

**NAMA ELECTRICITY DISTRIBUTION COMPANY SAOC
(Formerly MAZOOON ELECTRICITY COMPANY SAOC)**

**Unaudited interim condensed consolidated financial statements
For the six months period ended 30 June 2023**

NAMA ELECTRICITY DISTRIBUTION COMPANY SAOC

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months period ended 30 June 2023

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REPORT ON REVIEW OF UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS OF NAMA ELECTRICITY DISTRIBUTION COMPANY SAOC

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of NAMA Electricity Distribution Company SAOC ("the Company") as of 30 June 2023 and the related interim condensed consolidated statement of comprehensive income, changes in equity and cash flows for the six months period then ended and explanatory notes. The management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with IAS 34 *Interim Financial Reporting* (IAS 34). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Material uncertainty relating to going concern

We draw attention to Note 2 in these interim condensed consolidated financial statements, indicate 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 matter

The financial information presented for the period ended 30 June 2022 in these interim condensed consolidated financial statements were not reviewed or audited. These are presented for comparison purposes only and accordingly, we do not express a conclusion, opinion or any other form of assurance on them.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young LLC

Muscat
10 October 2023






NAMA ELECTRICITY DISTRIBUTION COMPANY SAOC

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

		30 June 2023	31 December 2022
		RO'000	RO'000
	Notes	(Unaudited)	(Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	5	2,060,751	940,619
Right-of-use assets		15,034	4,583
Intangible assets		6,896	233
Fair value of derivative financial instruments		7,355	2,877
Total non-current assets		2,090,036	948,312
Current assets			
Store and spares		10,089	1,174
Trade and other receivables	6	56,483	125,003
Government subsidy receivable		-	30,754
Short term deposit		515	515
Cash and bank balances	7	5,689	3,327
Total current assets		72,776	160,773
TOTAL ASSETS		2,162,812	1,109,085
EQUITY AND LIABILITIES			
Equity			
Share capital	8.1	200,000	150,000
Legal reserve	8.2	66,671	50,004
General reserve	8.3	21,525	21,525
Retained earnings		3,444	22,207
Shareholders' funds	8.4	423,577	-
Cash flow hedge reserve		1,932	2,446
Total equity		717,149	246,182
LIABILITIES			
Non-current liabilities			
Term loans	9	256,969	94,998
Long term borrowings - sukuks	10	192,008	191,952
Shareholder loan		-	84,625
Other non-current liabilities	11	336,393	125,600
Total non-current liabilities		785,370	497,175
Current liabilities			
Trade and other payables	12	200,998	161,212
Short term borrowings	13	380,634	179,750
Term loans	9	56,510	18,737
Other current liabilities	11	22,151	6,029
Total current liabilities		660,293	365,728
Total liabilities		1,445,663	862,903
TOTAL EQUITY AND LIABILITIES		2,162,812	1,109,085

The unaudited interim condensed consolidated financial statements were authorised for issue and approved by the Board of Directors on 10 Oct 2023 and were signed on its behalf by:

 _____ Chairman	 _____ Director	 _____ Chief Executive Officer
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The attached notes 1 to 26 form part of these interim condensed consolidated financial statements.

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NAMA ELECTRICITY DISTRIBUTION COMPANY SAOC

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months period ended 30 June 2023

	Notes	30 June 2023 RO'000 (Unaudited)	30 June 2022 RO'000 (Unaudited) (Unreviewed)
Continuing operations			
Revenue	19	77,252	57,400
Operating costs	20	<u>(36,359)</u>	<u>(28,558)</u>
Gross profit		40,893	28,842
General and administrative expenses		(14,910)	(9,690)
Other income		305	914
Operating profit		26,288	20,066
Finance income		15	42
Finance costs		(16,434)	(12,844)
Profit before tax from continuing operations		9,869	7,264
Tax expense	18	(8,779)	(2,546)
Profit for the period from continuing operations		1,090	4,718
Discontinued operations			
Profit/(loss) after tax for the period from discontinued operations	4.2	2,317	(1,547)
PROFIT FOR THE PERIOD		3,407	3,171
Other comprehensive income			
<i>Items to be classified to profit or loss in subsequent period:</i>			
Net movement in fair value of cash flow hedge		4,478	3,699
Tax effect		(672)	(555)
Other comprehensive income for the period		3,806	3,144
TOTAL PROFIT AND COMPREHENSIVE INCOME FOR THE PERIOD		7,213	6,315
Earnings per share			
Basic and diluted earnings per share (Baizas)	21	0.021	0.021
Earnings per share for continuing operations (Baizas)	21	0.007	0.031
Earnings / (loss) per share for discontinuing operations (Baizas)	21	0.015	(0.010)

The attached notes 1 to 26 form part of these interim condensed consolidated financial statements.

NAMA ELECTRICITY DISTRIBUTION COMPANY SAOC

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months period ended 30 June 2023

	<i>Share capital RO'000</i>	<i>Legal reserve RO'000</i>	<i>General reserve RO'000</i>	<i>Shareholders' Funds RO'000</i>	<i>Retained earnings RO'000</i>	<i>Cash flow hedge reserve RO'000</i>	<i>Total RO'000</i>
As at 1 January 2022 (audited)	150,000	50,003	19,717	-	26,161	(1,932)	243,949
Net profit for the period	-	-	-	-	3,171	-	3,171
Other comprehensive income, net of income tax	-	-	-	-	-	3,144	3,144
Total comprehensive income for the period	-	-	-	-	3,171	3,144	6,315
Dividends (note 8.5)	-	-	-	-	(10,500)	-	(10,500)
At 30 June 2022 (Unaudited)	150,000	50,003	19,717	-	18,832	1,212	239,764
As at 1 January 2023 (audited)	150,000	50,004	21,525	-	22,207	2,446	246,182
Net profit for the period	-	-	-	-	3,407	-	3,407
Other comprehensive income, net of income tax	-	-	-	-	-	3,806	3,806
Total comprehensive income for the period	-	-	-	-	3,407	3,806	7,213
Conversion of shareholders' loan to shareholders' fund (note 8.4)	-	-	-	116,163	-	-	116,163
Conversion of shareholders' fund to share capital (note 8.4)	50,000	-	-	(50,000)	-	-	-
Transfer to legal reserve (note 8.2)	-	16,667	-	(2,841)	(13,826)	-	-
Transfer of net assets to a related party (note 4.2)	-	-	-	(59,778)	-	-	(59,778)
Transfer of net assets from related parties (note 4.1)	-	-	-	420,033	-	(4,320)	415,713
Dividends (note 8.5)	-	-	-	-	(8,344)	-	(8,344)
At 30 June 2023 (unaudited)	200,000	66,671	21,525	423,577	3,444	1,932	717,149

The attached notes 1 to 26 form part of these interim condensed consolidated financial statements.

NAMA ELECTRICITY DISTRIBUTION COMPANY SAOC

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months period ended 30 June 2023

	Notes	30 June 2023 RO'000 (Unaudited)	30 June 2022 RO'000 (Unaudited) (Unreviewed)
Operating activities			
Profit before tax from continuing operations		9,869	7,264
Profit/(loss) before tax from discontinued operations	4.1	2,317	(1,611)
Profit before tax		12,186	5,653
<i>Adjustments to reconcile profit before tax to net cashflows:</i>			
Depreciation of property, plant and equipment	5	24,553	19,330
Depreciation of right of use assets		297	201
Amortisation of intangible assets		115	134
Reversal of provision for inventories obsolescence		(6)	(9)
Accruals for employees' end of service benefits		405	57
Allowance for expected credit losses		81	429
Finance costs		16,829	13,985
Finance income		(38)	(39)
		54,422	39,741
Working capital changes:			
Stores and spares		(3,107)	(258)
Trade and other receivables		(20,398)	(21,013)
Trade and other payables		43,056	42,730
Deferred revenue		(1,681)	2,364
		72,292	63,564
Cash generated from operating activities		72,292	63,564
Employees' end of service benefits paid		-	(45)
		72,292	63,519
Net cash flows generated from operating activities		72,292	63,519
Investing activity			
Addition to property, plant and equipment	5	(37,420)	(40,989)
Net cash flows used in investing activity		(37,420)	(40,989)
Financing activities			
Repayment of long term borrowings	9	(19,170)	(9,608)
Proceeds from short term borrowings	13	2,384	-
Repayment of short term borrowings	13	(10,000)	(5,000)
Finance cost paid		(12,520)	(8,696)
Finance income received		38	39
Lease liabilities paid (principal and interest)		(357)	(200)
		(39,625)	(23,465)
Net cash flows used in financing activities		(39,625)	(23,465)
Net changes in cash and cash equivalents		(4,753)	(935)
Cash and cash equivalents at 1 January		1,449	7,415
Cash and cash equivalents at 30 June	7	(3,304)	6,480
Non- cash transactions			
Following non-cash transactions have been excluded from above cash flows, as these do not involve any cash movement.			
Transfer of net assets from related parties (note 4)		415,713	-
Transfer of net assets to a related party (note 4)		59,778	-

The attached notes 1 to 26 form part of these interim condensed consolidated financial statements.

NAMA ELECTRICITY DISTRIBUTION COMPANY SAOC

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2023

1 REPORTING ENTITY

Nama Electricity Distribution Company SAOC (the 'Company') (formerly known as Mazoon Electricity Distribution Company SAOC) is a company domiciled in Sultanate of Oman. These interim condensed consolidated financial statements ('interim financial statements') as at and for the six months period ended 30 June 2023 comprise the Company and its subsidiaries. The Company is primarily involved in distribution of electricity.

The Company is primarily 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 (APSR), Oman. The Company commenced its operations on 1 May 2005 (the "Transfer Date") following the implementation of a decision of the Ministry of National Economy (the "Transfer Scheme") issued pursuant to Royal Decree 78/2004.

As part of the reorganization of Electricity Holding Company SAOC ("EHC", or the "Parent Company"), effective as of 1 June 2023 (the "Reorganization"), the Company (i) received as contribution the distribution assets and liabilities of its sister companies Nama Electricity Supply Company SAOC ("NESC") (formerly Muscat Electricity Distribution Company SAOC ("MEDC")), Majan Electricity Company SAOC ("MJEC") and Rural Areas Electricity Company SAOC ("RAECO"), all of which are owned by the Company's shareholder EHC, and transferred / distributed its supply assets (and liabilities) to MEDC, which was renamed to Nama Electricity Supply Company SAOC ("NESC").

Nama Electricity Distribution Company SAOC is a 99.99% subsidiary of the EHC; a company registered in the Sultanate of Oman, whereas, remaining 0.01% is equally held by Numo Institute for Competency Development LLC and Nama Shared Services LLC which are wholly owned by EHC. The Ultimate Parent is the Government of Sultanate of Oman, as it holds 100% shareholding in the Holding Company through the Oman Investment Authority (OIA) which was formed during the period 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.

In 2017, the Company has established a SPV, (Special Purpose Vehicle) Mazoon Assets Company SAOC (subsidiary), which is 99.99% owned by the Company. These interim condensed consolidated financial statements comprise of the financial statements of the Company and its subsidiary (collectively referred as Group).

During the current period, the shareholders resolved to change the Company's name from Mazoon Electricity Company SAOC (MZEC) to NAMA Electricity Distribution Company SAOC (NEDC), with effect from 1 June 2023.

2 BASIS OF ACCOUNTING

Fundamental Accounting Concept

As at 30 June 2023, the current liabilities of the Group exceeded its current assets by RO 588 million (31 December 2022: RO 205 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 interim condensed consolidated financial statements on a going concern basis on the strength of continued financial support from the Holding Company 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 Company is planning to raise long term funds of USD 1,947 million (RO 750 million) through issuance of trust certificates during next 12 months, which will be utilized to settle its short term borrowings and other current liabilities, which will significantly improve net current liability position in coming years. Further, the Group has generated an operating cash flows of RO 72 million (30 June 2022: RO 64 million) during current year.

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 interim condensed consolidated financial statements are prepared on a going concern basis and management concluded that a material uncertainty in respect of going concern does not exist.

NAMA ELECTRICITY DISTRIBUTION COMPANY SAOC

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2023

3 BASIS OF PREPARATION

These interim condensed consolidated financial statements for the six months period ended 30 June 2023 have been prepared in accordance with IAS 34, "Interim Financial Reporting", and should be read in conjunction with the Group's last annual financial statements as at and for the year ended 31 December 2022 ('last annual financial statements'). They do not include all of the information required for a complete set of financial statements prepared in accordance with IFRS Standards. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements.

3.1 Use of judgements and estimates

In preparing these interim condensed consolidated financial statements, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements except for the judgements and estimates related to discontinued operations as detailed in note 4.

3.2 New and amended standards and interpretation to IFRS

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2022, except policies mentioned below and for the adoption of new standards effective as of 1 January 2023. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Several amendments apply for the first time in 2023, but do not have an impact on the interim condensed financial statements of the Company.

IFRS 17 Insurance contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 replaces IFRS 4 Insurance Contracts that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features; a few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. IFRS 17 is based on a general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

The amendments had no impact on the Group's interim condensed consolidated financial statements.

Definition of Accounting Estimates - Amendments to IAS 8

The amendments to IAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments had no impact on the Group's interim condensed consolidated financial statements.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments had no impact on the Group's interim condensed consolidated financial statements, but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.

NAMA ELECTRICITY DISTRIBUTION COMPANY SAOC

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2023

3 BASIS OF PREPARATION (continued)

3.2 New and amended standards and interpretation to IFRS

Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

The amendments to IAS 12 Income Tax narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities. The amendments had no impact on the Group's interim condensed consolidated financial statements.

These amendments had no impact on the interim condensed consolidated financial statements of the Company. The Company intends to use the practical expedients in future periods if they become applicable.

3.3 Discontinued operations

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the interim condensed statement of profit or loss. Assets and liabilities related to discontinued operations have been transferred to other group entity as a result of restructuring.

Additional disclosures are provided in Note 4. All other notes to the interim condensed financial statements include amounts for continuing operations, unless indicated otherwise.

4 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 period:

- The Board of Directors of the Group 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 Nama Electricity Supply Company SAOC (NESC), Majan Electricity Company SAOC (MJEC) and Rural Areas Electricity Company SAOC (RAECO) to Nama Electricity Distribution Company SAOC (NEDC).
- The shareholders of the Company in Ordinary General Meeting dated 7 May 2023 unanimously resolved and approved the start of restructure directives. The shareholders approved to enter into Business Transfer Agreement, to transfer of distribution's assets to the Group from NESC, MJEC and RAECO as per earlier APRS directives on 26 Dec 2021. The shareholders also approved to enter into Business Transfer Agreement, to transfer of supply assets out of the Group to NESC 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 Electricity Holding Company SAOC, the above transaction has been entered with no consideration. Accordingly, the transfer in / out of net assets has been considered as contribution / distribution to the shareholders.
- 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 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 business of MJEC, NESC and RAECO were transferred to Nama Electricity Distribution Company SAOC (NEDC) on 1 June 2023.

NAMA ELECTRICITY DISTRIBUTION COMPANY SAOC

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2023

4 RESTRUCTURING OF BUSINESS (continued)

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 impact of restructuring on the Group has been described in note 4.1 and 4.2. The supply business has been classified as a discontinued operations with effect from 7 May 2023.

The distribution business effective from 1 June 2023 has been transferred to the Group. Accordingly, the assets and liabilities pertaining to distribution business of NESC, MJEC and RAECO, at 1 June 2023 (date of transfer), have been transferred to the Group.

4.1 Restructuring of distribution business transferred into the Group

The carrying values of the assets and liabilities of these distribution companies as at the date of transfer were as follows:

	NESC RO '000 (Unaudited)	MJEC RO '000 (Unaudited)	RAECO RO '000 (Unaudited)	Total RO '000 (Unaudited)
Assets				
Property, plant and equipment	510,713	468,646	131,896	1,111,255
Right-of-use assets	3,689	5,625	580	9,894
Intangible assets	3,504	1,274	6	4,784
Fair value of derivative financial instruments	2,075	2,245	-	4,320
Store and spares	3,532	1,733	537	5,802
Trade and other receivables*	2,185	9,759	17,269	29,213
	<u>525,698</u>	<u>489,282</u>	<u>150,288</u>	<u>1,165,268</u>

*Includes cash and cash equivalents amounting to RO 2.05 million carved out from MJEC and 0.094 million pertaining to distribution business carved out from NESC and transferred to NEDC subsequently.

	NESC RO '000 (Unaudited)	MJEC RO '000 (Unaudited)	RAECO RO '000 (Unaudited)	Total RO '000 (Unaudited)
Liabilities				
Term loans	122,373	96,069	-	218,442
Deferred revenue	128,010	35,482	35,647	199,139
Subordinated loan from shareholder	-	23,020	-	23,020
Trade and other payables*	41,117	37,334	7,193	85,644
Short term borrowings	50,000	129,964	28,500	208,464
Lease liabilities	4,036	5,850	640	10,526
	<u>345,536</u>	<u>327,719</u>	<u>71,980</u>	<u>745,235</u>
Equity				
Cash flow hedge reserve	2,074	2,246	-	4,320
	<u>347,610</u>	<u>329,965</u>	<u>71,980</u>	<u>749,555</u>
Carrying values of the net assets transferred	<u>178,088</u>	<u>159,317</u>	<u>78,308</u>	<u>415,713</u>

*Includes employees' end of service benefits amounting to RO 1.716 million and intra company financing amounting to RO 17.308 million carved out from MJEC.

*Includes intra company financing amounting to RO 4 million, bank overdrafts amounting to RO 0.267 million and end of service benefits amounting to RO 1.138 million carved out from NESC.

*Includes intra company financing amounting to RO 1.351 million carved out from RAECO.

NAMA ELECTRICITY DISTRIBUTION COMPANY SAOC

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2023

4 RESTRUCTURING OF BUSINESS (continued)

4.2 Discontinued operations

The supply business effective from 1 June 2023 has been transferred out of the Group. Accordingly, the assets and liabilities of the supply business have been transferred to other group Company, Nama Electricity Supply Company SAOC (NESC). At 30 June 2023, Company's supply business was classified as a discontinued operation. The results of the Group's supply business for the period from 1 January 2023 to 31 May 2023 are presented as below:

	1 January 2023 to 31 May 2023	30 June 2022
	RO'000	RO'000
	(Unaudited)	(Unaudited)
Revenue	122,891	191,885
Operating costs	(117,536)	(184,155)
General and administrative expenses	(2,666)	(7,776)
Allowance for expected credit losses	-	(429)
Finance income	23	5
Finance costs	(395)	(1,141)
Profit/(loss) before tax from discontinued operations	2,317	(1,611)
Tax credit	-	64
Profit/(loss) for the period from discontinued operations	2,317	(1,547)

The carrying values of the assets and liabilities of these distribution companies as at the date of transfer were as follows:

	1 June 2023
	RO '000
	(Unaudited)
Assets	
Intangible assets	1,995
Trade and other receivables	148,804
	150,799
Liabilities	
Deferred revenue	205
Employees' end of service benefits	30
Trade and other payables	90,786
	91,021
Carrying values of the net assets transferred	59,778

NAMA ELECTRICITY DISTRIBUTION COMPANY SAOC

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2023

5 PROPERTY, PLANT AND EQUIPMENT

	<i>Buildings on leasehold land</i>	<i>Electricity distribution networks</i>	<i>Lines and cables</i>	<i>Substation assets</i>	<i>Other plant and machinery</i>	<i>Furniture, fixtures and vehicles</i>	<i>Plants spares</i>	<i>Assets under finance lease</i>	<i>Capital work-in- progress</i>	<i>Total</i>
	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>
Cost										
1 January 2022 (audited)	54,448	595,116	260,985	120,265	53,172	11,128	4,251	740	90,084	1,190,189
Additions	-	-	-	-	-	86	348	-	92,013	92,447
Disposals	-	(730)	-	(301)	(11)	(2)	-	-	-	(1,044)
Transfers	5,546	63,730	13,241	2,937	9,052	-	(123)	-	(94,383)	-
31 December 2022 (audited)	59,994	658,116	274,226	122,901	62,213	11,212	4,476	740	87,714	1,281,592
Additions	-	-	-	-	-	70	-	-	37,350	37,420
Transfers	(43)	24,540	3,719	125	483	-	-	-	(28,824)	-
Transferred to intangible assets	-	-	-	-	-	-	-	-	(1,995)	(1,995)
Adjustment	-	-	-	-	1,215	-	-	-	-	1,215
Transferred from related parties (note 4)	70,223	579,037	418,127	335,768	65,548	14,636	3,498	-	85,586	1,572,423
Transferred to a related party (note 4)	-	-	-	-	-	-	-	-	(1,995)	(1,995)
30 June 2023 (unaudited)	130,174	1,261,693	696,072	458,794	129,459	25,918	7,974	740	177,836	2,888,660
Accumulated depreciation										
1 January 2022 (audited)	11,773	181,248	48,250	31,204	17,179	9,481	1,073	529	-	300,737
Charge for the year	2,174	24,762	6,732	3,010	3,107	834	245	106	-	40,970
Related to disposals	-	(461)	-	(266)	(5)	(2)	-	-	-	(734)
Transfers	-	-	-	-	14	-	(14)	-	-	-
31 December 2022 (audited)	13,947	205,549	54,982	33,948	20,295	10,313	1,304	635	-	340,973
Charge for the period	1,168	14,445	4,157	2,406	1,773	452	126	26	-	24,553
Adjustment	-	-	-	-	1,215	-	-	-	-	1,215
Transferred from related parties (note 4)	22,397	222,583	83,505	92,782	26,106	13,027	768	-	-	461,168
30 June 2023 (unaudited)	37,512	442,577	142,644	129,136	49,389	23,792	2,198	661	-	827,909
Carrying amounts										
30 June 2023 (unaudited)	92,662	819,116	553,428	329,658	80,070	2,126	5,776	79	177,836	2,060,751
31 December 2022 (audited)	46,047	452,567	219,244	88,953	41,918	899	3,172	105	87,714	940,619

NAMA ELECTRICITY DISTRIBUTION COMPANY SAOC

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5 PROPERTY, PLANT AND EQUIPMENT (continued)

- 5.1 The Group's building and substations are constructed on lands leased from the Ministry of Housing, Government of Sultanate of Oman.
- 5.2 Capital work in progress includes works which are in different stages of completion and relates to (a) construction and upgrading of substations and feeders, (b) electrical distribution works networks, (c) extension of power supply to customers, (d) furniture and fixtures, and computers, and (e) other common assets.
- 5.3 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 Company and its 99.99 percent owned subsidiary, Mazoon Assets Company 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 Company is authorized to operate and maintain the assets which forms part of the distribution network of the Company within the authorised area. The risk and rewards associated with the assets continue to be with the Company as per the transaction documents executed.

6 TRADE AND OTHER RECEIVABLES

	30 June 2023	31 December 2022
	RO'000	RO'000
	(Unaudited)	(Audited)
Amount due from related parties (note 16.3)	31,180	3,315
Receivables against sponsored projects	17,427	922
Prepayments	1,887	984
VAT input tax receivable	870	19,443
Amounts due from domestic customers	-	29,522
Amounts due from commercial customers	-	10,373
Amounts due from Government customers	-	26,228
Receivable on account of maximum allowed revenue	-	11,539
Receivable from Government	-	24,851
Other receivables	5,445	1,466
	56,809	128,643
Allowance for expected credit losses (note 6.1)	(326)	(3,640)
	56,483	125,003

6.1 The movement in expected credit losses was as follows:

	30 June 2023	31 December 2022
	RO'000	RO'000
	(Unaudited)	(Audited)
At the beginning of the period	3,640	3,212
Allowance for expected credit losses	81	459
Expected credit loss provision on transfer from related parties	245	-
Expected credit loss provision transferred to NESC	(3,640)	-
Receivables written-off	-	(31)
	326	3,640

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

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7 CASH AND CASH EQUIVALENTS

	30 June 2023	<i>31 December</i> 2022
	RO'000	RO'000
	(Unaudited)	(Audited)
Cash at banks	5,653	3,302
Cash in hand	36	25
Cash and cash equivalents for the purpose of statement of financial position	5,689	3,327
Bank overdraft (note 11.2)	(8,993)	(1,878)
Cash and cash equivalents for the purpose of cash flows	(3,304)	1,449

7.1 The Company assessed that the expected credit losses related to cash and cash equivalents are immaterial to the interim condensed financial statements as a whole.

7.2 The Company has availed a working capital facility (overdraft and revolving short term loan) and bank guarantee from Ahli Bank SAOG for an amount of RO 15 million. The overdraft limit of RO 10 million is interchangeable between overdraft and revolving short term loan upon a condition that the combined utilisation of both the facilities not to exceed RO 15 million at any point of time. The facilities are unsecured, payable on demand and carry interest rate at the rate of 3.5% to 4% (31 December 2022: 3.5% to 4%) per annum.

8 SHARE CAPITAL AND RESERVES

8.1 The Company's authorised, issued and paid up share capital consist of 200,000,000 shares (2022: 150,000,000 shares) of RO 1 each. The details of shareholders are as follows:

		30 June 2023	<i>31 December</i> 2022
		RO'000	RO'000
	<i>shares</i>	(Unaudited)	(Audited)
Electricity Holding Company SAOC	199,950	199,950	149,950
Nama Shared Services Company LLC	25	25	25
Numo Institute for Competency Development LLC	25	25	25
	200,000	200,000	150,000

8.2 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 Group's fully paid share capital. This reserve is not available for distribution.

8.3 General reserve

In accordance with Article 133 of the Commercial Companies Law of 2019 and the Company may establish general reserve accounts which shall not exceed twenty percent (20%) of the net profits for each financial year, after deduction of taxes and the legal reserve. The reserve is available for distribution to the

8.4 Shareholders' funds

The shareholders in their meeting held on 7 May 2023 have resolved to convert shareholders' loan of RO 93.3 million including accrued interest (as at 31 December 2022) into shareholders' funds under equity, and ceased to charge interest thereafter. At 30 May 2023, RO 50 million were converted into share capital pursuant to completion of legal formalities. Out of the remaining shareholder's funds of RO 43.3 million, RO 40 million is transferred to NESC. The shareholders waived the interest charged from 1 January 2023.

8.5 Dividend

A cash dividend of RO 8.34 million has been proposed for the year ended 31 December 2022 (a cash dividend of 7% on share capital aggregating to RO 10.5 million was proposed and paid in 2022 from the profits of the year ended 31 December 2021).

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9 TERM LOANS

The Group has the following term facilities:

- A The Group 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.
- (i) 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 51.5 million (31 December 2022: RO 56.1 million).
- (ii) 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 54.2 million (31 December 2022: RO 59.1 million).
- B As part of the reorganization of the electricity sector the following term facilities pertaining to distribution businesses have been novated from Nama Electricity Supply Company SAOC (NESC) formerly known as Muscat Electricity Distribution Company SAOC (MEDC). The loans are unsecured and the final maturity date falls due on 30 June 2026 and 31 March 2028 respectively.
- (i) 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 37.4 million.
- (ii) 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 37.4 million.
- (iii) 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 42.6 million.
- C As part of the reorganization of the electricity sector the following term facilities pertaining to distribution businesses have been novated from Majan Electricity Company SAOC (MJEC). The loans are unsecured and the final maturity date falls due on 31 December 2026 and 31 December 2027 respectively.
- (i) 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 60.9 million.
- (ii) USD 165 million (equivalent to RO 63.5 million) Dual Currency Term Loan Facility Agreement dated 01 November 2017, at floating interest rate. At the reporting date, the balance of the facility availed amounted to RO 31.8 million.

9.1 The movement in term loans during the period/year was as follows:

	30 June 2023	<i>31 December</i> 2022
	<i>RO'000</i>	<i>RO'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
At the beginning of the period/year	115,297	134,513
Add: transfer from related parties	219,794	-
Less: repayments	(19,170)	(19,216)
	315,921	115,297
Less: unamortised transaction costs (note 9.2)	(2,442)	(1,562)
	313,479	113,735

9.2 Unamortised transaction costs

At the beginning of the period/year	1,562	2,060
Add: transfer from related parties	1,332	-
Less: amortised during the period/year	(452)	(498)
	2,442	1,562

NAMA ELECTRICITY DISTRIBUTION COMPANY SAOC

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9 TERM LOANS (continued)

9.3 Classification of term loans into current and non-current portion:

	30 June 2023	<i>31 December</i> 2022
	<i>RO'000</i>	<i>RO'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Term loans-current portion	57,463	19,216
Unamortised costs - current portion	(953)	(479)
	56,510	18,737
Term loans - non-current portion	258,458	96,081
Unamortised costs - non-current portion	(1,489)	(1,083)
	256,969	94,998
	313,479	113,735

9.4 Compliance with covenants

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 the Group is required to comply. At 30 June 2023, the Group was in compliance with these covenants.

10 LONG TERM BORROWINGS - SUKUKS

During the year 2017, the Group 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 Nama Electricity Distribution Company SAOC and the Holding Company 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 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 Nama Electricity Distribution Company SAOC and purchase by Mazoon Assets Company SAOC of PPE assets.
- b) Lease back of these assets by Nama Electricity Distribution Company SAOC from Mazoon Assets Company SAOC 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 of the Company, has no economic purpose to serve other than to act as a Special Purpose Vehicle. As per agreement, the Company is obliged to bear all the initial issue costs as well as all recurring costs of operation.

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

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10 LONG TERM BORROWINGS - SUKUKS (continued)

	30 June 2023	<i>31 December</i> 2022
	RO'000	RO'000
	(Unaudited)	<i>(Audited)</i>
Long term borrowings - Sukuks	192,500	192,500
Less: unamortised transaction cost (note 10.1)	(492)	(548)
	192,008	191,952

10.1 Unamortised transaction cost

	30 June 2023	<i>31 December</i> 2022
	RO'000	RO'000
	(Unaudited)	<i>(Audited)</i>
At 1 January	548	662
Amortised during the year	(56)	(114)
	492	548

11 OTHER LIABILITIES

11.1 Other non-current liabilities

	30 June 2023	<i>31 December</i> 2022
	RO'000	RO'000
	(Unaudited)	<i>(Audited)</i>
Deferred revenue (note 14)	252,048	63,425
Deferred tax liability	66,416	56,965
Lease liabilities	15,329	4,453
Employees' end of service benefits	2,600	757
	336,393	125,600

11.2 Other current liabilities

	30 June 2023	<i>31 December</i> 2022
	RO'000	RO'000
	(Unaudited)	<i>(Audited)</i>
Deferred revenue (note 14)	12,008	3,377
Lease liabilities	1,150	774
Bank overdrafts	8,993	1,878
	22,151	6,029

12 TRADE AND OTHER PAYABLES

	30 June 2023	<i>31 December</i> 2022
	RO'000	RO'000
	(Unaudited)	<i>(Audited)</i>
Amount due to related parties (note 16)	77,086	70,081
Creditors for capital projects	37,023	30,951
Suppliers and contractors payable	34,748	12,488
Accruals and other payables	52,141	24,037
VAT payable on government subsidy	-	23,655
	200,998	161,212

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12 TRADE AND OTHER PAYABLES (continued)

12.1 Terms and conditions of the above financial liabilities:

- i) Creditors for capital projects are non-interest bearing liabilities and normally settled on 30 to 60 days term.
- ii) Other payables are non-interest bearing liabilities and normally settled on 30 to 60 days term.
- iii) For terms and conditions with related parties (note 16).

13 SHORT TERM BORROWINGS

	30 June 2023	<i>31 December</i>
	RO'000	<i>2022</i>
	(Unaudited)	<i>RO'000</i>
		<i>(Audited)</i>
13.1 The Break up of short term borrowings is as follows:		
Working capital facilities (note 13.3)	-	10,000
Bridge loan facilities (note 13.4)	381,035	169,750
	381,035	179,750
Unamortised transaction costs	(401)	-
	380,634	179,750

13.2 The movement in short term borrowings:

	30 June 2023	<i>31 December</i>
	RO'000	<i>2022</i>
	(Unaudited)	<i>RO'000</i>
		<i>(Audited)</i>
At 1 January	179,750	151,675
Transfer from related parties	208,500	-
Addition during the year	2,785	99,275
Less: transferred / repayment during the period / year	(10,000)	(71,200)
At 31 December	381,035	179,750

13.3 Working capital facilities

- a) The Company has entered into a revolving loan facility agreement dated 8 December 2016 with a consortium of banks with Arab Banking Corporation acting as the Agent Bank, for an amount of USD 120 million. The facility was renewed for a period of 12 months vide amendment agreement dated 3rd December 2017. The facility was further renewed vide amendment agreement dated 28 November 2018 for another 12 month period with an enhanced limit of USD 175 million (RO 67.4 million). During 2019 the Company renewed the facility for another 12 month period with a reduced limit of USD 120 million (RO 46.2 million) which was further renewed, amended and restated on 3rd December 2020. During 2021 this facility was further renewed and restated on 28 November 2021. This facility was repaid and closed in the year 2022 upon maturity.
- b) During the year 2019 the Company 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 30 June 2023 the facility outstanding is RO Nil (31 December 2022: RO 10 million). During June 2023, this facility was novated to Nama Electricity Supply Company SAOC as part of the reorganization of the electricity sector.

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13 SHORT TERM BORROWINGS (continued)

13.4 Bridge loan facilities

- a) During the year 2021 the Company raised a bridge loan of USD 235 million (RO 91 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 during the year ended 2022, the Company exercised the Accordion option and enhanced the facility by an amount of USD 115 million (RO 44.275 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;
 - i) Sale by NAMA Electricity Distribution Company SAOC and purchase by Bank Muscat SAOG (Investment Agent) of PPE assets.
 - ii) Lease back of these assets by NAMA Electricity Distribution Company SAOC from Investment Agent under a Lease Agreement and Servicing Agency Agreement.
 - iii) Declaration of trust agreement.
 - iv) Purchase undertaking agreement and sale undertaking agreement.

The facility has been fully repaid in 2023 (31 December 2022 RO 135 million).
- b) During the year 2022, the Company 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 30 June 2023, the availed balance under this facility is RO 35 million (31 December 2022 RO 35 million).
- c) During the year 2023 the Company has availed a short-term loan facility vide agreement dated 12 Apr 2023 for U.S.\$350 million refinancing the Ijara short-term facility. The facility is unsecured and is repayable by 12 April 2024.
- d) As part of the reorganization of the electricity sector, the following facility pertaining to distribution businesses have been novated from Nama Electricity Supply Company SAOC (NESC) formerly known as Muscat Electricity Distribution Company SAOC (MEDC). The loan is unsecured and is maturing on 31 August 2023.
- e) The Company has taken over RO 50 million part of the short term facility with Bank Muscat SAOG from NESC.
- f) The Company 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 have been novated from Rural Areas Electricity Company SAOC (RAECO). The loan is unsecured and is maturing on 31 March 2024.
- g) As part of the reorganization of the electricity sector, the following short term facilities pertaining to distribution businesses have been novated from Majan Electricity Company SAOC (MJEC). The loans are unsecured.
 - i) The Company has taken over RO 40.5 million short term bridge facility with Oman Arab Bank SAOG from MJEC. The facility is maturing on 25 Jan 2024.
 - ii) The Company has taken over RO 49 million short term bridge facility with Oman Arab Bank SAOG from MJEC. The facility is maturing on 28 Mar 2024.
 - iii) The Company has taken over RO 40.5 million short-term bridge facility with Sohar International Bank SAOG from MJEC. The facility is maturing on 25 Jan 2024.

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14 DEFERRED REVENUE

14.1 Installation and connection charges:

Installation and connection revenue represent the fee collected for the activities to provide services to the customer contracted for supply of electricity. Accordingly, the installation and connection revenue is recognized over the period of time. The Group has estimated the average asset life to be 25 years based on the useful life on connection and installation assets and recognized installation and connection fee over this period.

14.2 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.

14.3 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 outturn that will be adjusted while setting the future price control.

15 CASH FLOW HEDGE RESERVE

The cash flow hedge reserve represents the cumulative effective portion of gains or losses arising on changes in fair value of hedging instruments. The cumulative gain or loss arising on changes in fair value of the hedging instruments that are recognised and accumulated under the heading of cash flow hedge reserve 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.

At the reporting date, the Group has Interest Rates Swap (IRS) agreements covering 100% of the term loans with a fixed interest rate 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 within equity through other comprehensive income.

The fair value of the interest rate swaps is based on market value of equivalent instruments of the reporting date and the fair value thereof has been dealt within through other comprehensive income.

16 RELATED PARTY TRANSACTIONS AND BALANCES

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

Government of Sultanate of Oman (the Government), owns 100% (2022: 100%) of the Company's shares through Oman Investment Authority and Electricity Holding Company. The Company 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 maintains balances with the related parties which arise in the normal course of business. The related party transactions are carried out based on mutually agreed terms. Outstanding balances at period end are unsecured and settlement occurs in cash.

Prices and terms of these transactions, which are entered into in the normal course of business, are on mutually agreed terms and conditions.

NAMA ELECTRICITY DISTRIBUTION COMPANY SAOC

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16 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

16.1 The Group had the following transactions with related parties during the year:

	30 June 2023 RO'000 (Unaudited)	30 June 2022 RO'000 (Unaudited) (Unreviewed)
Entities under common control:		
Oman Power and Water Procurement Company SAOC		
Purchase of electricity	69,752	106,221
Oman Electricity Transmission Company		
Transmission connection charges	5,658	4,245
Transmission use of system charges	16,317	19,172
Mazoon Assets Company SAOC		
Interest in long term loan - sukuk	5,005	5,005
Nama Electricity Supply Company SAOC		
Distribution use of system charges	35,108	-
Shareholders:		
Electricity Holding Company SAOC		
Interest on shareholder's loans	-	2,200
Shareholders service charges	20	20
Numo Institute for Competency Development LLC		
Training expenses	60	65
Nama Shared Services LLC		
IT Support service charges	460	489

Government and related entities

The Group has generated revenue of RO 14.2 million (30 June 2022: RO 18.6 million) from sale of electricity to the Government and related entities during current period.

The Group also received subsidy from the Government amounting to RO 58.3 million (30 June 2022: RO 90.6 million under the Maximum Allowed Revenue (MAR) formula as per the license issued by the APSR.

16.2 Key Management benefits

Key management personnel are those persons who have authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any director (whether executive or otherwise). The compensation for key management personnel during the period comprises of following:

	30 June 2023 RO'000 (Unaudited)	30 June 2022 RO'000 (Unaudited) (Unreviewed)
Salaries and other short term benefits	376	271
End of service benefits	24	21
Directors' remuneration and sitting fees	20	18
	420	310
Number of persons in key management *	14	8

* Post restructuring effective from 1 June 2023 the number of key management personnel have increased from 8 to 14.

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16 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

16.3 Amounts due from related parties

	30 June 2023	<i>31 December</i>
	RO'000	<i>RO'000</i>
	(Unaudited)	<i>(Audited)</i>
Shareholder:		
Electricity Holding Company SAOC	1,021	561
Entities under common control:		
Nama Electricity Supply Company SAOC	29,530	22
Oman Electricity Transmission Company SAOC	447	5
Ghubra Power & Desalination Company SAOC	123	3
Oman Waste Water Services Company SAOC	57	-
Dhofar Integrated Services Company SAOC	2	2
Rural Areas Electricity Company SAOC	-	2,721
	31,180	3,315

16.4 Amounts due to related parties

Shareholder:

Electricity Holding Company SAOC	3,270	9,435
Nama Shared Services LLC	416	585
Numo Institute for Competency Development LLC	91	134
Entities under common control:		
Nama Electricity Supply Company SAOC	65,644	5
Oman Electricity Transmission Company SAOC	7,609	6,168
Rural Areas Electricity Company	50	282
Majan Electricity Company SAOC	6	6
Oman Power and Water Procurement Company	-	53,466
	77,086	70,081

17 COMMITMENTS AND CONTINGENT LIABILITIES

	30 June 2023	<i>31 Dec 2022</i>
	RO'000	<i>RO'000</i>
	(Unaudited)	<i>(Audited)</i>
Capital commitments	73,133	26,372
Letter of guarantee	741	741
	73,874	27,113

NAMA ELECTRICITY DISTRIBUTION COMPANY SAOC

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2023

18 TAXATION

- 18.1 Tax expense recognised in the interim condensed consolidated statement of comprehensive income. The Group is subject to income tax at the rate of 15% (2022: 15%) of taxable income in accordance with the Income Tax Law of the Sultanate of Oman. No current tax has been provided due to tax deductible losses for current and prior years.
- 18.2 Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 15% (2022: 15%). The deferred tax on all temporary differences have been calculated and dealt with in the interim condensed consolidated statement of comprehensive income.
- 18.3 No deferred tax has been recognised on tax losses of RO 68 million (31 December 2022: RO 66 million) which are expected to expire in the years between 2024 - 2028 (31 December 2022: years between 2023 - 2027), as it is probable that future taxable profits will not be available against which the Group can use the benefits there from.

19 REVENUE

	30 June 2023	30 June 2022
	RO'000	RO'000
	(Unaudited)	(Unaudited)
		(Unreviewed)
Point in time		
Distribution use of system revenue	68,978	58,754
Revenue short / (excess) of maximum allowed as per price control formula	5,976	(2,721)
Less: System and security penalties	(2,360)	(406)
	72,594	55,627
Over period of time		
Installation and connection charges	1,127	843
Funds for Government sponsored projects	876	448
Regulatory base asset adjustment	861	351
Other Revenue	1,794	131
	4,658	1,773
	77,252	57,400

The Company is entitled to revenue as computed under Maximum Allowed Revenue (MAR) under the license issued by APSR. Any excess / short of actual regulated revenue as compared to the revenue computed under MAR, is reduced from/added to actual revenue.

20 OPERATING COSTS

	30 June 2023	30 June 2022
	RO'000	RO'000
	(Unaudited)	(Unaudited)
		(Unreviewed)
Depreciation on property, plant and equipment	24,073	18,841
Maintenance and repairs expenses	5,819	4,912
Transmission connection charges	5,658	4,245
Spares and consumable expenses	612	505
Depreciation on right of use assets	73	54
Other direct costs	124	1
	36,359	28,558

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As at 30 June 2023

21 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year.

	30 June 2023	30 June 2022
	RO'000	RO'000
	(Unaudited)	(Unaudited)
		(Unreviewed)
Profit for the period from continuing operations	1,090	4,718
Profit / (loss) for the period from discontinuing operations	2,317	(1,547)
Total profit and comprehensive income for the period	3,407	3,171
Weighted average number of shares outstanding during the period (number of shares in thousands)	158,611	150,000
Basic and diluted earnings per share (Baizas)	0.021	0.021
(Loss) / earnings per share for continuing operations (Baizas)	0.007	0.031
Earnings / (loss) per share for discontinuing operations (Baizas)	0.015	(0.010)

Since there are no dilutive shares both basic and diluted earnings per share are same.

22 SEGMENT REPORTING

The CEO and executive management team are the Group's Chief Operating Decision-Makers (CODM). Upto 31 May 2023, the principal activities of the Group were distribution and supply of electricity in the South Batinah, Dakhliyah, North Sharqiyah and South Sharqiyah governorates of Oman. Both distribution and supply business were considered as one reporting segment. Pursuant to the transfer of assets and liabilities pertaining to supply business to NESC, effective from 1 June 2023 as disclosed in Note 4, the principal activity of the Group is distribution of electricity in Oman, except for Dhofar Governorate where Dhofar Integrated Services Company SAOC is licensed to provide distribution and supply of electricity and water services. There are no other economic characteristics within the Group that will lead to determination of other operating segments. Accordingly, CODM has determined that the Group has only one operating segment, which is consistent with the internal reporting and performance measurement.

23 SEASONALITY OF OPERATIONS

The Group is involved in distribution of electricity. Due to the seasonal nature of this business, higher revenues and operating profits are usually expected in the summer period i.e. April to September as compared to remaining period of the year. Higher sales during the period April to September are mainly attributed to the increased demand during these summer months. This information is provided to allow for a better understanding of the results, however, management has concluded that this is not 'highly seasonal' in accordance with IAS 34.

24 COMPARATIVE INFORMATION

Certain corresponding figures have been regrouped or reclassified as a result of discontinued operations (see Note 4), wherever necessary, to conform to the presentation adopted in these interim condensed consolidated financial statements. Such reclassifications do not impact the Group's previous year / period reported profit or equity.

25 FINANCIAL RISK MANAGEMENT

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

- Market risk
- Credit risk
- Liquidity risk

There is no change in the financial risk management objectives and policies adopted by the entity in comparison with the Company's annual financial statements for the year ended 31 December 2022.

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26 FAIR VALUE OF FINANCIAL INSTRUMENTS

Based on the valuation methodology outlined below, the fair values of all the on and off balance sheet financial instruments at the reporting dates are considered by the Board and Management not be materially different to their book values.

	<i>Designated at FVOCI RO'000</i>	<i>Amortised cost RO'000</i>	<i>Total Carrying value RO'000</i>	<i>Fair value RO'000</i>	<i>Level</i>
30 June 2023					
<i>Financial assets</i>					
Cash and bank balances	-	5,689	5,689	5,689	1
Short term deposit	-	515	515	515	1
Trade and other receivables	-	54,596	54,596	54,596	3
Derivative financial instruments	7,355	-	7,355	7,355	2
	7,355	60,800	68,155	68,155	
<i>Financial liabilities</i>					
Term loans	-	313,479	313,479	313,479	3
Long term borrowings - sukuks	-	192,008	192,008	188,554	3
Short term borrowings	-	380,634	380,634	380,634	3
Bank overdrafts	-	8,993	8,993	8,993	1
Trade and other payables	-	200,998	200,998	200,998	3
Lease liabilities	-	16,479	16,479	16,479	3
	-	607,104	607,104	607,104	
31 December 2022					
<i>Financial assets</i>					
Cash and bank balances	-	3,327	3,327	3,327	1
Short term deposit	-	515	515	515	1
Trade and other receivables	-	124,019	124,019	124,019	3
Derivative financial instruments	2,877	-	2,877	2,877	2
	2,877	127,861	130,738	130,738	
<i>Financial liabilities</i>					
Term loans	-	113,735	113,735	113,735	3
Long term borrowings - sukuks	-	191,952	191,952	186,269	3
Short term borrowings	-	179,750	179,750	179,750	3
Bank overdrafts	-	1,878	1,878	1,878	1
Trade and other payables	-	161,212	161,212	161,212	3
Lease liabilities	-	5,227	5,227	5,227	3
	-	348,067	348,067	348,067	