Nama Electricity Distribution Company SAOC
(formerly Mazoon Electricity Company SAOC)

Interim consolidated financial statements

30 June 2024

Nama Electricity Distribution Company SAOC

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 June 2024

Contents ***Pages***

Building a better working world

Ernst & Young LLC
P.O. Box 1750, Ruwi 112
5th Floor, Landmark Building
Opposite Al Ameen Mosque
Bowsher, Muscat
Sultanate of Oman

Tax Card No. 8218320

Tel: +968 22 504 559
Fax: +968 22 060 810
muscat@om.ey.com
ey.com

C.R. No. 1224013
PR No. HMH/15/2015; HMA/9/2015

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

Report on the audit of the interim consolidated financial statements

Opinion

We have audited the interim consolidated financial statements of Nama Electricity Distribution Company SAOC (the "Company") and its subsidiary (together, the "Group") , which comprise the interim consolidated statement of financial position as at 30 June 2024, and the interim consolidated statement of comprehensive income, interim consolidated statement of changes in equity and interim consolidated statement of cash flows for the six-month period ended, and notes to the interim consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying interim consolidated financial statements present fairly, in all material respects, the interim consolidated financial position of the Group as at 30 June 2024 and its interim consolidated financial performance and its interim consolidated cash flows for the six-month period 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 interim consolidated financial statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *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 interim consolidated financial statements in Sultanate of Oman, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 2 of the interim consolidated financial statements, which describes that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Emphasis of matter paragraph – Basis of preparation

We draw attention to Note 3 of the interim consolidated financial statements, which describes the basis of preparation of these interim consolidated financial statements. Our opinion is not modified in respect of this matter.

Other matter

The interim consolidated financial information presented for the period ended 30 June 2023 in these interim consolidated financial statements was not audited. These are presented for comparison purposes only and accordingly, we do not express an audit opinion on such financial information.

Building a better working world

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the interim consolidated financial statements of the current period. These matters were addressed in the context of our audit of the interim consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the interim consolidated financial statements* section of our report, including in relation to these matters.

Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the interim consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying interim consolidated financial statements.

Key audit matter	*How our audit addressed the key audit matters*
Revenue recognition The Company's revenue from the number of units supplied is based on the terms specified in the contract with its customer and is recognised as the electricity unit is supplied. This is compared with the Maximum Allowed Revenue (MAR) calculated in accordance with the Price Control Regulation as issued by the Authority for Public Service Regulation. Misstatement in recognition and measurement of revenue is considered as a significant risk, therefore, recognition and measurement of revenue is a key audit matter. The company's accounting policy relating to revenue recognition is set out in note 6 to the interim consolidated financial statements.	Our audit procedures in this area included the following: • Obtained an understanding of the revenue process and assessed the design and implementation of key controls over the revenue cycle; • For a sample of transactions, we verified the revenue recorded in books with the underlying supporting documents; • Verified that the computation of MAR is in line with the formula described in Price Control Regulation as issued by the Authority for Public Service Regulation; • Assessed the appropriateness of the inputs used in the MAR formula from the supporting documents, correspondences with Authority for Public Service Regulation and Price Control Regulation; • Performed substantive analytical procedures over the significant revenue streams by developing an expectation based on volumes and rates and obtained explanation for the significant variances; • Assessed transactions taking place before and after the year-end to ensure that revenue was recognised in the appropriate period; • Assessed the appropriateness of the Group's revenue recognition accounting policies including compliance with the relevant IFRS; and • Assessed the adequacy and appropriateness of the disclosures in the interim consolidated financial statements.

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

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

Responsibilities of management and Audit Committee for the interim consolidated financial statements

Management is responsible for the preparation and fair presentation of the interim consolidated financial statements in accordance with IFRSs and for such internal control as management determines is necessary to enable the preparation of interim consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

EY
Building a better
working world

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

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

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

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

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

Ernst + Young

ارنست ويونغ ش م م
ERNST & YOUNG LLC
C.R.No. 1224013
P.O.Box 1750 - P.C. 112, Sultanate of Oman

Mohamed Al Qurashi
5 September 2024
Muscat

Nama Electricity Distribution Company SAOC

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2024

	Notes	*30 June 2024 RO'000*	*31 December 2023 RO'000*
ASSETS			
Non-current assets			
Property, plant and equipment	7	**2,082,960**	2,065,844
Right-of-use assets	8	**14,470**	15,108
Intangible assets	9	**1,287**	2,700
Long term deposit	12	**500**	515
Derivative financial instruments	18	**4,702**	4,796
Total non-current assets		**2,103,919**	2,088,963
Current assets			
Stores and spares	10	**9,978**	11,421
Trade and other receivables and prepayment	11	**71,553**	47,492
Cash and bank balances	13	**5,060**	3,735
Total current assets		**86,591**	62,648
TOTAL ASSETS		**2,190,510**	2,151,611
EQUITY AND LIABILITIES			
Equity			
Share capital	14	**200,000**	200,000
Legal reserve	15	**66,671**	66,671
General reserve	16	**-**	21,525
Retained earnings / (accumulated losses)		**14,801**	(11,356)
Shareholder funds	17	**419,155**	419,155
Cash flow hedge reserve	18	**3,997**	4,077
Total equity		**704,624**	700,072
LIABILITIES			
Non-current liabilities			
Term loans	19	**197,209**	228,630
Long term borrowings - Sukuks	20	**382,016**	192,064
Deferred revenue	21	**219,357**	222,835
Lease liabilities	22	**14,981**	15,416
Employees' end of service benefits	23	**1,961**	2,537
Deferred tax liability	35	**90,050**	80,016
Total non-current liabilities		**905,574**	741,498
Current liabilities			
Trade and other payables	24	**135,821**	170,852
Bank overdrafts	13	**9,166**	8,612
Term loans	19	**55,091**	56,602
Short term borrowings	25	**361,466**	451,069
Deferred revenue	21	**17,602**	21,663
Lease liabilities	22	**1,166**	1,243
Total current liabilities		**580,312**	710,041
Total liabilities		**1,485,886**	1,451,539
TOTAL EQUITY AND LIABILITIES		**2,190,510**	2,151,611

The interim consolidated financial statements were authorised for issue and approved by the Board of Directors on 20 August 2024 and were signed on their behalf by:

Rashid Sultan Al Hashmi Chairman	Ghada Al Yousef Director	Ala Hassan Moosa Chief Executive Officer

The attached notes 1 to 43 form part of these interim consolidated financial statements.

Nama Electricity Distribution Company SAOC

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period ended 30 June 2024

Continuing operations	Notes	***30 June 2024 RO'000***	*30 June 2023 RO'000 (unaudited but reviewed)*
Revenue	29	**151,488**	77,252
Operating costs	30	**(78,562)**	(38,219)
Gross profit		**72,926**	39,033
General and administrative expenses	31	**(30,872)**	(13,050)
Allowance for expected credit losses	11	**(1,083)**	-
Impairment of intangible assets	9.1	**(461)**	-
Other income	33	**1,376**	305
Operating profit		**41,886**	26,288
Finance income		**55**	15
Finance costs	34	**(27,260)**	(16,434)
Profit before tax from continuing operations		**14,681**	9,869
Tax expense	35	**(10,049)**	(8,779)
Profit for the period from continuing operations		**4,632**	1,090
Discontinued operations			
Profit after tax for the period from discontinued operations	4.2	**-**	2,317
PROFIT FOR THE PERIOD		**4,632**	3,407
Other comprehensive income			
Items to be classified to profit or loss in subsequent period:			
Net movement in fair value of cash flow hedge	18	**(94)**	158
Tax effect	35	**14**	(24)
Other comprehensive (loss) / income for the period		**(80)**	134
TOTAL PROFIT AND COMPREHENSIVE INCOME FOR THE PERIOD		**4,552**	3,541
Earnings per share			
Basic and diluted earnings per share (Baizas)	38	**0.023**	0.021

The attached notes 1 to 43 form part of these interim consolidated financial statements.

Nama Electricity Distribution Company SAOC

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 30 June 2024

	Share capital	*Legal reserve*	*General reserve*	*Retained earnings / (Accumulated losses)*	*Cash flow hedge reserve*	*Shareholders Fund*	*Total*
	RO'000	*RO'000*	*RO'000*	*RO'000*	*RO'000*	*RO'000*	*RO'000*
At 1 January 2023	150,000	50,004	21,525	22,207	2,446	-	246,182
Profit for the period (unaudited but reviewed)	-	-	-	3,407	-	-	3,407
Other comprehensive income for the period (unaudited but reviewed)	-	-	-	-	134	-	134
Total profit and comprehensive income for the period (unaudited but reviewed)	-	-	-	3,407	134	-	3,541
Conversion of shareholders' loan to shareholders' fund (note 17)	-	-	-	-	-	116,163	116,163
Conversion of shareholders' fund to share capital (note 17)	50,000	-	-	-	-	(50,000)	-
Transfer to legal reserve (note 15)	-	16,667	-	(13,826)	-	(2,841)	-
Reduction upon transfer of net assets of supply business to a related party (note 4.2)	-	-	-	-	-	(59,778)	(59,778)
Addition upon transfer of net assets of distribution business from related parties (note 4.1)	-	-	-	-	3,672	415,713	419,385
Dividend (note 27)	-	-	-	(8,344)	-	-	(8,344)
At 30 June 2023 (unaudited but reviewed)	200,000	66,671	21,525	3,444	6,252	419,257	717,149
At 1 January 2024	**200,000**	**66,671**	**21,525**	**(11,356)**	**4,077**	**419,155**	**700,072**
Profit for the period	**-**	**-**	**-**	**4,632**	**-**	**-**	**4,632**
Other comprehensive loss for the period	**-**	**-**	**-**	**-**	**(80)**	**-**	**(80)**
Total profit and comprehensive loss for the period	**-**	**-**	**-**	**4,632**	**(80)**	**-**	**4,552**
Transfer of general reserve to retained earnings	**-**	**-**	**(21,525)**	**21,525**	**-**	**-**	**-**
At 30 June 2024	**200,000**	**66,671**	**-**	**14,801**	**3,997**	**419,155**	**704,624**

The attached notes 1 to 43 form part of these interim consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 30 June 2024

	Notes	*30 June 2024* RO'000	*30 June 2023* RO'000 (unaudited but reviewed)
Operating activities			
Profit before tax from continuing operations		**14,681**	9,869
Profit before tax from discontinued operations	4.2	**-**	2,317
Profit before tax		**14,681**	12,186
Adjustments for:			
Depreciation of property, plant and equipment	7	**45,514**	24,553
Depreciation of right-of-use assets	8	**717**	296
Amortisation of intangible assets	9	**275**	116
Impairment of intangible assets	9	**461**	-
Provision/(reversal) for inventories obsolescence	10	**452**	(6)
Accruals for employees' end of service benefits	23	**42**	11
Allowance for expected credit losses	11	**1,083**	81
Gain on termination of lease		**(8)**	-
Finance costs	34	**27,260**	16,829
Modification gain on financial liability	19	**(3,646)**	-
Unwinding of financial liability	19	**10**	-
Finance income		**(55)**	(38)
		86,786	54,028
Working capital changes:			
Stores and spares		**991**	(3,107)
Trade and other receivables and prepayments		**(25,144)**	(20,398)
Trade and other payables		**(34,261)**	43,080
Deferred revenue		**(7,539)**	(1,681)
Cash generated from operating activities		**20,833**	71,922
Employees' end of service benefits paid	23	**(618)**	(29)
Tax paid		**(2)**	(2)
Net cash flows generated from operating activities		**20,213**	71,891
Investing activities			
Purchase of property, plant and equipment	7	**(62,707)**	(37,420)
Net cash flows used in investing activities		**(62,707)**	(37,420)
Financing activities			
Repayment of long term borrowings	19	**(28,711)**	(19,170)
Proceeds from sukuk issuance	20	**192,500**	-
Proceeds from short term borrowings	25	**45,000**	2,785
Repayment of short term borrowings	25	**(134,750)**	(10,000)
Transaction cost paid		**(4,472)**	-
Finance cost paid		**(25,234)**	(12,520)
Finance income		**55**	38
Lease liabilities paid (principal and interest)	22	**(1,123)**	(357)
Net cash generated from / (used in) financing activities		**43,265**	(39,224)
Net changes in cash and cash equivalents		**771**	(4,753)
Cash and cash equivalents at 1 January	13	**(4,877)**	1,449
Cash and cash equivalents at 30 June	13	**(4,106)**	(3,304)

Non cash transactions

Following non cash transactions have been excluded from above cash flows, as these do not involved any cash movement:

Transfer of net assets from related parties		**-**	415,713
Transfer of net assets to a related party		**-**	(59,778)
Additions to right of use assets		**326**	1,800

The attached notes 1 to 43 form part of these interim consolidated financial statements.

1 REPORTING ENTITY

Nama Electricity Distribution Company SAOC (the 'Parent Company') (formerly known as Mazoon Electricity Distribution Company SAOC) is a company domiciled in the Sultanate of Oman. These interim consolidated financial statements as at and for the period ended 30 June 2024 comprise of the Company and its subsidiary.

The business activities of Parent Company and its subsidiary company (together referred to as the Group) 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. The registered address of the Parent Company is P.O. Box 110, Postal Code 600 Al Saiyeh Al Ahmar / Bid Bid / Al Dakhiliyah Governorate, the Sultanate of Oman.

As part of the reorganization of Electricity Holding Company SAOC ("EHC", or the "Holding Company"), holding 99.99% shares in the Parent Company, effective as of 1 June 2023 (the "Reorganization"), the Company (i) received as contribution the distribution business 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 Electricity Holding Company SAOC (EHC), and transferred / distributed its supply business to MEDC, which was renamed to Nama Electricity Supply Company SOAC ("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 EHC 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.

During the year ended 31 December 2023, 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, 2024, the current liabilities of the Group exceeded its current assets by RO 494 million (31 December 2023: RO 647 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 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. Further, the Group intends to raise long term debt amounting to USD 1,010 million (RO 389 million) through issuance of both local/international bonds 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. In February 2024, the Group raised USD 500 million (RO 192.5 million) trust certificates and the proceeds have been utilised to settle one of the short-term debt obligation amounting to USD 350 million (RO 134.75 million). Moreover, during the current period, the Group has an operating cash inflow of RO 20 million (30 June 2023: RO 72 million) and has initiated discussion with lenders to extend the existing short-term facilities and avail additional bridge facilities for meeting its immediate current liabilities until completion of the long-term financing program. Refer to note 36 for capital management and gearing ratio.

2 BASIS OF ACCOUNTING (continued)

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 believes that such support will continue. Accordingly, these interim consolidated financial statements are prepared on a going concern basis.

3 BASIS OF PREPARATION

a) Statement of compliance

These interim consolidated financial statements for the six months period ended 30 June 2024 have been prepared in accordance with International Financial Reporting Standard ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These interim consolidated financial statements are not statutory financial statements. These interim consolidated financial statements are prepared to be made part of the offering circular for the issuance of trust certificates (Sukuk).

b) Basis of consolidation

Subsidiaries are all entities over which the Parent exercises control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

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

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally.

The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the period are included in the interim consolidated statement of comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Group and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Group and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

3 BASIS OF PREPARATION (CONTINUED)

When the Group loses control of a subsidiary, a gain or loss is recognised in interim consolidated statement of comprehensive income and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

b) Basis of measurement

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

c) Presentation and functional currency

These Group's interim consolidated financial statements are presented in Rial Omani ("RO"), which is also the Parent company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. as well as presentation currency. All amounts have been rounded to the nearest thousand (RO '000 and USD '000) except where otherwise stated.

d) Use of estimates and judgments

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

Judgments

In the process of applying the accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant impact on the amounts recognised in the interim consolidated financial statements.

Assessment of contingencies and claims

The Group is subject to claims and actions for which no provisions have been recognised in relation to its distribution business. The facts and circumstances relating to particular cases are evaluated regularly in determining whether a provision relating to a specific litigation should be recognised or revised. A provision is recognised when, the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If these conditions are not met, no provision is recognised by the Group. Accordingly, significant management judgement relating to provisions and contingent liabilities is required, since the outcome of litigation is difficult to predict.

Determining the lease terms

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

3 BASIS OF PREPARATION (CONTINUED)

Determining the lease terms (continued)

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

Modification / extinguishment of financial liabilities

As per requirements of IFRS 9, an exchange between an existing borrower and lender of debt instruments with substantially different terms shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the debtor) shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. IFRS 9 also requires entity to evaluate the qualitative factors including change in interest rates and extension in term of the debt. Therefore, this assessment requires considerable judgement. The details of restructuring of loans have been disclosed in note 19 to the financial statements.

Key sources of estimation uncertainties

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

Revenue recognition

Revenue from the distribution use of system charges is calculated as per the distribution use of system methodology statement agreed with the Authority for Public Services Regulation (APSR). The revenue is calculated and billed to licensed supply companies based on the Regulated Units Distributed (RUD). As per the distribution use of the system charge methodology statement, the Group calculates the DUOS rate per MWh based on the forecasted RUD and Maximum Allowed Revenue (MAR).

Provision for inventory obsolescence

Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on anticipated selling prices. At the reporting date, spares and consumables were RO 11.80 million (2023: RO 12.7 million) with provisions for old and obsolete inventories of RO 1.8 million (2023: RO 1.4 million). Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the interim consolidated statement of comprehensive income.

Useful lives of property, plant and equipment

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

3 BASIS OF PREPARATION (CONTINUED)

Key sources of estimation uncertainties (continued)

Impairment of non-financial assets

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

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

Provision for current tax and deferred tax

Uncertainties exist with respect to the interpretation of tax regulations and the amount and timing of future taxable income. Given the wide range of business relationships and nature of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group reviews the provision for tax on a regular basis. In determining the provision for tax, laws of particular jurisdictions (where applicable entity is registered) are taken into account. The management considers the provision for tax to be a reasonable estimate of potential tax liability after considering the applicable laws and past experience. The Group has evaluated the available evidence about future taxable income and other possible sources of realisation of income tax assets, and the amount recognised has been limited to the amount that, based on management's best estimate, is more likely than not to be realised.

Leases – Estimating the incremental borrowing rate

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

Allowance for expected credit losses

The allowance for expected credit losses for financial assets (including the financial guarantees) are based on assumptions about the risk of default and expected loss rates. The management uses judgement in making these assumptions and selecting the inputs to the impairment calculations based on the past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

4 RESTRUCTURING OF BUSINESS

The Oman Investment Authority (OIA), 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).

4 RESTRUCTURING OF BUSINESS (CONTINUED)

The following events occurred during prior year ended 31 December 2023:

- The Board of Directors of the Group 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 Group 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 December 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 December 2021.
- All the companies (i.e. NEDC, NESC, MJEC and RAECO) involved in restructuring are under common control of Electricity Holding Company SAOC, and 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) was 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 was 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.

Accordingly, the legal formalities associated with the restructuring were completed during prior year ended 31 December 2023 and the restructuring of business was effective from 1 June 2023. The impact of restructuring on the Group is provided in note 4.1 and 4.2. The supply business has been classified as a discontinued operation with effect from 31 May 2023.

The distribution business effective from 1 June 2023 was 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), were transferred to the Group and accounted for prospectively from effective date of transfer.

4.1 The details of assets and liabilities of distribution business taken over by NEDC were as follows:

	NESC	*MJEC*	*RAECO*	*Total*
	RO '000	*RO '000*	*RO '000*	*RO '000*
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
Derivative financial instruments	2,075	2,245	-	4,320
Store and spares	3,532	1,733	537	5,802
Trade and other receivables	2,091	7,709	17,269	27,069
Cash and cash equivalents	94	2,050	-	2,144
Total	525,698	489,282	150,288	1,165,268

4 RESTRUCTURING OF BUSINESS (CONTINUED)

	NESC RO '000	*MJEC* RO '000	*RAECO* RO '000	*Total* RO '000
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	36,023	18,647	5,842	60,512
Due to Supply business	4,267	17,308	1,351	22,926
Employees' end of service and short term benefits	1,138	1,716	-	2,854
Short term borrowings	50,000	129,964	28,500	208,464
Lease liabilities	4,036	5,850	640	10,526
TOTAL	345,847	328,056	71,980	745,883
Equity				
Cash flow hedge reserve	1,764	1,908	-	3,672
	347,611	329,964	71,980	749,555
Carrying values of the net assets transferred	**178,087**	**159,318**	**78,308**	**415,713**

4.2 Discontinued operations

The supply business, effective from 1 June 2023, was transferred out of the Group. Accordingly, the assets and liabilities of the supply business were transferred to other group Company, Nama Electricity Supply Company SAOC (NESC). At 31 May 2023, Group'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 were as below:

	1 January 2024 to 30 Jun 2024 ***RO'000***	*1 January 2023 to 31 May 2023* *RO'000*
Revenue	-	122,891
Operating costs	-	(117,536)
General and administrative expenses	-	(2,666)
Finance income	-	23
Finance costs	-	(395)
Profit before tax from discontinued operations	-	2,317
Profit for the period/year from discontinued operations	**-**	2,317

The carrying values of the assets and liabilities of these supply operations 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

5 NEW IFRS ACCOUNTING STANDARDS

a) Amendments to existing standards and new interpretations issued

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2024 (unless otherwise stated). The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to IFRS 16: Lease Liability in a Sale and Leaseback

In September 2022, the IASB issued amendments to IFRS 16 to specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16. Earlier application is permitted and that fact must be disclosed.

The amendments had no material impact on the Group’s interim consolidated financial statements.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020 and October 2022, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement

- That a right to defer must exist at the end of the reporting period

- That classification is unaffected by the likelihood that an entity will exercise its deferral right

- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

In addition, a requirement has been introduced to require disclosure when a liability arising from a loan agreement is classified as non-current and the entity’s right to defer settlement is contingent on compliance with future covenants within twelve months.

The amendments had no material impact on the Group’s interim consolidated financial statements.

Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7

In May 2023, the IASB issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures to clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity’s liabilities, cash flows and exposure to liquidity risk.

The amendments will be effective for annual reporting periods beginning on or after 1 January 2024. Early adoption is permitted, but will need to be disclosed.

The amendments had no material impact on the Group’s interim consolidated financial statements.

b) New and amended standards issued but not yet effective

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

5 NEW IFRS ACCOUNTING STANDARDS (CONTINUED)

b) New and amended standards issued but not yet effective (continued)

Lack of exchangeability – Amendments to IAS 21

In August 2023, the IASB issued Lack of Exchangeability (Amendments to IAS 21) to specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking.

A currency is considered to be exchangeable into another currency when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations.

If a currency is not exchangeable into another currency, an entity is required to estimate the spot exchange rate at the measurement date. An entity's objective in estimating the spot exchange rate is to reflect the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions. The amendments note that an entity can use an observable exchange rate without adjustment or another estimation technique.

Classification and Measurement of Financial Instruments - Amendments to IFRS 9 and IFRS 7

In May 2024, the IASB issued Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7), which:

(i) clarifies that a financial liability is derecognised on the 'settlement date', i.e., when the related obligation is discharged, cancelled, expires or the liability otherwise qualifies for derecognition. It also introduces an accounting policy option to derecognise financial liabilities that are settled through an electronic payment system before settlement date if certain conditions are met.

(ii) clarified how to assess the contractual cash flow characteristics of financial assets that include environmental, social and governance (ESG)-linked features and other similar contingent features.

(iii) clarifies the treatment of non-recourse assets and contractually linked instruments.

(iv) requires additional disclosures in IFRS 7 for financial assets and liabilities with contractual terms that reference a contingent event (including those that are ESG-linked), and equity instruments classified at fair value through other comprehensive income.

IFRS 18 – Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued IFRS 18 Presentation and Disclosure in Financial Statements which replaces IAS 1 Presentation in Financial Statements. IFRS 18 introduces new categories and subtotals in the interim consolidated statement of comprehensive income. It also requires disclosure of management-defined performance measures (as defined) and includes new requirements for the location, aggregation and disaggregation of financial information.

IFRS 19 - Subsidiaries without Public Accountability: Disclosures

In May 2023, the IASB issued IFRS 19 Subsidiaries without Public Accountability: Disclosures (IFRS 19), which allows eligible entities to elect to apply reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other IFRS accounting standards. Unless otherwise specified, eligible entities that elect to apply IFRS 19 will not need to apply the disclosure requirements in other IFRS accounting standards.

An entity applying IFRS 19 is required to disclose that fact as part of its general IFRS accounting standards compliance statement. IFRS 19 requires an entity whose financial statements comply with IFRS accounting standards including IFRS 19 to make an explicit and unreserved statement of such compliance.

The Group is currently assessing the impact of adopting these new and amended standards.

6 MATERIAL ACCOUNTING POLICIES INFORMATION

The material accounting policies applied in the preparation of these interim consolidated financial statements are set out below.

6.1 Leases

The Group leases various properties, offices and vehicles. Rental contracts are typically made for fixed periods of 4-60 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants except for use for specific purposes.

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

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

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

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

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

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

6 MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

6.1 Leases (continued)

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

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

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

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

The finance cost is charged to interim consolidated statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

The estimated useful lives used for this purpose are:

Assets	Years
Usufruct agreement	25 - 60
Building rent	4 - 5
Vehicles	6

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

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

6.2 Foreign currency transactions

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

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

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

Translation gains and losses related to monetary items are recognized in the profit or loss in the period in which they arise.

6 MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

6.3 Financial Instruments

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

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. The principal financial instruments used by the Group are as follows:

1) Trade and other receivables
2) Cash and bank balances
3) Long term deposit
4) Term loans
5) Long term borrowings - Sukuks
6) Short term borrowings
7) Bank overdrafts
8) Trade and other payables
9) Lease liabilities
10) Derivative financial instruments

Initial recognition

Financial assets

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

Financial assets at amortised cost

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

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

ii) Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at fair value through profit or loss account

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

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

Financial liabilities

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

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

6 MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

6.3 Financial Instruments (continued)

Financial liabilities (continued)

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

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

Subsequent measurement of financial assets

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

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

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

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

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

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

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

The Group's financial liabilities include accounts payable. due to related parties, short term borrowings and term loans.

All financial liabilities of the Group are measured at amortised cost.

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

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

6 MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

6.3 Financial Instruments (continued)

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

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

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

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

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

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

Impairment of financial assets
The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

IFRS 9 defines expected credit losses as the weighted average of credit losses with the respective risks of a default occurring as the weightings. At each reporting date the Group provides for expected losses on all of the following using reasonable and supportable information about past events, current conditions and reasonable and supportable forecasts of future economic conditions when measuring expected credit losses.

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

6 MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

6.3 Financial Instruments (continued)

i) Financial assets measured at amortised cost (continued)

For other financial assets, the Group measures expected credit losses through a loss allowance at an amount equal to:
i) the 12-month expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date); or
ii) full lifetime expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument).
The Group provides for a loss allowance for full lifetime expected credit losses for a financial instrument if the credit risk of that financial instrument has increased significantly since initial recognition. For all other financial instruments, expected credit losses are measured at an amount equal to the 12-month expected credit losses.

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

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

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

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

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

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

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

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

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

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

6 MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

6.4 Property, plant and equipment

Recognition and measurement

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

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

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

Subsequent expenditure

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

Depreciation

Depreciation is charged to the interim consolidated statement of comprehensive income on a straight-line basis over the estimated useful lives of the asset less its residual value.

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

	Years
Buildings	30
Electricity distribution works	20-40
Substations, lines and cables	25-50
Other plant and machinery	20-40
Furniture, fixtures and vehicles	5-7
Plant spares	20

Capital work in progress

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

Capital spares

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

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

6 MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

6.5 Intangible assets

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

Amortisation
Intangible assets with finite useful life are amortised over the estimated useful economic life of 5 to 7 years and assessed for impairment whenever there is an indication that intangible asset may be impaired. The amortisation period and method is reviewed at each reporting date. Change in expected useful life on the expected pattern of consumption of future economic benefits embodied in the intangible asset is accounted for by changing the amortisation period or method, as appropriate and treated as change in accounting estimate and accordingly accounted for prospectively. The amortisation charge is recognised in the interim consolidated statement of comprehensive income in the expense category consistent with the function of intangible asset.

6.6 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs comprise purchase costs and where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated principally using the weighted average method. An allowance is made for slow moving and obsolete inventory items where necessary, based on management’s assessment.

6.7 Cash and cash equivalents

Cash and cash equivalents comprise cash at hand, bank balances and short term deposits with an original maturity of three months or less.
For the purpose of interim consolidated statement of cash flows, cash in hand, all bank balances, short term bank deposits with a maturity of three months or less from the date of placement and bank overdrafts are considered to be cash and cash equivalents.

6.8 Employee terminal benefits

Provision for employee benefits is accrued having regard to the requirements of the Oman Labour Law 2003 as amended or in accordance with the terms and conditions of the employment contract with the employees, whichever is higher. Employee entitlements to annual leave are recognised when they accrue to employees and an accrual is made for the estimated liability arising as a result of services rendered by employees up to the reporting date. These accruals are included in current liabilities, while that relating to end of service benefits is categorised as a non-current liability.

End of service benefits for Omani employees are contributed in accordance with the terms of the Social Securities Law 1991 and Civil Service Employees Pension Fund Law. Gratuity for Omani employees who transferred from Ministry of Housing, Electricity and Water on 1 May 2005 is calculated based on the terms agreed between the Holding Group and the Government. An accrual has been made and is classified as a non-current liability in the interim consolidated statement of financial position.

6 MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

6.9 Provisions

A provision is recognised when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. Where some or all of the economic benefits required to settle a provision are expected to be recovered from third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

6.10 Borrowing costs

Interest expense and similar charges are expensed in the interim consolidated statement of comprehensive income in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of a qualifying asset which necessarily takes a substantial period of time to prepare for its intended use or sale.

6.11 Impairment of Non-financial assets

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

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the assets' carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation if no impairment loss had been recognised.

6.12 Government grants

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

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

6.13 Revenue from contracts with customers

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

Step 1 Identify the contract(s) with a customer
A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.

Step 2 Identify the performance obligations in the contract
A performance obligation is a unit of account and a promise in a contract with a customer to transfer a good or service to the customer.

6 MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

6.13 Revenue from contracts with customers (continued)

Step 3 Determine the transaction price
The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third

Step 4 Allocate the transaction price to the performance obligations in the contract
For a contract that has more than one performance obligation, the Group will allocate the transaction price to each performance obligation in an amount that depicts the consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.

Step 5 Recognise revenue
When (or as) the Group satisfies a performance obligation.

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

i) The customer simultaneously receives and consumes the benefits provided by the Group's performance as and when the Group performs; or

ii) The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

iii) The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

Revenue from Distribution Use of System Charges
The distribution of electricity is considered as a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer. The Group transfers control of electricity distributed over time and, therefore, satisfies a performance obligation and recognizes revenue over time as the customer simultaneously receives and consumes the electricity distributed by the Group. The Group recognises the distribution use of system charges when it transfers control of a product or service to a customer, i.e. when a unit of electricity is distributed to the supply business i.e. Nama Electricity Supply Company SAOC. The Group measures the progress of the transfer of each distinct unit in the series to the customer (output method or number of units distributed).

Deferred revenue

i) Installation and connection revenue

There is no separate distinct performance obligation on the Group with regard to this revenue stream, and these services cannot be distinguished from the primary business activity of the Group. Accordingly, these revenues have been deferred and will be recognized throughout the useful life of the related assets (i.e. 25 years).

ii) Assets transfer from customers
There is no separate performance obligation with respect to customer-contributed assets other than supply of electricity in the future. Therefore, consideration received (or fair value of the assets transferred) should be treated as part of the transaction price (non-cash consideration) and revenue to be recognized as and when electricity is provided to the customer in future. Accordingly, this revenue has been deferred and will be recognized throughout the useful life of the relevant assets transferred from customers.

The Group has estimated the average assets life to be 25 years based on the useful life of the Installation and connection asset. The Group recognizes the fee over 25 years.

6 MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

6.13 Revenue from contracts with customers (continued)

iii) Government sponsored projects

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

Variable consideration

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

Significant financing component

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

Contract modification

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

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

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

6.14 Income tax

Income tax for the period comprises current and deferred tax, which is computed as per the fiscal regulations of the Sultanate of Oman. Income tax is recognised in the interim consolidated statement of comprehensive income except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

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

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

6.15 Dividends

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

6 MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

6.16 Directors' sitting fees and remuneration

Directors' sitting fees and remuneration are approved by the shareholders in the ordinary annual general meeting of the Group and are recognised as an expense in the interim consolidated statement of comprehensive income.

6.17 Earnings per share

The Group presents basic and diluted earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is same as Basic as there are no convertible instruments.

6.18 Measurement of fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these interim consolidated financial statements is determined on such a basis, except for leasing transactions that are within the scope of IFRS 16.

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

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
Level 2: Valuation techniques based on observable inputs. This category includes instruments valued using quoted market prices in the active market for similar instruments, quoted market prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
Level 3: Valuation techniques using significant unobservable inputs. This category includes instruments that are valued based on quoted prices of similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

As at 30 June, 2024, the Group held interest rate swap derivatives instruments measured at fair value. The fair values of the interest swaps arrangements are determined using level 2 valuation technique.

6.19 Current versus non-current classification

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

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

All other assets are classified as non-current

A liability is current when:

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

6 MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

6.20 Common control transactions

A business combination involving entities or businesses under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. For business combinations under common control, the Group applies the book value method of accounting. According to this method, the assets and liabilities taken over are recorded in the interim consolidated financial statements at the recorded book values immediately prior to the acquisition date. The difference between the net assets taken over and the consideration paid is recognised in equity under retained earnings. The group has adopted the policy of recognizing the assets of the distribution business prospectively from the date of business transfer.

6.21 Offsetting of financial instruments

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

7 PROPERTY, PLANT AND EQUIPMENT

	Buildings on leasehold land RO'000	*Electricity distribution networks RO'000*	*Lines and cables RO'000*	*Substation assets RO'000*	*Other plant and machinery RO'000*	*Furniture, fixtures and vehicles RO'000*	*Plants spares RO'000*	*Assets under finance lease RO'000*	*Capital work-in-progress RO'000*	*Total RO'000*
Cost										
1 January 2023 (unaudited but reviewed)	59,994	658,116	274,226	122,901	62,213	11,212	4,476	740	87,714	1,281,592
Transferred from related parties upon take over of Distribution business (note 4)	70,223	579,037	418,131	335,764	66,763	14,636	3,498	-	85,586	1,573,638
Transfer to intangible assets	-	-	-	-	-	-	-	-	(1,995)	(1,995)
Transfer to related party (note 4)	-	-	-	-	-	-	-	-	(1,995)	(1,995)
Additions	-	-	-	-	-	70	-	-	37,350	37,420
Transfers	(43)	24,540	3,719	125	483	-	-	-	(28,824)	-
30 June 2023 (unaudited but reviewed)	130,174	1,261,693	696,076	458,790	129,459	25,918	7,974	740	177,836	2,888,660
1 January 2024 (audited)	134,843	1,384,275	723,122	471,047	139,857	26,039	8,794	740	53,657	2,942,374
Additions	-	57	147	203	-	85	97	-	62,118	62,707
Transfer to intangible assets	-	-	-	-	-	-	-	-	(77)	(77)
Reclassification	1,521	(8,985)	7,555	(1,091)	1,569	50	(619)	-	-	-
Transfers	3,175	8,901	5,429	18,798	3,054	-	-	-	(39,357)	-
30 June 2024	**139,539**	**1,384,248**	**736,253**	**488,957**	**144,480**	**26,174**	**8,272**	**740**	**76,341**	**3,005,004**
Accumulated depreciation										
1 January 2023 (unaudited but reviewed)	13,947	205,549	54,982	33,948	20,295	10,313	1,304	635	-	340,973
Transferred from related parties upon take over of Distribution business note 4	22,397	222,583	83,505	92,782	27,321	13,027	768	-	-	462,383
Charge for the period (note 7.4)	1,168	14,445	4,157	2,406	1,773	452	126	26	-	24,553
30 June 2023 (unaudited but reviewed)	37,512	442,577	142,644	129,136	49,389	23,792	2,198	661	-	827,909
1 January 2024 (audited)	39,961	469,723	150,781	135,781	52,784	24,326	2,435	739	-	876,530
Charge for the period (note 7.4)	2,400	24,256	8,505	6,406	3,352	453	142	-	-	45,514
Related to reclassification	(22)	173	(178)	42	(45)	(1)	31	-	-	-
30 June 2024	**42,339**	**494,152**	**159,108**	**142,229**	**56,091**	**24,778**	**2,608**	**739**	**-**	**922,044**
Carrying amounts										
30 June 2024	**97,200**	**890,096**	**577,145**	**346,728**	**88,389**	**1,396**	**5,664**	**1**	**76,341**	**2,082,960**
31 December 2023	94,882	914,552	572,341	335,266	87,073	1,713	6,359	1	53,657	2,065,844

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

7 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

7.2 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 (e) other common assets.

7.3 Assets with Net book Value of RO 396.3 Million (31 December 2023: RO 192.7 Million) identified and described in the transaction documents and agreements between the Group and its 99.99 percent owned subsidiary Mazoon Assets Group SAOC, for the 10 Year US$ 500 Million Sukuk Certificate issued in 2017 and the 5 Year US$ 500 million Sukuk Certificate issued in February 2024 as on the date of the transaction, are continued to be shown under the respective assets categories, while recognizing the receipt of the proceeds from Mazoon Assets Co. SAOC as a long term borrowing. By virtue of the license issued by the Authority for Public Services Regulation (APSR), Oman, only the Group is authorized to operate and maintain the assets which forms part of the distribution network of the Group within the authorised area. The risk and rewards associated with the assets continue to be with the Group as per the transaction documents executed.

7.4 Depreciation charge for the period is allocated as follows:

	30 June 2024 RO'000	*30 June 2023 RO'000 (unaudited but reviewed)*
Operating costs (note 30)	**45,062**	24,073
Discontinued operations	**-**	35
General and administration expenses (note 31)	**452**	445
	45,514	24,553

8 RIGHT-OF-USE ASSETS

	Buildings RO'000	*Usufruct RO'000*	*Vehicle RO'000*	*Total RO'000*
Cost				
At 1 January 2023 (audited)	1,079	4,670	635	6,384
Transfers from related parties upon takeover of distribution business (note 4)	558	9,058	4,212	13,828
Additions	850	3	-	853
30 June 2023 (unaudited but reviewed)	2,487	13,731	4,847	21,065
At 1 January 2024 (audited)	**2,486**	**13,731**	**5,863**	**22,080**
Additions	**-**	**326**	**-**	**326**
Terminations	**(330)**	**-**	**-**	**(330)**
Lease contracts matured	**(879)**	**-**	**-**	**(879)**
At 30 June 2024	**1,277**	**14,057**	**5,863**	**21,197**
Accumulated Depreciation				
At 1 January 2023 (audited)	1,039	448	314	1,801
Transfers from related parties upon takeover of distribution business (note 4)	581	1,157	2,196	3,934
Charge for the period (note 8.1)	105	73	118	296
30 June 2023 (unaudited but reviewed)	1,725	1,678	2,628	6,031
At 1 January 2024	**1,888**	**1,847**	**3,237**	**6,972**
Charge for the period (note 8.1)	**80**	**173**	**464**	**717**
Related to termination	**(83)**	**-**	**-**	**(83)**
Related to lease contracts matured	**(879)**	**-**	**-**	**(879)**
At 30 June 2024	**1,006**	**2,020**	**3,701**	**6,727**
Carrying value				
At 30 June 2024	**271**	**12,037**	**2,162**	**14,470**
At 31 December 2023	598	11,884	2,626	15,108

8 RIGHT-OF-USE ASSETS (CONTINUED)

8.1 Depreciation charge on right of use assets is allocated as follows:

	30 June 2024 RO'000	*30 June 2023 RO'000 (unaudited but reviewed)*
Operating costs (note 30)	**161**	73
Discontinued operations	**-**	12
General and administration expenses (note 31)	**556**	211
	717	296

9 INTANGIBLE ASSETS

	Capital-work-in-progress Software RO'000	*Software RO'000*	*Total RO'000*
Cost			
At 1 January 2023 (audited)	-	5,456	5,456
Transferred from related parties upon take over of distribution business (note 4)	3,907	9,251	13,158
Transferred from capital work in progress PPE (note 7)	1,995	-	1,995
Less : Transferred to related party upon disposal of supply business (note 4.2)	-	(249)	(249)
30 June 2023 (unaudited but reviewed)	5,902	14,458	20,360
At 1 January 2024 (audited)	**6,114**	**14,501**	**20,615**
Transfer from capital work in progress	**(741)**	**741**	**-**
Transferred from capital work in progress PPE (note 7)	**-**	**77**	**77**
Adjustment of capital work in progress	**(754)**	**-**	**(754)**
At 30 June 2024	**4,619**	**15,319**	**19,938**
Accumulated amortisation			
At 1 January 2023 (audited)	-	5,223	5,223
Charge for the year - Continued Operations (note 31)	-	106	106
Charge for the year - Discontinued Operations	-	10	10
Transferred from related parties upon take over of distribution business (note 4)	-	8,374	8,374
Less : Transferred to related party upon disposal of supply business (note 4.2)	-	(249)	(249)
30 June 2023 (unaudited but reviewed)	-	13,464	13,464
At 1 January 2024 (audited)	**4,158**	**13,757**	**17,915**
Charge for the period (note 31)	**-**	**275**	**275**
Impairment of software (note 9.1)	**461**	**-**	**461**
At 30 June 2024	**4,619**	**14,032**	**18,651**
Carrying amounts			
At 30 June 2024	**-**	**1,287**	**1,287**
At 31 December 2023	1,956	744	2,700

The intangible assets are amortised over the period from 5 to 7 years on straight line basis.

9.1 The Group performed an assessment on it's investment in the implementation of CC&B software for customer database and billing management and other softwares. As a result, the management concluded that the intended purpose from the use of the software was not fulfilled. Accordingly, an impairment loss of RO 0.46 million (31 December 2023: RO 4.16 million) has been recognized for the software.

10 STORES AND SPARES

	30 June 2024 RO'000	*31 December 2023 RO'000*
Spares and consumables	**11,796**	12,787
Provision for inventories obsolescence (note 10.1)	**(1,818)**	(1,366)
	9,978	11,421

10.1 The movement in provision for inventories obsolescence is as follows:

	30 June 2024 RO'000	*30 June 2023 RO'000 (unaudited but reviewed)*
Opening balance	**1,366**	254
Transferred from related party upon take over of distribution business	**-**	403
Provision / (reversal of provision) for inventories obsolescence (note 31)	**452**	(6)
	1,818	651

The stores and spares include items which are used in maintenance of the Group's distribution network.

11 TRADE AND OTHER RECEIVABLES AND PREPAYMENT

	30 June 2024 RO'000	*31 December 2023 RO'000*
Amount due from related parties (note 26.3)	**67,144**	39,484
VAT input tax receivable	**534**	3,375
Prepayments	**1,398**	884
Advances to contractors/suppliers	**4,819**	4,936
Other receivables	**538**	610
	74,433	49,289
Allowance for expected credit losses (note 11.1)	**(2,880)**	(1,797)
	71,553	47,492

11.1 *The movement in expected credit losses was as follows:*

	30 June 2024 RO'000	*30 June 2023 RO'000 (unaudited but reviewed)*
Opening balance	**1,797**	3,640
Allowance for expected credit losses	**1,083**	81
Receivables written-off	**-**	(30)
Transferred from related party upon take over of distribution business	**-**	275
Expected credit loss provision transferred to NESC upon transfer of supply business	**-**	(3,640)
	2,880	326

12 LONG TERM DEPOSIT

	30 June 2024 RO'000	*31 December 2023 RO'000*
Term deposit	**500**	515

12.1 The Group has placed term deposit with reputed commercial bank denominated in Rial Omani and earning interest at rate of 5% per year and maturity date of 9 October 2027. The Group assessed that the expected credit losses related to term deposit is immaterial to the interim consolidated financial statements as a whole.

13 CASH AND BANK BALANCES

	30 June 2024 RO'000	*31 December 2023 RO'000*
Cash at banks	**5,011**	3,720
Cash in hand	**49**	15
Cash and cash equivalents for the purpose of interim consolidated statement of financial position	**5,060**	3,735
Bank overdraft (note 13.2)	**(9,166)**	(8,612)
Cash and cash equivalents for the purpose of interim consolidated statement of cash flows	**(4,106)**	(4,877)

13.1 The Group assessed that the expected credit losses related to bank balances are immaterial to the interim consolidated financial statements as a whole.

13.2 The Group 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 4% (31 December 2023: 3.5% to 4%) per annum.

14 SHARE CAPITAL

The Group's authorised, issued and paid up share capital consist of 200,000,000 shares (31 December 2023: 200,000,000 shares) of RO 1 each. The details of shareholders are as follows:

	2024 Number of shares	*2023 Number of shares*	***30 June 2024 RO***	*31 December 2023 RO*
Electricity Holding Group SAOC	**199,950,000**	199,950,000	**199,950,000**	199,950,000
Nama Shared Services Group LLC	**25,000**	25,000	**25,000**	25,000
Numo Institute for Competency	**25,000**	25,000	**25,000**	25,000
	200,000,000	200,000,000	**200,000,000**	200,000,000

15 LEGAL RESERVE

Article 132 of the Commercial Companies Law of 2019 requires that 10% of a Group'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. During the prior year ended 31 December 2023, the Group has transferred RO 16.67 million to legal reserve. The transfers were made from retained earnings and shareholders' fund amounting to RO 13.83 million and RO 2.84 million respectively, based on legal opinion received by the Group.

16 GENERAL RESERVE

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

The shareholders in the Annual General Meeting held on 30 March 2024 have resolved to transfer the accumulated balance in the general reserve RO 21.5 million to retained earnings effective 1 January 2024 and not to transfer any amount to the general reserve in the future.

17 SHAREHOLDERS FUNDS

The shareholders in their meeting held on 7 May 2023 resolved to convert shareholders' loan of RO 93.1 million including accrued interest (as at 31 December 2022) into shareholders' funds under equity, and ceased to charge interest thereafter. The shareholders also in that meeting resolved to convert shareholder's loan transferred from Majan Electricity Group SAOC of RO 23.02 million to shareholders' funds under equity. At 30 May 2023, RO 50 million was converted from shareholders fund to share capital pursuant to completion of legal formalities. Out of the remaining shareholder's funds of RO 66.1 million, RO 40 million was transferred to NESC. The shareholders waived the interest charged from 1 January 2023.

18 CASH FLOW HEDGING RESERVE

The cash flow hedging 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 hedging reserve will be reclassified to interim consolidated statement of comprehensive income only when the hedged transaction affects the interim consolidated statement of comprehensive income or included as a basis adjustment to the non-financial hedged item.

	30 June 2024 RO'000	*30 June 2023 RO'000 (unaudited but reviewed)*
Opening balance	**4,796**	2,877
Change in fair value during the period	**(94)**	158
Transfer of net assets from related parties (note 4.1)	**-**	4,320
	4,702	7,355
Less: Related deferred tax assets	**(705)**	(1,103)
	3,997	6,252

At the reporting date, the Group has Interest Rates Swap (IRS) agreements covering 42% (31 December 2023: 42%) of the term loans with a fixed interest rate of 2.265% per annum. The fair value of the interest rate swaps is based on valuation provided by the counter party bank on the reporting date. The interest rate swaps are designated as cash flow hedges and the fair value thereof has been dealt within other comprehensive income.

	Fair value RO'000	*Notional amount Total RO'000*	*Notional by term to maturity more than 1 - 12 months RO'000*	*1 upto 5 years RO'000*	*Over 5 years RO'000*
30 June 2024					
Interest rate swaps	**4,702**	**109,286**	**23,524**	**85,762**	**-**
31 December 2023					
Interest rate swaps	4,796	121,049	23,524	97,525	-

18 CASH FLOW HEDGING RESERVE (CONTINUED)

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

Type	Valuation techniques
Interest rate swaps	The fair value is based on the valuation provided by the counter party bank.

There is an economic relationship between the hedged item and the hedging instrument as the terms of the interest rate swap match the terms of the fixed rate loan 1 (i.e., notional amount, maturity, payment and reset dates). The Group has established a hedge ratio of 66% for the hedging relationships as the underlying risk of the interest rate swap is identical to the hedged risk component. The Group performs the critical terms match to test the hedge effectiveness as of the reporting date.
The hedge ineffectiveness can arise from:
• Different interest rate curve applied to discount the hedged item and hedging instrument
• Differences in timing of cash flows of the hedged item and hedging instrument
• The counterparties' credit risk differently impacting the fair value movements of the hedging instrument and hedged item
There is no hedge ineffectiveness in the interest rate swap arrangement.

19 TERM LOANS

19.1 The movement in term loans during the period was as follows:

	30 June 2024 RO'000	*30 June 2023 RO'000 (unaudited but reviewed)*
At 1 January	**287,169**	115,297
Add: Transfer from related parties upon take over of distribution business (note 4)	**-**	219,774
Less: Derecognition of old financial liability (note 19.3 D iii)	**(100,420)**	-
Add: Recognition of new financial liability (note 19.3 D iii)	**100,420**	-
Less: Repayments	**(28,711)**	(19,170)
Less: Modification gain on financial liability (note 34)	**(3,646)**	-
Add: Unwinding of financial liability	**10**	-
	254,822	315,901
Less: Unamortised transaction costs (note 19.2)	**(2,522)**	(2,422)
	252,300	313,479

19.2 Unamortised transaction costs

	30 June 2024 RO'000	*30 June 2023 RO'000 (unaudited but reviewed)*
At 1 January	**1,937**	1,562
Add: Transfer from related parties upon take over of distribution business (note 4)	**-**	1,332
Addition during the period	**1,629**	-
Less: Amortised during the period (note 34)	**(1,044)**	(472)
	2,522	2,422

19 TERM LOANS (CONTINUED)

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

	30 June 2024	*31 December 2023*
	RO'000	*RO'000*
Term loans - current portion	**56,058**	57,463
Unamortised costs - current portion	**(967)**	(861)
	55,091	56,602
Term loans - non-current portion	**198,764**	229,706
Unamortised costs - non-current portion	**(1,555)**	(1,076)
	197,209	228,630
	252,300	285,232

The Group previously had 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.

(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 Nil (31 December 2023: RO 46.8 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 Nil (31 December 2023: RO 49.3 million).

B As part of the reorganization of the electricity sector the following term facilities of distribution businesses have been novated from Nama Electricity Supply Company SAOC (NESC) formerly known as Muscat Electricity Distribution Company SAOC (MEDC).

(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 Nil (31 December 2023: RO 34 million).

(ii) USD 221 million (equivalent to RO 85.1 million) Dual Currency Term Loan Facility Agreement dated 17 September 2015, at a floating interest rate. At the reporting date, the balance of the facility availed amounted to Nil (31 December 2023: RO 34 million).

(iii) USD 211 million (equivalent to RO 81.2 million) Dual Currency Term Loan Facility Agreement dated 26 November 2017, at a floating interest rate. At the reporting date, the balance of the facility availed amounted to Nil (31 December 2023: RO 38.6 million).

C As part of the reorganization of the electricity sector, the following term facilities of distribution businesses have been novated from Majan Electricity Company SAOC (MJEC).

(i) USD 330 million (equivalent to RO 127 million) Dual Currency Term Loan Facility Agreement dated 18 April 2016, at a floating interest rate. At the reporting date, the balance of the facility availed amounted to Nil (31 December 2023: RO 55.9 million).

(ii) USD 165 million (equivalent to RO 63.5 million) Dual Currency Term Loan Facility Agreement dated 01 November 2017, at a floating interest rate. At the reporting date, the balance of the facility availed amounted to Nil (31 December 2023: RO 28.6 million).

19 TERM LOANS (CONTINUED)

D The facilities as disclosed in note 19 (A, B and C) have been rescheduled in June 2024. Under the new agreement, the interest rate on USD facilities have been reduced due to improved credit ratings of the Country and Company. Maturity dates of the loans have been extended to 30 June 2029. All the remaining terms are the same as previously as described as follows:

(i) RO 92.7 million, at a fixed interest rate, interest to be reviewed annually. At the reporting date, the balance of the facility availed amounted to RO 92.7 million (31 December 2023: Nil).

(ii) USD 430.4 million (OMR equivalent to OMR 165.7 million), at a floating interest rate. At the reporting date, the balance of the facility availed amounted to RO 165.7 million (31 December 2023: Nil).

(iii) During the year, term loans of the Group with the banks have been rescheduled. As the loans were originally obtained under syndication structure, therefore judgement is required to determine whether the IFRS 9 extinguishment/modification requirements would be applied on lead lender or individual borrower level. Accordingly, the management has considered Parent Company’s rights and obligation under the loan agreement and concluded that the Parent Company had loans with individual borrowers and therefore the assessment is made at individual borrower level. Such rescheduling at individual borrower level is considered as modification of financial liability for accounting purposes under the requirements of IFRS 9 for the reason that the difference in present value of the cashflows before and after the rescheduling was much below than 10% threshold and interest rate deduction in certain facilities was based on Parent Company’s and Country improved credit ratings. Accordingly, modification gain of RO 3.6 million has been recorded in the interim consolidated statement of comprehensive income. Further, as a result of above restructuring, the old term loans repaid to individual lenders under the netting arrangement amounting to USD 260.8 million (OMR equivalent to OMR 100.4 million) have been derecognised and related transaction costs of RO 0.59 million have been charged to interim consolidated statement of comprehensive income. Accordingly, the new term loans amounting to USD 260.8 million (OMR equivalent to OMR 100.4 million) disbursed from existing and new lenders under the netting arrangement have been recognised at their fair value which is not different from the transaction value.

19.4 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, net debt to equity, change of business, loan and guarantee, hedging agreement, etc., which the Group is required to comply. The details of financial covenants are as below:

(i) Net debt to equity ratio of the Parent Company as of reporting date was 1.46 times (31 December 2023: 1.37 times) against the maximum limit of 2.33 times.

(ii) Debt service coverage ratio of the Parent Company for the year was 1.36 times (31 December 2023: 1.31 times) against the minimum requirement of 1.10.

At 30 June 2024 and 31 December 2023, the Group was in compliance with these covenants.

20 LONG TERM BORROWINGS - SUKUKS

a) 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 192.5 million) 10-year Sukuk offering following the Sharia compliant Ijara Structure at the profit rate of 5.2%. 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.

b) During the year 2024, the Group raised long-term finance to meet the capital expenditure and repay one of the bridge facilities availed for capital expenditure through assets backed Sukuk route. The issuance was done through Mazoon Assets Company SAOC, a Special Purpose Vehicle (SPV) purely to raise the Sukuk finance. On 12 February 2024, Mazoon Assets Company SAOC successfully priced its Reg S/144A US$ 500 million (RO 192.5 million) 5-year Sukuk offering following the Sharia-compliant Ijara Structure at the profit rate of 5.5%. The profit rate payments are due on 14 February and 14 August every year during the tenure of the Sukuk certificate and the certificates are due for repayment in full on 14 February 2029. The Certificates were issued on 14 February 2024 and are listed on the London Stock Exchange.

The legal form of contracts entered into for the purpose of raising, servicing and repayment of the Sukuk finance includes:
- Sale by Nama Electricity Distribution Company SAOC and purchase by Mazoon Assets Company SAOC of PPE assets.
- Lease back of these assets by Nama Electricity Distribution Company SAOC from Mazoon Assets - Company SAOC under a Lease Agreement and Servicing Agency Agreement.
-Subscription agreement.
-Declaration of trust agreement.
Purchase undertaking agreement and sale and substitution agreement.

Mazoon Assets Company SAOC, which is a 99.99 percent owned subsidiary , has no economic purpose to serve other than to act as a Special Purpose Vehicle. As per agreement, Nama Electricity Distribution Company SAOC is obliged to bear all the initial issue costs as well as all recurring costs of operation.

Mazoon Assets Company SAOC recognises the financial liability in respect of the Sukuk obligation while retaining the property, plant and equipment on its interim consolidated statement of financial position.

	30 June 2024 RO'000	*31 December 2023 RO'000*
Long term borrowings - Sukuks	**385,000**	192,500
Less: unamortised transaction cost (note 20.1)	**(2,984)**	(436)
	382,016	192,064

20.1 Unamortised transaction cost

	30 June 2024 RO'000	*30 June 2023 RO'000 (unaudited but reviewed)*
At 1 January	**436**	548
Additions during the period	**2,818**	-
Amortised during the period (note 34)	**(270)**	(56)
	2,984	492

21 DEFERRED REVENUE

21.1 The movement in deferred revenue during the period is as follows

	Installation and connection charges RO'000 (Note 21.2)	*sponsored projects/ Customer contributed assets RO'000 (Note 21.3)*	*Regulatory base asset adjustment RO'000 (Note 21.4)*	*Total RO'000*
30 June 2024				
At the beginning of the period	**88,041**	**135,466**	**20,991**	**244,498**
Additions during the period	**3,540**	**1,463**	**-**	**5,003**
Amortised during the period (note 29)	**(2,679)**	**(2,600)**	**(7,263)**	**(12,542)**
	88,902	**134,329**	**13,728**	**236,959**
30 June 2023 (unaudited but reviewed)				
At the beginning of the period	29,383	35,312	2,107	66,802
Transfer from related parties upon take over of distribution business (note 4)	57,038	116,592	25,509	199,139
Additions during the period	1,058	159	-	1,217
De-recognition during the year (note 21.3)	-	-	-	-
Transferred to related party upon transfer	-	-	(205)	(205)
Amortised during the period - continued Operations (note 29)	(1,127)	(876)	(861)	(2,864)
Amortised during the period - Discontinued Operations	-	-	(33)	(33)
	86,352	151,187	26,517	264,056

21.2 Installation and connection charges:

Installation and connection revenue represent the fee collected for the activities to provide services to the customer contracted for supply of electricity. Accordingly, the installation and connection revenue is recognized over the period of time as per IFRS 15. 'The Group has estimated the average 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.

21.3 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. During the prior year ended 31 December 2023, an amount of RO 14.65 million has been derecognised in respect of grants outstanding from Government and quasi-Government institutions refer note 32.

21.4 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.

21.5 Classification of deferred revenue into current and non-current portion:

The following table includes revenue to be expected to be recognised in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at 30 June 2024.

	30 June 2024 RO'000	*31 December 2023 RO'000*
Current portion		
Installation and connection charges	**5,216**	5,178
Government sponsored projects/customer contributed assets	**1,043**	5,142
Regulatory base adjustment	**11,343**	11,343
	17,602	21,663

21 DEFERRED REVENUE (CONTINUED)

Non-current portion		
Installation and connection charges	**83,686**	82,863
Government sponsored projects/customer contributed assets	**133,286**	130,324
Regulatory base adjustment	**2,385**	9,648
	219,357	222,835
	236,959	244,498

22 LEASE LIABILITIES

Lease liabilities represents leasehold land (right-of-use assets) acquired under the usufruct agreements with the Government of the Sultanate of Oman. The lease facilities carry an interest of 5.6% (31 December 2023: 5.6%) per annum implicit in the lease on reducing balance method and is repayable in monthly instalments over 4 to 60 years. Amounts due within a year from the end of reporting period are disclosed as a current liability.

22.1 The movement in lease liabilities during the period is as follows:

	30 June 2024 RO'000	*30 June 2023 RO'000 (unaudited but reviewed)*
At the beginning of the period	**16,659**	5,227
Interest on lease liabilities - Continued operations (note 34)	**540**	228
Interest on lease liabilities - Discontinued operations	**-**	2
Transfer from related party upon take over of distribution business (note 4)	**-**	10,526
Additions (note 8)	**326**	853
Terminations	**(255)**	-
Payment (interest and principal)	**(1,123)**	(357)
	16,147	16,479

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

	30 June 2024 RO'000	*31 December 2023 RO'000*
Current portion	**1,166**	1,243
Non-current portion	**14,981**	15,416
	16,147	16,659

22.3 Amounts recognised in the interim consolidated statement of comprehensive income:

	30 June 2024 RO'000	*30 June 2023 RO'000 (unaudited but reviewed)*
Depreciation on right of use assets (note 8.1)	**717**	296
Interest on lease liabilities (note 34)	**540**	230
	1,257	526

The maturity analysis of lease liabilities are disclosed in note 37.3

23 EMPLOYEES' END OF SERVICE BENEFITS

	30 June 2024 RO'000	*30 June 2023 RO'000 (unaudited but reviewed)*
At the beginning of the period	**2,537**	757
Charge for the period (note 31.1)	**42**	11
Transfer from related party upon take over of distribution business	**-**	1,891
Transfer to related party upon disposal of supply business	**-**	(30)
Payments during the period	**(618)**	(29)
	1,961	2,600

24 TRADE AND OTHER PAYABLES

	30 June 2024 RO'000	*31 December 2023 RO'000*
Trade payables	**29,362**	40,459
Amount due to related parties (note 26.4)	**35,741**	31,408
Creditors for capital projects	**11,224**	20,485
Accruals and other payables	**59,493**	78,498
Current tax payable	**1**	2
	135,821	170,852

24.1 Terms and conditions of the above financial liabilities:

i) Creditors for capital projects and trade payables are non-interest bearing liabilities and normally settled on 30 to 60 days term.

ii) Trade payables are non-interest bearing liabilities and normally settled on 30 to 60 days term.

iii) Other payables are non-interest bearing liabilities and normally settled on 30 to 60 days term.

iv) For terms and conditions with related parties, refer note 26.

For explanation on the Group's liquidity risk management process, refer note 37.3.

25 SHORT TERM BORROWINGS

	30 June 2024 RO'000	*31 December 2023 RO'000*
25.1 The Break up of short term borrowings is as follows:		
Bridge loan facilities (note 25.4)	**288,500**	378,250
Loan from a related party (note 26.4)	**72,987**	72,987
	361,487	451,237
Unamortised transaction costs (note 25.3)	**(21)**	(168)
	361,466	451,069

25.2 The movement in short term borrowings:

	30 June 2024 RO'000	*30 June 2023 RO'000 (unaudited but reviewed)*
At the beginning of the period	**451,237**	179,750
Transfer from related party upon take over of distribution business (note 4)	**-**	208,500
Addition during the period	**45,000**	2,785
Less: Repayments during the period	**(134,750)**	(10,000)
	361,487	381,035

25 SHORT TERM BORROWINGS (CONTINUED)

25.3 Unamortised transaction cost

	30 June 2024 RO'000	*30 June 2023 RO'000 (unaudited but reviewed)*
At the beginning of the period	**168**	-
Add: Transfer from related parties upon take over of distribution business (note 4)	**-**	36
Add: Additions	**25**	417
Less: amortised during the period (note 34)	**(172)**	(52)
	21	401

25.4 Bridge loan facilities

a) During the year 2023 the Group has availed a short-term loan facility vide agreement dated 12 April 2023 amounting to US$ 350 million (RO 135 million) refinancing the Ijara short-term facility. The outstanding balance of this facility as of 30 June 2024 is Nil (31 December 2023: RO 135 million). The loan is unsecured and was repaid on 22 February 2024 out of the proceeds of the US$ 500 million Sukuk Issuance.

b) The Group 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 2024, the outstanding balance under this facility is RO 35 million (31 December 2023: RO 35 million). The loan is unsecured and maturing on 31 July 2024.

c) In June 2023, as part of the reorganization of the electricity sector, RO 50 million part of the short-term facility with Bank Muscat SAOG pertaining to distribution business has been novated from Nama Electricity Supply Company SAOC (NESC) formerly known as Muscat Electricity Distribution Company SAOC (MEDC). As at 30 June 2024, the outstanding balance under this facility is RO 50 million (31 December 2023: RO 50 million). The loan is unsecured and is maturing on 31 August 2024.

d) The Group 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 Group SAOC (RAECO). The loan is unsecured and is due for repayment on 29 September 2024.

e) In June 2023,as part of the reorganization of the electricity sector, the following short term facilities pertaining to distribution businesses have been novated from Majan Electricity Group SAOC (MJEC). The loans are unsecured.

(i) The Group has taken over RO 40.5 million short-term bridge facility with Oman Arab Bank SAOG from MJEC. As at 30 June 2024, the outstanding balance under this facility is RO 40.5 million (31 December 2023: RO 40.5 million). The loan is unsecured and is maturing on 25 July 2024.

(ii) The Group has taken over RO 49 million short term bridge facility with Oman Arab Bank SAOG from MJEC. The loan is unsecured and is due for repayment on 1 October 2024. As at 30 June 2024, the outstanding balance under this facility is RO 49 million (31 December 2023: RO 49 million).

(iii) The Group has taken over RO 40.5 million short-term bridge facility with Sohar International Bank SAOG from MJEC. As at 30 June 2024, the outstanding balance under this facility is RO 40.5 million (31 December 2023: RO 40.5 million). The loan is unsecured and is maturing on 25 July 2024.

f) The Group vide agreement dated 22 January 2024 has availed a short-term loan facility amounting to RO 22.5 million from Bank Muscat SAOG to meet its capital expenditure requirement. The outstanding balance of this facility as of 30 June 2024 is RO 22.5 million. The loan is unsecured and is maturing on 6 August 2024.

25 SHORT TERM BORROWINGS (CONTINUED)

g) The Group vide agreement dated 18 March 2024 has availed a short-term loan facility amounting to RO 22.5 million to meet its capital expenditure requirement from Sohar International Bank SAOG. The outstanding balance of this facility as of 30 June 2024 is RO 22.5 million. The loan is unsecured and is maturing on 28 September 2024.

26 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.

The Government is a related party of the entity as it is the ultimate controlling party. The entity in the ordinary course of business transacts with other government owned entities. However, in view of the exemption from disclosure requirements set out in IFRS in relation to related party transactions and outstanding balances with the Government, that has control or joint control of, or significant influence over the Group and an entity that is a related party of the same government, the Group has applied the exemptions in IAS 24, related to government entities and only disclosed certain information to meet the disclosure requirements of IAS 24. The Group 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.

26.1 The Group had the following transactions with related parties during the period:

	30 June 2024 RO'000	*30 June 2023 RO'000 (unaudited but reviewed)*
Entities under common control:		
Oman Power and Water Procurement Group SAOC		
Purchase of electricity	**-**	69,752
Oman Electricity Transmission Group SAOC		
Transmission connection charges (note 30)	**13,296**	5,658
Transmission use of system charges	**-**	16,317
Nama Electricity Supply Group SAOC		
Distribution use of system charges - Revenue	**122,048**	35,108
Interest on loan from a related party	**1,685**	-
Electricity charges	**830**	-
Management Recharge - revenue	**50**	-
Oman Waste Water Services Group SAOC		
Water service charges	**77**	-
Management recharge	**80**	-
Shareholders:		
Electricity Holding Group SAOC		
Shareholders service charges	**-**	20
Numo Institute for Competency Development LLC		
Training expenses	**210**	60
Nama Shared Services LLC		
IT Support service charges	**1,602**	460

26 RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

26.2 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 2024 RO'000	*30 June 2023 RO'000 (unaudited but reviewed)*
Salaries and other short term benefits	**697**	376
End of service benefits	**473**	24
Directors' remuneration and sitting fees (note 31)	**71**	20
	1,241	420
Number of persons in key management	**14**	14

26.3 Amounts due from related parties (note 11)

	30 June 2024 RO'000	*31 December 2023 RO'000*
Entities under common control:		
Nama Electricity Supply Company SAOC	**63,981**	35,814
Majan Electricity Company SAOC	**261**	641
Oman Electricity Transmission Company SAOC	**703**	703
Wadi Al Jizzi Power Co.	**16**	16
Oman Waste Water Services Company SAOC	**755**	872
Dhofar Integrated Services Company SAOC	**8**	7
Ghubra Power & Desalination Company SAOC	**75**	75
Rural Areas Electricity Company SAOC	**382**	335
Shareholders:		
Electricity Holding Company SAOC	**963**	958
Nama Shared Services SAOC	**-**	63
	67,144	39,484

26.4 Amounts due to related parties (note 24)

	30 June 2024 RO'000	*31 December 2023 RO'000*
Entities under common control:		
Oman Electricity Transmission Company SAOC	**22,310**	21,860
Nama Electricity Supply Company SAOC	**5,089**	2,652
Majan Electricity Company SAOC	**250**	250
Rural Areas Electricity Company SAOC	**8**	9
Shareholders:		
Electricity Holding Company SAOC	**4,820**	3,463
Numo Institute for Competency Development LLC	**378**	191
Nama Shared Services LLC	**2,886**	2,983
	35,741	31,408

26 RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

	30 June 2024 RO'000	*31 December 2023 RO'000*
Entities under common control:		
Loan from Nama Electricity Supply Company SAOC	**72,987**	72,987

27 DIVIDENDS

A cash dividend of RO Nil has been proposed for the period ended 30 June 2024 (2023: RO Nil).

28 COMMITMENTS AND CONTINGENT LIABILITIES

	30 June 2024 RO'000	*31 December 2023 RO'000*
Capital commitments	**105,426**	91,382
Letter of guarantee	**741**	741
	106,167	92,123

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

29 REVENUE

	30 June 2024 RO'000	30 June 2023 RO'000 (Unaudited but reviewed)
Point in time		
Disaggregation of revenue		
Distribution use of system revenue	**121,802**	68,978
Revenue short of maximum allowed as per price control formula (note 29.1)	**20,542**	5,976
Less: System and security penalties	**(3,500)**	(2,360)
	138,844	72,594
Over period of time		
Installation and connection charges (note 21.1)	**2,679**	1,127
Funds for Government sponsored projects / customer contributed assets (note 21.1)	**2,600**	876
Regulatory base asset adjustment (note 21.1)	**7,263**	861
Other Revenue	**102**	1,794
	12,644	4,658
	151,488	77,252

29.1 The Group 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 / added to actual revenue.

30 OPERATING COSTS

	30 June 2024 RO'000	30 June 2023 RO'000 (Unaudited but reviewed)
Depreciation on property, plant and equipment (note 7.4)	**45,062**	24,073
Maintenance and repairs expenses	**13,725**	5,819
Transmission connection charges (note 26.1)	**13,296**	5,658
Meter reading charges	**4,272**	1,860
Spares and consumable expenses	**1,840**	612
Depreciation on right-of-use assets (note 8.1)	**161**	73
Other direct costs	**206**	124
	78,562	38,219

31 GENERAL AND ADMINISTRATIVE EXPENSES

	30 June 2024 RO'000	30 June 2023 RO'000 (Unaudited but reviewed)
Employees' costs (note 31.1)	**19,440**	8,877
Services expenses	**6,705**	2,766
Depreciation on property, plant and equipment (note 7.4)	**452**	445
Depreciation on right-of-use assets (note 8.1)	**556**	211
Amortisation on intangible assets (note 9)	**275**	106
Directors' remuneration and sitting fees (note 26.2)	**71**	20
Provision / (reversal) for Inventories obsolescence (note 10.1)	**452**	(6)
Legal and penalty expenses	**1,206**	22
Other expenses	**1,715**	609
	30,872	13,050

31 GENERAL AND ADMINISTRATIVE EXPENSES (CONTINUED)

31.1 *Employees' costs*

	30 June 2024 RO'000	*30 June 2023 RO'000 (Unaudited but reviewed)*
Wages and salaries	**11,428**	4,852
Other allowances and benefits	**7,855**	4,017
Accruals for end of service benefits	**42**	8
Employee Voluntary Exit Scheme expenses (note 31.2)	**115**	-
	19,440	8,877

31.2 Voluntary Exit Scheme (VES) is a program for early retirement for the purpose of optimizing staff cost which was initially launched in 2023. 122 employees have accepted the scheme in 2023 which amounted to RO 2.8 million. In 2024 additional 10 employees further enrolled for the scheme. The total amount payable is RO 1.1 million.

32 LOSS ON DERECOGNITION OF RECEIVABLES FROM GOVERNMENT SPONSORED PROJECTS

During the prior year ended 31 December 2023, loss on derecognition of receivables from Government sponsored projects is recognised in respect of grants outstanding from Government and quasi-Government institutions towards projects which have been sponsored by such Government and quasi-Government institutions. These amounts have been due for a considerable period beyond the Group's normal credit period and the management believes that the 'reasonable assurance' criteria as required by IAS 20: Government grants was no longer met as of 31 December 2023. This loss represents the net effect of the reduction in receivables from Government sponsored projects and the related deferred revenue as of 31 December 2023.

The management continues to hold discussions with these Government and quasi-Government institutions and will recognise the grants when the Group has reasonable assurance that the grants will be received.

33 OTHER INCOME

	30 June 2024 RO'000	*30 June 2023 RO'000 (Unaudited but reviewed)*
Penalties and fines	**705**	285
Miscellaneous income (note 33.1)	**671**	20
	1,376	305

33.1 The miscellaneous income is related to the disconnection and reconnection, sale of scrap and management recharge.

34 FINANCE COSTS

	30 June 2024 RO'000	*30 June 2023 RO'000 (Unaudited but reviewed)*
Interest on long-term loans - sukuks	**9,064**	5,005
Interest on short-term borrowings	**8,808**	6,438
Interest on term loans	**10,854**	4,148
Amortized transaction cost - term loans (note 19.2)	**1,044**	472
Interest on lease liabilities (note 22.1)	**540**	228
Amortized transaction cost - long term loans - sukuks (note 20.1)	**270**	56
Amortized transaction - short term borrowings (note 25.3)	**172**	52
Interest on bank overdrafts	**142**	32
Modification gain on financial liability (note 19)	**(3,646)**	-
Unwinding of financial liability (note 19)	**10**	-
Bank charges	**2**	3
	27,260	16,434

35 TAXATION

35.1 Tax expense recognised in the interim consolidated statement of comprehensive income.

	30 June 2024 RO'000	*30 June 2023 RO'000 (Unaudited but reviewed)*
i) Interim consolidated statement of profit and loss		
Current tax	**1**	-
Deferred tax - Continued operations	**10,048**	8,779
	10,049	8,779
ii) Interim consolidated statement of other comprehensive income		
Deferred tax (reversal) / charge	**(14)**	24

The Group is subject to income tax at the rate of 15% (31 December 2023:15%) of taxable income in accordance with the Income Tax Law of the Sultanate of Oman. The deferred tax on all temporary differences have been calculated and dealt with in the interim consolidated statement of comprehensive income.

35.2 *Movement in current tax and deferred tax payable during the period was as follows;*

	Current tax		***Deferred tax liability***	
	30 June 2024 RO'000	*30 June 2023 RO'000 (Unaudited but reviewed)*	***30 June 2024 RO'000***	*30 June 2023 RO'000 (Unaudited but reviewed)*
At 1 January	**2**	2	**80,016**	56,965
Charge for the period	**1**	2	**10,034**	8,803
Payment during the period	**(2)**	(2)	**-**	-
Transferred from related parties upon take over of Distribution business	**-**	-	**-**	648
At 30 June / 31 December	**1**	2	**90,050**	66,416

35.3 Reconciliation of income tax expense

The following is a reconciliation of income tax on the accounting profit with the tax expenses at the applicable tax of 15% (2023:15%):

	30 June 2024 RO'000	*30 June 2023 RO'000 (Unaudited but reviewed)*
Profit before tax	**14,681**	9,869
Income tax as per applicable tax rate	**2,202**	1,480
Prior years adjustments - deferred tax	**-**	367
Deferred tax on carry forward losses - unrecognised	**7,847**	6,932
Tax charge for the year	**10,049**	8,779

35.4 Deferred tax

Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 15% (2023: 15%). Deferred tax asset of RO 7.8 million (2023: RO 6.9 million) on carry forward tax losses for the current period has not been recognized as management foresee remote chances of having taxable income until year 2026 due to higher tax depreciation charge which would result in a lapse of current year carry forward losses. Recognized deferred tax assets and liabilities are attributable to the following:

35 TAXATION (CONTINUED)

	30 June 2024 RO'000	*31 December 2023 RO'000*
Allowance for expected credit losses	**(432)**	(270)
Deferred revenue	**(3,128)**	(3,226)
Provision for stores and spares obsolescence	**(212)**	(144)
Lease liabilities (including usufruct charges)	**(250)**	(233)
Provision for legal expenses	**(339)**	(1,029)
Transaction cost - long term loans	**345**	80
Modification gain	**547**	-
Transaction costs - long term loans - sukuks	**390**	84
Impairment of Intangible assets	**(693)**	(624)
Fair value adjustment of cash flow hedge (note 18)	**705**	719
Accelerated depreciation	**93,117**	84,659
	90,050	80,016

35.5 Status of assessments

Tax assessments for the years 2021 to 2023 have not been assessed by tax authorities. The management of the Company believes that additional taxes, if any, related to the open tax year would not be significant to the Company's financial position and interim consolidated statement of comprehensive income for the year ended 30 June 2024.

35.6 Tax implications for Business transfer on 1 June 2023

The business transfer has tax implications on NEDC under the prevailing tax law provisions. Presently, the book NBV as of 1st June 2023 of the NESC, MJEC and RAECO is considered as addition for tax computation purpose which has resulted in recognition of higher deferred tax liability. However, the circumstances surrounding this merger warrant special consideration from the Tax Authority, the management has filed representation seeking confirmation from the Tax Authority that the electricity sector restructuring does not give rise to any income tax implications as the restructuring was done following the government directive and the Tax Authority response is awaited.

36 CAPITAL MANAGEMENT

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

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividends payment to the shareholders, return capital to the shareholders or issue new share capital. The Group monitors capital using a gearing ratio which is 'net debt' divided by total capital plus net debt. The Group's policy is to keep the gearing ratio not exceeding 75% for debt. The Group includes within net debt, interest bearing term loans and short term borrowings, lease liabilities, bank guarantee less cash and cash equivalents.

	30 June 2024	*31 December 2023*
	RO'000	*RO'000*
Net debt		
Term loans	**252,300**	285,232
Long term borrowings - Sukuks	**382,016**	192,064
Lease liabilities	**16,147**	16,659
Short term borrowings	**361,466**	451,069
Bank overdrafts	**9,166**	8,612
Less: cash and bank balances	**(5,060)**	(3,735)
	1,016,035	949,901
Equity (excluding cash flow hedge reserve)		
Share capital	**200,000**	200,000
Legal reserve	**66,671**	66,671
General reserve	**-**	21,525
Retained earnings / (accumulated losses)	**14,801**	(11,356)
Shareholder funds	**419,155**	419,155
	700,627	695,995
Equity and net debt	**1,716,662**	1,645,896
Gearing ratio	**59.2%**	57.7%

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

37 FINANCIAL RISK MANAGEMENT

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

- Market risk
- Credit risk
- Liquidity risk

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

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

37 FINANCIAL RISK MANAGEMENT (continued)

37.1 Market risk

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

Price risk

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

Interest rate risk

The Group has borrowings which are interest bearing and exposed to changes in underlying interest rates. The Group has entered into interest rate swaps to hedge its interest rate risk exposure on its term loans. The Group actively manages its interest rate exposure by negotiating competitive interest rates for its short-term borrowings, reflecting current market conditions. The Group's risk management policies are designed to secure favourable loan terms, maintain financial flexibility, and minimize the interest rate risk within an acceptable level of risk.

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

At the reporting date, the Group's interest-bearing financial liabilities were:

	30 June 2024 RO'000	*31 December 2023 RO'000*
Financial liabilities		
Term loans	**252,300**	285,232
Long term borrowings - Sukuks	**382,016**	192,064
Lease liabilities	**16,147**	16,659
Short term borrowings	**361,466**	451,069
Bank overdrafts	**9,166**	8,612
	1,021,095	953,636

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in the variable interest rates at the reporting date would have increased/(decreased), on an annual basis, equity and interim consolidated statement of comprehensive income by the amounts of RO 1.9 million (2023: RO 2.2 million). This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

Foreign currency risk

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

37.2 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers. The Group attempts to control credit risk by monitoring credit exposure, limiting transactions with specific counterparties and continuously assessing the credit worthiness of counter parties.

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

37 FINANCIAL RISK MANAGEMENT (continued)

37.2 Credit risk (continued)

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

	30 June 2024 RO'000	*31 December 2023 RO'000*
Amounts due from related parties	**67,144**	39,484
Other receivables	**538**	610
Long term deposit	**500**	515
Bank balances	**5,011**	3,720
	73,193	44,329

Credit quality disclosure

	ECL Model	***12 months or Lifetime ECL***	***Gross amounts RO'000***	***ECL RO'000***	***Net carrying amounts RO'000***
30 June, 2024					
Amount due from related parties	**External rating based PDs**	**Lifetime**	**67,144**	**(1,111)**	**66,033**
Other receivables	**Provision matrix**	**Lifetime**	**538**	**(128)**	**410**
Bank balances	**External rating based PDs**	**12 month**	**5,011**	**-**	**5,011**
Long term deposit	**External rating based PDs**	**12 month**	**500**	**-**	**500**
31 December 2023					
Amount due from related parties	External rating based PDs	Lifetime	39,484	(39)	39,445
Other receivables	Provision matrix	Lifetime	610	-	610
Bank balances	External rating based PDs	12 month	3,720	-	3,720
Long term deposit	External rating based PDs	12 month	515	-	515

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

Other receivables and related expected credit loss at reporting date is:

	Current RO'000	***0-30 RO'000***	***30-90 RO'000***	***90-365 RO'000***	***Above 365 RO'000***	***Total RO'000***
30 June 2024						
Gross amounts	**290**	**-**	**-**	**23**	**225**	**538**
ECL	**-**	**-**	**-**	**-**	**128**	**128**
Percentage	**0%**	**0%**	**0%**	**0%**	**57%**	**24%**
31 December 2023						
Gross amounts	274	-	52	218	66	610
ECL	-	-	-	-	-	-
Percentage	0%	0%	0%	0%	0%	0%

37 FINANCIAL RISK MANAGEMENT (CONTINUED)

37.2 Credit risk (continued)

Amount due from related parties and related expected credit loss at reporting date is:

	30 June 2024			31 December 2023		
	Gross amounts	***ECL***	***Past due but not impaired***	*Gross amounts*	*ECL*	*Past due but not impaired*
	RO'000	***RO'000***	***RO'000***	*RO'000*	*RO'000*	*RO'000*
BA 1	**67,144**	**(1,111)**	**66,033**	39,484	(39)	39,445

Bank balances and long term bank deposit

The Group limits its credit risk with respect to bank deposit by only dealing with banks with high credit rating. The Group's bank accounts are placed with reputed financial institutions with a minimum credit rating of Ba3 (2023: Ba3) Moody's Investors Service ratings. The table below shows the balances with banks categorised by short term credit ratings as published by Moody's Service at the reporting date.

	30 June 2024	*31 December 2023*
	RO'000	*RO'000*
Bank balances:		
Bank Muscat SAOG	**3,099**	(285)
Oman Arab Bank	**219**	250
Sohar international bank	**887**	702
Ahli Bank	**637**	2,404
National Bank of Oman	**169**	649
	5,011	3,720

37.3 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group limits its liquidity risk by ensuring that a working capital facility is available, when required.

Liquidity requirements are monitored on a monthly basis and management ensures that sufficient liquid funds are available to meet any commitments as they arise. The following are the contractual maturities of financial liabilities, including interest payments:

30 June, 2024	***Carrying amount RO'000***	***Contractual cash flow RO'000***	***Less than 3 months RO'000***	***3 months to 1 year RO'000***	***More than 1 year RO'000***
Non-interest bearing					
Trade and other payables	100,080	100,080	100,080	**-**	**-**
Amounts due to related parties	35,741	35,741	35,741	**-**	**-**
	135,821	**135,821**	**135,821**	**-**	**-**
Interest bearing					
Term loan	252,300	298,689	18,755	54,312	225,622
Long term loans - Sukuks	382,016	472,973	5,294	15,304	452,375
Short term borrowings	361,466	367,346	242,100	125,246	-
Lease liabilities	16,147	41,771	562	1,479	39,730
Bank overdrafts	9,166	9,196	9,196	-	-
	1,021,095	**1,189,974**	**275,906**	**196,341**	**717,727**
	1,156,916	**1,325,795**	**411,727**	**196,341**	**717,727**

37 FINANCIAL RISK MANAGEMENT (continued)

37.3 Liquidity risk (continued)

	Carrying amount RO'000	*Contractual cash flow RO'000*	*Less than 3 months RO'000*	*3 months to 1 year RO'000*	*More than 1 year RO'000*
31 December 2023					
Non-interest bearing					
Trade and other payables	139,444	139,444	139,444	-	-
Amounts due to related parties	31,408	31,408	31,408	-	-
	170,852	170,852	170,852	-	-
Interest bearing					
Term loan	285,232	334,501	19,911	58,175	256,415
Long term loans - Sukuks	192,064	232,540	-	10,010	222,530
Short term borrowing	451,069	461,629	160,798	300,831	-
Lease liabilities	16,659	42,463	579	1,736	40,148
Bank overdrafts	8,612	8,692	8,692	-	-
	953,636	1,079,825	189,980	370,752	519,093
	1,124,488	1,250,677	360,832	370,752	519,093

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amount.

37.4 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.

30 June, 2024	***Designated at FVOCI RO'000***	***Amortised cost RO'000***	***Total Carrying value RO'000***	***Fair value RO'000***
Financial assets				
Long term deposit	-	500	500	500
Cash and bank balances	-	5,060	5,060	5,060
Trade and other receivables	-	70,155	70,155	70,155
Derivative financial instruments	4,702	-	4,702	4,702
	4,702	**75,715**	**80,417**	**80,417**
Financial liabilities				
Term loans	-	252,300	252,300	252,300
Long term borrowings - Sukuks	-	382,016	382,016	379,303
Short term borrowings	-	361,466	361,466	361,466
Bank overdrafts	-	9,166	9,166	9,166
Trade and other payables	-	135,821	135,821	135,821
Lease liabilities	-	16,147	16,147	16,147
	-	**1,156,916**	**1,156,916**	**1,154,203**

37 FINANCIAL RISK MANAGEMENT (continued)

37.4 Fair value of financial instruments (continued)

31 December 2023	***Designated at FVOCI RO'000***	***Amortised cost RO'000***	***Total Carrying value RO'000***	***Fair value RO'000***
Financial assets				
Long term deposit	-	515	515	515
Cash and bank balances	-	3,735	3,735	3,735
Trade and other receivables	-	46,608	46,608	46,608
Derivative financial instruments	4,796	-	4,796	4,796
	4,796	50,858	55,654	55,654
Financial liabilities				
Term loans	-	285,232	285,232	285,232
Long term borrowings - Sukuks	-	192,064	192,064	187,077
Short term borrowings	-	451,069	451,069	451,069
Bank overdrafts	-	8,612	8,612	8,612
Trade and other payables	-	170,852	170,852	170,852
Lease liabilities	-	16,659	16,659	16,659
	-	1,124,488	1,124,488	1,119,501

38 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 2024 RO'000	*30 June 2023 RO'000 (unaudited)*
Profit for the period:		
Continuing operations	**4,632**	1,090
Discontinued operations	**-**	2,317
Profit for period for basic earnings	**4,632**	3,407
Weighted average number of shares outstanding during the period (number of shares in thousands)	**200,000**	158,611
Basic and diluted earnings per share (Baizas) - Continuing operations	**0.023**	0.007
Basic and diluted earnings per share (Baizas) - Discontinued operations	**-**	0.015
Basic and diluted earnings per share (Baizas)	**0.023**	0.021

39 SEGMENT REPORTING

The CEO and executive management team are the Group's Chief Operating Decision-Makers (CODM). Up to 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.

40 GEOPOLITICAL UNCERTAINTY

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

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

41 CLIMATE RELATED RISKS

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

42 COMPARATIVE AMOUNTS

Certain corresponding figures for the six months period ended 30 June 2023 pertains to the classification of meter reading charges which have been reclassified from general and administrative expenses to operating costs in order to conform to the presentation for the current period. Such reclassification do no affect previously reported profit or shareholder's equity.

43 EVENTS AFTER THE REPORTING DATES

There are no events post the balance sheet date that require adjustment or disclosure in these interim consolidated financial statements.