are transitioned to stage 2 from stage 1 and ECL is recognized based on the probability of default (PD) of the counter party occurring over the life of the asset. All other financial assets are considered to be in stage 1 unless it is credit impaired and an ECL is recognized based on the PD of the customer within next 12 months. Financial assets are assessed as credit impaired when there is a detrimental impact on the estimated future cash flows of the financial asset. The Company applies general approach to all financial assets except trade receivable without significant financing component.

Simplified approach

The Company applies simplified approach to measuring credit losses, which mandates recognition of lifetime expected loss allowance for trade receivables without significant financing component. Under simplified approach, there is no need to monitor for significant increases in credit risk and the Company will be required to measure lifetime expected credit losses at all times. Since, the Company do not have any trade receivables under IFRS 15, therefore, no impairment loss has been calculated under this approach.

4 Summary of significant accounting policies *(continued)*

a. Financial Instruments *(continued)*

ii) Impairment of financial assets *(continued)*

Significant increase in credit risk

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company 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 Company's historical experience and informed credit assessment and including forward- looking information.

The Company assumes that the credit risk on a financial asset has increased significantly based on the certain delinquency period (days past due) or if exposure has moved from investment grade to non-investment grade on credit rating scale of independent credit rating agency in case of low credit risk instrument.

To determine whether a financial instrument has low credit risk, the Company uses external credit rating agencies such as Moody's etc. The Company considers that the rating within the investment grade, (the Company considers this to be Baa3 or higher per Moody's), are considered a low risk and have less likelihood of default. Where the external rating of a financial instrument is not available, the Company reviews the ability of the counterparty by reviewing their financial statements and other publicly available information.

The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held) or based on the certain delinquency period (days past due).

Measurement of ECLs

ECLs are a probability weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset. The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Credit- impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Presentation of impairment

Loss allowance for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Impairment losses related to financial assets are presented separately in the statement of profit or loss.

4 Summary of significant accounting policies *(continued)*

b. Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at 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.

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

c. Taxation

Current tax is the expected tax payable on the taxable income for the year, using the tax rates enacted or substantially at the reporting date, and any adjustment to income 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 year when the asset is realised or the liability is settled based on tax rates (and tax laws) that have been enacted or substantially enacted by the reporting date. The tax effects on the temporary differences are disclosed under non-current liabilities as deferred tax.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits can be utilised. The carrying amount of deferred tax assets is reviewed at 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 Company 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.

4 Summary of significant accounting policies *(continued)*

d. Income from Islamic financing activities

Income from Islamic financing activities represents amount receivable from Mazoon Electricity Company SAOC towards recovery of the fixed profit rate payable to the Sukuk Certificate holders. The income is recognized on the below mentioned basis:

General approach (based on effective rate of interest)

- *No objective evidence of impairment exists:* Based on carrying amount of Islamic financing asset at the beginning of the year, before allowance for ECL;
- *Objective evidence of impairment:* Based on carrying value of the Islamic financing asset at the beginning of the year, after allowance for ECLs; and

Credit adjusted approach (based on credit adjusted effective rate of interest)

- Based on carrying value of the Islamic financing asset at the beginning of the year, after allowance for ECLs

e. Cost of sukuk funding

Cost of sukuk funding represent the fixed profit rate payable to the Sukuk Certificate holders. The cost of sukuk funding is recognized when it becomes payable to sukuk holders, on accrual basis.

f. Foreign currency

Items included in the Company's financial statements are measured using Rials Omani, which is the currency of the Sultanate of Oman, being the economic environment in which the Company operates (the functional currency). The financial statements are prepared in Rials Omani, rounded to the nearest thousand.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the transaction date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss as they arise.

J. Use of of judgments and estimation

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates (i.e. judgements and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses). It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The Company makes estimates and assumptions concerning the future. Actual results may differ from these estimates

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

J. Use of of judgments and estimation *(continued)*

Impairment of financial assets

Loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting year. Details of the key assumptions and inputs used are disclosed in the accounting policy above.

5. Islamic financing asset

During the year 2017, Mazoon Electricity Company SAOC (the Parent Company) decided to fund their capital expenditure by issuing assets backed Sukuk. In order to facilitate the funding, the Parent company formed Mazoon Assets Company SAOC, a pass through Special Purpose Vehicle (SPV) purely for the purpose of raising the finance.

On November 1, 2017, the Company issued its first US$500 million 10-year Sukuk instrument, offering a Shari'a compliant Ijara Structure with the profit rate set at 5.20% percent per annum, listed on the Irish Stock Exchange.

The Company will pay the distribution amount to the Sukuk holders on semiannual basis due on 8th of every May and November till the maturity of Sukuk certificate. The Sukuk certificates shall be matured and due for payment on 8 November 2027.

The scheme was executed on 8th November 2017. The legal form of contracts entered into for the purpose of raising, servicing and repayment of the Sukuk finance are:

a. Purchase Agreement for sale by the Parent Company and purchase by the Company of assets for value representing the Islamic financing asset.
b. Lease back of these assets by the Parent Company from the Company under a Lease Agreement, Servicing Agency Agreement and Service Agreement.
c. Subscription Agreement.
d. Declaration of Trust agreement.
e. Purchase Undertaking agreement and Sale and Substitution agreement were executed.

The Company has no economic purpose to serve other than to act as a 'pass-through' vehicle in raising the finance for the Parent Company. As per agreement, the Parent Company is obliged to bear all the initial issue costs as well as all properly incurred costs of operation.

The Parent Company recognises the financial liability in respect of the Sukuk obligation while retaining the plant and equipment on its statement of financial position.

6. Due from the Parent Company

	2022 RO'000	2021 RO'000
Income receivable under Islamic financing activities	**1,502**	1,502
Other receivable	**4**	4
	1,506	1,506

Income receivable under Islamic financing activities as at 31 December 2022 is the amount accrued on the certificates at the profit rate of 5.20%, from 1 January 2022 till 31 December 2022.

Other receivable includes recovery of general and administrative expenses charged to Mazoon Electricity Company SAOC.

7. Short term deposits

	2022 RO'000	2021 RO'000
Short term deposits with bank	**515**	515

Short term deposits held with a local bank and carries interest rate of 4.5% per annum.(2021: 4.5% per annum).

Interest receivable is the amount of interest accrued on short term deposits placed with a commercial bank.

8. Cash at bank

	2022 RO'000	2021 RO'000
Cash at bank	**28**	14

9(a). Share capital

The Company's authorised, issued and paid-up capital consists of 500,000 shares of RO 1 each. The details of the shareholders are as follows:

	Percentage of shareholding		Number of shares issued	
	2022 %	2021 %	**2022**	2021
Mazoon Electricity Company SAOC	**99.99**	99.99	**499,950**	499,950
Numo Institute for Competency Development LLC	**0.005**	0.005	**25**	25
Nama Shared Services LLC	**0.005**	0.005	**25**	25
	100.00	100.00	**500,000**	500,000

9(b). Legal Reserve

Article 132 of the Commercial Companies Law of 2019 requires that 10% of a Company's net profit 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. The reserve is not available for distribution.

10. Sukuk issued

On November 1, 2017, the Company issued its first US$500 million 10-year Sukuk instrument, offering a Shari'a compliant Ijara Structure with the profit rate set at 5.20% percent per annum, listed on the Irish Stock Exchange.

The issuance was managed by Mazoon Electricity Company SAOC and Nama Holding along with J.P. Morgan Securities plc, Bank Muscat SAOG, KFH Capital Investment Company 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 Company pays the profit to the Sukuk holders on semiannual basis due on 8th of every May and November of the year till the maturity of Sukuk certificate. The Sukuk certificates shall be matured and due for payment on 8 November 2027.

11. Other payables

	2022	2021
	RO'000	RO'000
Profit payable on Sukuk certificate	**1,502**	1,502
Others	**10**	5
	1,512	1,507

Sukuk periodic distribution cost payable as at 31 December 2022 is the amount payable on Sukuk certificates from the date of last Sukuk payment on 08 November 2022.

12. Income from Islamic financing activities

	2022	2021
	RO'000	RO'000
Income from Islamic financing activities	**10,010**	10,010

13 Cost of sukuk funding

	2022	2021
	RO'000	RO'000
Cost of sukuk funding	**10,010**	10,010

14. General and administrative expenses

General and Administrative expenses properly incurred by the Company are recoverable from the Parent Company as per the transaction documents executed between the companies.

a. General and administrative expense

	2022	2021
	RO'000	RO'000
Other expenses	**11**	10
	11	10

15. Taxation

Profit before tax	**11**	13
Taxation @ 15%	**2**	2

Income tax is provided as per the provisions of the "Income Tax Law" in the Sultanate of Oman after adjusting for items which are non-assessable or disallowed. The tax rate applicable to the Company is 15%. The deferred tax on all temporary differences are calculated and dealt with in the statement of profit or loss and other comprehensive income.

Tax assessments for the years 2018 to 2020 are in progress and year 2021 is pending for assessment by Oman taxation authorities. Management estimates that the liabilities related to the open tax years will not be significantly different from the liabilities recognized in the statement of financial position.

16. Related party transactions

Related parties comprise the controlling 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 Company and an entity that is a related party of the same government, the Company has applied the exemptions in IAS 24, related to government entities and only disclosed certain information to meet the disclosure requirements of IAS 24.

The Company entered into transactions in the ordinary course of business on mutually agreed terms with related parties. Outstanding balances at year-end are unsecured and settlement occurs in cash.

16. Related party transactions *(continued)*

(i) Transactions with related parties

	2022	2021
	RO'000	RO'000
Mazoon Electricity Company SAOC		
- Income from Islamic financing activities (note 12)	**10,010**	10,010
	10,010	10,010

(iii) The year end related party balances are as under:

	2022	2021
	RO'000	RO'000
Mazoon Electricity Company SAOC:		
Due from Parent Company (note 6)	**1,506**	1,506
Islamic financing asset (note 5)	**192,500**	192,500

17. Financial risk management

Overview
The Company's activities expose it to a variety of financial risks: market risk (including price risk, foreign currency risk and profit rate risk), liquidity risk and credit risk. However, the Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

Credit risk management is carried out by the Company and liquidity risk and market risk by the Holding Company's treasury department under policies approved by the Board of Directors. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, profit rate risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Market 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 Company is exposed to foreign exchange risk arising from currency exposures primarily with respect to the US Dollar. The Rial Omani is pegged to the US Dollar. Since most of the Company's foreign currency transactions are in US Dollars or other currencies linked to the US Dollar management believes that exchange rate fluctuations would have an insignificant impact on the Company's pre-tax profit.

The Company does not account for any fixed rate financial instrument at fair value, therefore a change in profit rate at the reporting date will not affect the profit or loss and other comprehensive income.

17. Financial risk management *(continued)*

Profit rate risk management
The Company is not exposed to profit rate risk because the issued Sukuk Certificate are at fixed rate of 5.20% per annum.

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

The table below analyses the Company's financial liabilities that will be settled on a 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.

		Contractual cash flow				
31 December 2022	**Carrying amount RO '000**	**Total Contractual cash flows RO '000**	**Less than 1 month RO '000**	**1 - 3 months RO '000**	**3 -12 months RO '000**	**2 - 10 years RO '000**
Other payables	**1,512**	**1,512**	**1,512**	**-**	**-**	**-**
Sukuk issued	**192,500**	**252,580**	**-**	**-**	**10,010**	**242,570**
	194,007	**254,088**	**-**	**6**	**11,512**	**242,570**

		Contractual cash flow				
31 December 2021	Carrying amount RO '000	Total Contractual cash flows RO '000	Less than 1 month RO '000	1 – 3 months RO '000	3 -12 months RO '000	2 – 10 years RO '000
Other payables	1,507	1,507	-	5	1,502	-
Sukuk issued	192,500	262,590	-	-	10,010	252,580
	194,007	264,097	-	5	11,512	252,580

Credit risk
Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The credit risk of the Company is primarily attributable to Islamic financing assets, due from Parent Company and bank balances.

17. Financial risk management *(continued)*

Financial risk factors *(continued)*

Credit risk *(continued)*

Islamic financing assets
Since, there is no history of default from Parent Company, management classifies its exposure related to Islamic Financing Asset under Stage 1 of General Approach for ascertaining the ECL impact on its Islamic Financing Asset.

The management has determined that the impact on aforementioned financial asset is immaterial, accordingly, no impairment loss has been recorded in these financial statements.

The Islamic financing asset is due to be received from the Parent Company in a bullet payment on the maturity of the Sukuk Certificates. The Parent Company intends to settle its obligation through internally generated cashflows and obtaining further financing facilities, which the Management believes, would be sufficient to settle its current obligation.

The Compay uses external credit risk grading (based on Moodys' rating) that reflect its assessment of the probability of default for its Islamic Financing Asset. The Moodys' have give the a rating of Ba1 (negative) to Mazoon Electricity Company SAOC.

Due from Parent Company
Since, there is no history of default from Parent Company, management classifies its exposure related to Islamic Financing Asset under Stage 1 of General Approach for ascertaining the ECL impact on aforementioned financial asset.

The management has determined that the impact on aforementioned financial asset is immaterial, accordingly, no impairment loss has been recorded in these financial statements.

Short term deposit and cash at bank
The Company's short term deposits and bank balances are are placed with reputed financial institutions (Ahli Bank SAOG) with a minimum credit rating of BBas per Fitch's Investors Service ratings.

Since, there is no history of default or a significant increase in credit risk health of bank as evident from externally available credit ratings, management classifies its exposure related to Ahli bank S.A.O.G under Stage 1 of General Approach for ascertaining the ECL impact on aforementioned financial asset.

The management has determined that the impact on aforementioned financial asset is immaterial, accordingly, no impairment loss has been recorded in these financial statements.

17. Financial risk management *(continued)*

Financial risk factors *(continued)*

Credit risk *(continued)*
The credit exposure of the Company as on 31 December 2022 is as follows:

2022	**Credit risk grading**	**Stage 1 RO'000**	**Stage 2 RO'000**	**Stage 3 RO'000**	**Total RO'000**
Islamic financing asset	**Ba3**	**192,500**			**192,500**
Due from Parent Company	**Ba3**	**1,506**			**1,506**
Interest Receivable	**Ba2***	**6**			**6**
Short term deposits	**Ba2***	**515**			**515**
Cash at bank	**Ba2***	**28**			**28**
Gross carrying amount		**194,555**	**-**	**-**	**194,555**
Impairment loss allowance		**-**	**-**	**-**	**-**
Carrying amount		**194,555**	**-**	**-**	**194,555**

The credit exposure of the Company on 31 December 2021 is as follows:

2021	Credit risk grading	Stage 1 RO'000	Stage 2 RO'000	Stage 3 RO'000	Total RO'000
Islamic financing asset	Ba1	192,500			192,500
Due from Parent Company	Ba1	1,506			1,506
Interest Receivable	Ba2*	6			6
Short term deposits	Ba2*	515			515
Cash at bank	Ba2*	14			14
Gross carrying amount		194,541	-	-	194,541
Impairment loss allowance		-	-	-	-
Carrying amount		194,541	-	-	194,541

*Based on Fitch's rating BB.

17. Financial risk management *(continued)*

Financial risk factors *(continued)*

Categories of financial instruments

	2022 RO'000	2021 RO'000
Financial assets held at amorised costs		
Cash at bank	**28**	14
Short term deposits	**515**	515
Interest receivable	**6**	6
Islamic financing asset	**192,500**	192,500
Due from Parent Company	**1,506**	1,506
	194,555	194,541
Financial liabilities held at amortised cost		
Sukuk issued	**192,500**	192,500
Other payables	**1,512**	1,507
	194,012	194,007

18. Capital management

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

In order to maintain or adjust the capital structure, the company may issue new shares or obtain debt financing.

At 31 December 2022, the Company's capital structure was limited to shareholders' financing, with no external debt financing.