

Nama Electricity Distribution Company SAOC

Report and Financial Statements

31 December 2025

Nama Electricity Distribution Company SAOC

FINANCIAL STATEMENTS

For the year ended 31 December 2025

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REPORT OF THE BOARD OF DIRECTORS

On behalf of the Board of Directors, I am pleased to present the Annual Report of Nama Electricity Distribution Company (NEDC) for the fiscal year ended 2025.

This report reflects the Company's unwavering commitment to operational excellence, strong corporate governance, and sustainable value creation in support of Oman's national priorities. During the year, NEDC strengthened its market position through disciplined execution, innovation, and continued investment in national talent. In strict alignment with the Oman Investment Authority's strategic direction, the Board maintained effective oversight of performance, risk management, and sustainability initiatives. The Company's activities remain fully synchronized with Oman Vision 2040, particularly concerning infrastructure modernization, energy sustainability, digital transformation, and workforce empowerment.

Health, Safety, Security, and Environment (HSSE)

The safety and well-being of our employees, contractors, customers, and the public remain our utmost priority. In 2025, NEDC recorded one Lost Time Injury (LTI), corresponding to an LTI rate of 0.05%. We deeply regret this incident and extend our sincere sympathies and full support to the affected individual and their family. Following the incident, the Board mandated a thorough review, resulting in the implementation of comprehensive corrective and preventive actions. Lessons learned have been embedded across the organization, and additional operational controls were reinforced. We continue to strengthen leadership accountability, safety governance, and workforce engagement to further mature our safety culture.

Financial and Operational Performance

Despite a dynamic regulatory and operating environment, NEDC delivered robust and stable financial and operational performance in 2025. The Company remained fully compliant with all regulatory requirements and shareholder directives, reinforcing our commitment to transparency and long-term value creation.

Key highlights for the year include:

- **Customer Base Expansion:** Grew by 3.25% to reach 1,394,631 accounts, reflecting sustained energy demand across the Sultanate.



- **Net Profit:** Reached OMR 16.214 million, demonstrating prudent financial management and operational efficiency.
- **Capital Expenditure:** Totaled OMR 143.894 million, directed primarily toward grid modernization, asset renewal, and service reliability to support long-term network resilience.

Customer Excellence and Human Capital

Customer-centricity remains a core pillar of NEDC's strategy. Throughout 2025, we maintained seamless service continuity, enhanced our digital platforms, and evolved our customer engagement models to improve accessibility, responsiveness, and convenience. Concurrently, NEDC achieved an Omanization rate of 98.6%. This milestone reflects our profound commitment to national workforce development and ensures that our sustained service excellence is driven by highly skilled local talent.

In-Country Value (ICV) and Sustainability

NEDC continues to prioritize In-Country Value and environmental sustainability, acting as a key enabler of Oman Vision 2040.

- **Economic Contribution:** Total ICV spending amounted to OMR 90.181 million. Of this, spending on Small and Medium Enterprises (SMEs) reached OMR 47.296 million, representing 25% of total procurement.
- **Renewable Energy Integration:** The Board oversaw the strategic expansion of our renewable portfolio. In 2025, we processed 461 solar PV applications, bringing our renewable customer base to 1,325 and total installed capacity to approximately 90 MW, all while maintaining strict network stability.
- **Environmental Stewardship:** Environmental performance was fortified through targeted initiatives, including solar deployment at substations, transformer oil recycling, community solar projects, EV charging infrastructure enablement, and smart grid integration.

Technological Advancement

Digital transformation and infrastructure modernization are central to NEDC's long-term operational strategy. By the end of 2025, smart meter deployment successfully reached



78.7% of our network. The smart metering program acts as a catalyst for network visibility, data-driven decision-making, improved revenue assurance, and heightened operational efficiency. Our continuous investment in digital platforms and advanced analytics is vital to safeguarding long-term financial sustainability.

Risk Management and Corporate Governance

The Board systematically strengthened the Company's Enterprise Risk Management (ERM) framework to proactively address operational, regulatory, cyber, financial, and supply chain risks. NEDC operates in strict accordance with the governance, compliance, and performance frameworks mandated by the Oman Investment Authority and relevant regulatory bodies. Strong internal controls, transparent reporting, and ethical conduct remain the bedrock of our institutional integrity and stakeholder confidence.

Appreciation and Acknowledgment

On behalf of the Board of Directors, I extend our most profound gratitude to His Majesty Sultan Haitham bin Tariq for his visionary leadership and continued guidance.

We also express our sincere appreciation to the Oman Investment Authority, Nama Group, the Authority for Public Services Regulation, and our strategic partners. To our employees, contractors, and valued customers: thank you for your continued trust, collaboration, and support.

Looking Ahead

NEDC remains firmly committed to elevating safety performance, advancing digital transformation, accelerating renewable energy integration, and delivering sustainable financial returns. Guided by Oman Vision 2040, the Company will continually enhance operational efficiency, infrastructure resilience, and institutional governance. Through disciplined management and innovation, NEDC will continue to power Oman's economic and social development with safe, reliable, and efficient electricity distribution services.



Fathi Abdullah Al Bulushi

On Behalf of the Board of Directors



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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 financial statements

Opinion

We have audited the financial statements of Nama Electricity Distribution Company SAOC (the "Company"), which comprise the statement of financial position as at 31 December 2025, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2025 and its financial performance and cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the International 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 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 to these financial statements, which indicates that as of 31 December 2025, the Company's current liabilities exceeded its current assets by RO 175 million (31 December 2024: RO 252 million). As disclosed in Note 2, these conditions, together with other matters described therein, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

The other information comprises of Board of Directors' report. Management is responsible for the other information.

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



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

Report on the audit of the financial statements (continued)

Other information (continued)

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

Responsibilities of management and Audit Committee for the financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



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

Report on the audit of the financial statements (continued)

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on other legal and regulatory requirements

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

- we have obtained all the information and explanations we considered necessary for the purposes of our audit;
- the Company has maintained accounting records and the financial statements are in agreement therewith;
- the Company has carried out physical verification of inventories;
- the financial information included in the Board of Directors' report is consistent with the books of accounts of the Company; and
- based on the information that has been made available to us, nothing has come to our attention, which causes us to believe that the Company has contravened, during the year ended 31 December 2025, any of the applicable provisions of the Commercial Companies Law of 2019 or its Articles of Association, which would materially affect the financial performance of the Company for the year ended 31 December 2025 or its financial position as at 31 December 2025.

Ernst & Young

Mohamed Al Qurashi
09 March 2026
Muscat



Nama Electricity Distribution Company SAOC

STATEMENT OF FINANCIAL POSITION

At 31 December 2025

	Notes	2025 S'000	2024 S'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	2,163,939	2,124,543
Right-of-use assets	7	16,928	15,193
Intangible assets	8	1,689	1,090
Investment in a subsidiary	9	500	500
Derivative financial instruments	17	675	2,739
Total non-current assets		2,183,731	2,144,065
Current assets			
Stores and spares	10	4,065	3,903
Trade and other receivables and prepayment	11	61,582	43,539
Cash and bank balances	12	13,756	44,134
Total current assets		79,403	91,576
TOTAL ASSETS		2,263,134	2,235,641
EQUITY AND LIABILITIES			
Equity			
Share capital	13	210,000	200,000
Legal reserve	14	68,287	66,667
Retained earnings		36,933	32,345
Shareholders' fund	16	424,587	419,155
Cash flow hedge reserve	17	575	2,329
Total equity		740,382	720,496
LIABILITIES			
Non-current liabilities			
Term loans	18	250,597	169,454
Long term borrowings - Sukuks	19	670,263	669,322
Deferred revenue	20	215,579	215,489
Lease liabilities	21	17,099	15,868
Employees' end of service benefits	22	1,834	1,935
Deferred tax liability	33	113,026	99,670
Total non-current liabilities		1,268,398	1,171,738
Current liabilities			
Trade and other payables	23	112,714	108,000
Term loans	18	57,309	55,381
Short term borrowings	24	71,485	164,463
Deferred revenue	20	11,294	14,434
Lease liabilities	21	1,552	1,129
Total current liabilities		254,354	343,407
Total liabilities		1,522,752	1,515,145
TOTAL EQUITY AND LIABILITIES		2,263,134	2,235,641

The financial statements were authorised for issue and approved by the Board of Directors on 3 Mar 2026 and were signed on their behalf by:


Fathi Abdullah Al Balushi
Chairman


Ghada Al Yousef
Director


Ala Hassan Moosa
Chief Executive Officer

The attached notes 1 to 39 form part of these financial statements.

Nama Electricity Distribution Company SAOC

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2025

	Notes	2025 ₱'000	2024 ₱'000
Revenue	28	308,484	307,359
Operating costs	29	(165,100)	(156,639)
Gross profit		143,384	150,720
General and administrative expenses	30	(58,212)	(58,602)
Reversal / (allowance) for expected credit losses	11	1,067	(1,096)
Impairment of CWIP and intangible assets	6.5 & 8	(6,957)	(448)
Write-off of CWIP	6.4	(2,951)	-
Other income	31	11,534	8,811
Operating profit		87,865	99,385
Finance income		850	272
Finance costs	32	(58,841)	(57,472)
Profit before tax		29,874	42,185
Tax expense	33	(13,666)	(19,963)
PROFIT FOR THE YEAR		16,208	22,222
Other comprehensive income			
<i>Items to be classified to profit or loss in subsequent period:</i>			
Net movement in fair value of cash flow hedge	17	(2,064)	(2,057)
Tax effect	33.1	310	309
Other comprehensive expense for the year		(1,754)	(1,748)
TOTAL PROFIT AND COMPREHENSIVE INCOME FOR THE YEAR		14,454	20,474
Earnings per share			
Basic and diluted earnings per share (Baizas)	36	0.081	0.111

The attached notes 1 to 39 form part of these financial statements.

Nama Electricity Distribution Company SAOC

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2025

	<i>Share capital</i>	<i>Legal reserve</i>	<i>General reserve</i>	<i>Cash flow hedge reserve</i>	<i>Shareholders' fund</i>	<i>Retained earnings</i>	<i>Total</i>
	<i>⚡'000</i>	<i>⚡'000</i>	<i>⚡'000</i>	<i>⚡'000</i>	<i>⚡'000</i>	<i>⚡'000</i>	<i>⚡'000</i>
At 1 January 2024	200,000	66,667	21,525	4,077	419,155	(11,402)	700,022
Profit for the year	-	-	-	-	-	22,222	22,222
Other comprehensive expense, net of income tax	-	-	-	(1,748)	-	-	(1,748)
Total profit and comprehensive income for the year	-	-	-	(1,748)	-	22,222	20,474
Transfer to legal reserve (note 14)	-	-	-	-	-	-	-
Transfer from general reserve to retained earnings (note 15)	-	-	(21,525)	-	-	21,525	-
At 1 January 2025	200,000	66,667	-	2,329	419,155	32,345	720,496
Profit for the year	-	-	-	-	-	16,208	16,208
Other comprehensive expense, net of income tax	-	-	-	(1,754)	-	-	(1,754)
Total profit and comprehensive income for the year	-	-	-	(1,754)	-	16,208	14,454
Transfer to legal reserve (note 14)	-	1,620	-	-	-	(1,620)	-
Issue of share capital (note 13)	10,000	-	-	-	-	-	10,000
Transfer of asset from a related party (note 16)	-	-	-	-	5,432	-	5,432
Dividend (note 26)	-	-	-	-	-	(10,000)	(10,000)
At 31 December 2025	210,000	68,287	-	575	424,587	36,933	740,382

The attached notes 1 to 39 form part of these financial statements.

Nama Electricity Distribution Company SAOC

STATEMENT OF CASH FLOWS

For the year ended 31 December 2025

	Notes	2025 RM '000	2024 RM '000
Operating activities			
Profit before tax		29,874	42,185
<i>Adjustments for:</i>			
Depreciation of property, plant and equipment	6	98,830	92,493
Depreciation of right-of-use assets	7	1,553	1,499
Gain on disposal of property, plant and equipment	31	-	(106)
Amortisation of intangible assets	8	669	574
Impairment of CWIP & intangible assets		6,957	448
Capital work-in-progress write off	6	2,951	-
Adjustment to lease liability	21	(378)	-
Provision for inventories obsolescence	10	(134)	401
Accruals for employees' end of service benefits	22	61	80
Charge / (reversal) for allowance for expected credit losses	11	(1,067)	1,096
Gain on termination of lease liability	31	(11)	(70)
Finance costs	32	57,611	60,359
Modification gain on financial liability	32	-	(3,646)
Unwinding of financial liability	32	1,230	759
Finance income		(850)	(272)
		197,296	195,800
Working capital changes:			
Stores and spares		(28)	7,117
Trade and other receivables and prepayments		(16,976)	2,857
Trade and other payables		4,713	(53,751)
Deferred revenue		(3,050)	(14,575)
		181,955	137,448
Cash generated from operating activities		181,955	137,448
Employees' end of service benefits paid	22	(162)	(682)
Net cash flows generated from operating activities		181,793	136,766
Investing activities			
Addition to property, plant and equipment	6	(143,894)	(151,355)
Addition to intangible assets	9	(76)	(3)
Proceeds from disposal of property, plant and equipment		-	106
Finance income		850	272
		(143,120)	(150,980)
Net cash flows used in investing activities		(143,120)	(150,980)
Financing activities			
Share capital injection	13	10,000	-
Repayment of term loans	18	(57,462)	(57,444)
Proceeds from term loans	18	139,126	-
Proceeds from sukuk issuance	19	-	481,250
Proceeds from short term borrowings	24	121,500	45,000
Repayment of short term borrowings	24	(214,487)	(331,750)
Transaction cost paid		(740)	(6,381)
Finance cost paid		(54,625)	(56,788)
Lease liabilities paid (principal and interest)	21	(2,363)	(2,280)
Dividends paid	26	(10,000)	(8,344)
		(69,051)	63,263
Net cash flows (used in) / generated from financing activities		(69,051)	63,263
Net changes in cash and cash equivalents		(30,378)	49,049
Cash and cash equivalents at 1 January		44,134	(4,915)
Cash and cash equivalents at 31 December	12	13,756	44,134
Non cash transactions			
Following non cash transactions have been excluded from above cash flows, as these do not involved any cash movement:			
Transfer of asset from related party		5,432	-
Additions to right of use assets	7	3,311	1,957

The attached notes 1 to 39 form part of these financial statements.

Nama Electricity Distribution Company SAOC

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2025

1 REPORTING ENTITY

Nama Electricity Distribution Company SAOC (the Company') (formerly known as Mazoon Electricity Distribution Company SAOC) is a company domiciled in the Sultanate of Oman.

The business activities of Company is primarily undertaking the regulated distribution of electricity in all governorates of Oman excluding Dhofar governorate under a license issued by the Authority for Public Services Regulation (APSR), Oman. The Company commenced its operations on 1 May 2005 (the Transfer Date) following the implementation of a decision of the Ministry of National Economy (the Transfer Scheme) issued pursuant to Royal Decree 78/2004. The registered address of the Company is P.O. Box 1721, Postal Code 311 Murtafaat Al Mata, Al Seeb, Muscat Governorate, Sultanate of Oman.

As part of the reorganization of Electricity Holding Company SAOC ("EHC", or the "Holding Company"), EHC, in 2023, holding 99.99% shares in the 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) 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.

In 2024, the Company has established a SPV, (Special Purpose Vehicle) Nama Assets Company SPC (subsidiary), which is 100% owned by the Company.

2 BASIS OF ACCOUNTING

Fundamental Accounting Concept

As at 31 December 2025, the current liabilities of the Company exceeded its current assets by RO 175 million (31 December 2024: RO 252 million), which indicate the existence of a material uncertainty relating to going concern as the Company 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 financial statements on a going-concern basis, supported by the continued financial backing of the Holding Company, including the undertaking of the Government under the applicable Sector Law to ensure the availability of necessary financing for the Company to carry out its activities and achieve its objectives for so long as its capital remains wholly owned by the Government. In making this assessment, management has considered its plans (a) to raise long-term financing of approximately OMR 167 million (US\$ 433.766 million) over the next twelve months from Local/International funding sources, subject to market conditions and relevant approvals; (b) to establish Revolving Credit Facilities (RCF) of approximately OMR 72.188 million (US\$ 187.5 million) as backstop liquidity lines to be drawn only in the event of an emergency or unforeseen liquidity requirement; (c) the availability of undrawn committed credit facilities amounting to OMR 35.875 million, (US\$ 93.181 million) which provide additional liquidity headroom; and (d) the management also intends to undertake a reprofiling of the maturity profile of its existing syndicated facility.

Nama Electricity Distribution Company SAOC

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2025

2 BASIS OF ACCOUNTING (CONTINUED)

Fundamental Accounting Concept

Management has also considered the impact of heightened geopolitical tensions in the Middle East, which could affect investor risk appetite, funding costs, and timing of capital market transactions. These plans are subject to market conditions, geopolitical developments, and regulatory approvals, and therefore involve significant judgment.

The above factors will enable the Company 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 financial statements are prepared on a going concern basis.

3 BASIS OF PREPARATION

a) Statement of compliance

These financial statements for the year ended 31 December 2025 have been prepared in accordance with International Financial Reporting Standard ("IFRS") as issued by the International Accounting Standards Board ("IASB"), and the requirements of the Commercial Companies Law of 2019, as amended.

The consolidated financial statements of the Group prepared in accordance with IFRS and applicable requirements of the Commercial Companies Law of the Sultanate of Oman, have been issued separately. As allowed by IAS 27 Separate Financial Statements, these separate financial statements have been prepared on a stand-alone basis and represent the results of operations, financial position and cash flows of the Company only and do not include the financial statements of its subsidiaries / subsidiary as listed in Note 9. The Company is the parent company of the group comprising the Company and its subsidiaries / subsidiary (the "Group"). These separate financial statements are supplementary to the consolidated financial statements and are not intended to replace or substitute such consolidated financial statements.

b) Basis of measurement

These 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 financial statements are presented in Rial Omani ("RO"), which is the company's functional 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 year 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 estimates, which have the most significant impact on the amounts recognised in the financial statements.

Nama Electricity Distribution Company SAOC

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2025

3 BASIS OF PREPARATION (CONTINUED)

Assessment of contingencies and claims

The Company 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 Company 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 Company. 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).

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

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 18 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 Company calculates the DUOS rate per MWh based on the forecasted RUD and Maximum Allowed Revenue (MAR).

Nama Electricity Distribution Company SAOC

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2025

3 BASIS OF PREPARATION (CONTINUED)

Key sources of estimation uncertainties (continued)

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 5.7 million (2024: RO 5.7 million) with provisions for old and obsolete inventories of RO 1.6 million (2024: RO 1.8 million). Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the statement of comprehensive income.

Useful lives of property, plant and equipment

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

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 depreciation of assets. This requires an estimation of the value in use of the cash generating unit. Estimating the value in use requires the Company to make an estimate of the residual value of the cash generating unit at the end of the term of the PPA considering the expected future cash flows for the period beyond the term of the PPA and also a suitable discount rate in order to calculate the present value of those cash flows.

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 Company reviews the provision for tax on a regular basis. In determining the provision for tax, laws of particular jurisdictions (where applicable entity is registered) are taken into account. The management considers the provision for tax to be a reasonable estimate of potential tax liability after considering the applicable laws and past experience. The Company has evaluated the available evidence about future taxable income and other possible sources of realisation of income tax assets, and the amount recognised has been limited to the amount that, based on management's best estimate, is more likely than not to be realised.

Nama Electricity Distribution Company SAOC

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2025

3 BASIS OF PREPARATION (CONTINUED)

Key sources of estimation uncertainties (continued)

Leases – Estimating the incremental borrowing rate

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

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 year.

4 NEW IFRS ACCOUNTING STANDARDS

a) *New and amended standards and interpretations*

The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2025 (unless otherwise stated). The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Lack of exchangeability – Amendments to IAS 21

The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2025 (unless otherwise stated). The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Lack of exchangeability – Amendments to IAS 21

For annual reporting periods beginning on or after 1 January 2025, Lack of Exchangeability – amendments to IAS 21. The Effects of Changes in Foreign Exchange Rates specifies how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments also require disclosure of information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows. The amendment did not have a material impact on the Company's financial statements.

These amendments had no impact on the Company's financial statements.

b) *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 Company's financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Nama Electricity Distribution Company SAOC

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2025

4 NEW IFRS ACCOUNTING STANDARDS (CONTINUED)

b) Standards issued but not yet effective (continued)

IFRS 18 Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued IFRS 18, which replaces IAS 1 Presentation of Financial Statements. IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations, whereof the first three are new.

The standard requires disclosure of newly defined management-defined performance measures, subtotals of income and expenses, and it also includes new requirements for aggregation and disaggregation of financial information based on the identified 'roles' of the primary financial statements (PFS) and the notes.

In addition, narrow-scope amendments have been made to IAS 7 Statement of Cash Flows, which include changing the starting point for determining cash flows from operations under the indirect method, from 'profit or loss' to 'operating profit or loss' and removing the optionality around classification of cash flows from dividends and interest. In addition, there are consequential amendments to several other standards.

IFRS 18, and the amendments to the other standards, are effective for reporting periods beginning on or after 1 January 2027, but earlier application is permitted and must be disclosed. IFRS 18 will apply retrospectively.

The Company is currently working to identify all impacts the amendments will have on the primary financial statements and notes to the financial statements. The initial expected material impacts on financial statements are as follows:

- Foreign exchange difference will be classified in the category where the related income and expense form the item giving rise to the foreign exchange difference.
- New disclosure will be added: (a) management-defined performance measures; (b) specified expense by nature if expenses are presented by function in the operating category of the statement of profit or loss; and (c) a reconciliation for each line item in the statement of profit or loss between the restated amounts presented applying IFRS 18 and the amounts previously presented applying IAS 1.
- Interest received and interest paid will be classified in the investing activities and financing activities, respectively, on the statement of cash flows.

IFRS 19 Subsidiaries without Public Accountability: Disclosures

In May 2024, the IASB issued IFRS 19, which allows eligible entities to elect to apply its reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other IFRS accounting standards. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in IFRS 10, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares financial statements, available for public use, which comply with IFRS accounting standards.

IFRS 19 will become effective for reporting periods beginning on or after 1 January 2027, with early application permitted. The Company is currently working to identify all impacts the amendment will have on the financial statements.

Nama Electricity Distribution Company SAOC

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2025

4 CHANGES IN ACCOUNTING POLICIES

b) *Standards and amendments issued but not yet effective (continued)*

Amendments to the Classification and Measurement of Financial Instruments—Amendments to IFRS 9 and IFRS 7

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

- A clarification that a financial liability is derecognised on the 'settlement date' and the introduction of an accounting policy choice (if specific conditions are met) to derecognise financial liabilities settled using an electronic payment system before the settlement date
- Additional guidance on how the contractual cash flows for financial assets with environmental, social and corporate governance (ESG) and similar features should be assessed
- Clarifications on what constitute 'non-recourse features' and what are the characteristics of contractually linked instruments
- The introduction of disclosures for financial instruments with contingent features and additional disclosure requirements for equity instruments classified at fair value through other comprehensive income (OCI)

The Amendments are effective for annual periods starting on or after 1 January 2026 with early adoption permitted for classification of financial assets and related disclosures only. The Company does not anticipate that the amendments will have a material effect on its financial statements.

Annual Improvements to IFRS Accounting Standards - Volume 11

In July 2024, the IASB issued nine narrow scope amendments as part of its periodic maintenance of IFRS accounting standards. The amendments include clarifications, simplifications, corrections or changes to improve consistency in IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 7 Financial instruments: Disclosure and its accompanying Guidance on implementing IFRS 7, IFRS 9 Financial Instruments, IFRS 10 Financial Statements and IAS 7 Statements of Cash Flows.

The amendments will be effective for reporting periods beginning on or after 1 January 2026. Earlier application is permitted and must be disclosed. The amendments are not expected to have a material impact on the Company's financial statements.

Contracts Referencing Nature-dependent Electricity – Amendments to IFRS 9 and IFRS 7

In December 2024, the IASB issued Amendments to IFRS 9 and IFRS 7 - Contracts Referencing Nature-dependent Electricity. The amendments apply only to contracts that reference nature-dependent electricity; the amendments:

- Clarify the application of the 'own-use' requirements for in-scope contracts
- Amend the designation requirements for a hedged item in a cash flow hedging relationship for in-scope contracts
- Add new disclosure requirements to enable investors to understand the effect of these contracts on a company's financial performance and cash flows

The amendments will take effect for annual reporting periods starting on or after 1 January 2026. Early adoption is allowed, but it must be disclosed. The amendments concerning the own-use exception are to be applied retrospectively, while the hedge accounting amendments should be applied prospectively to new hedging relationships designated from the initial application date. Additionally, the IFRS 7 disclosure amendments must be implemented alongside the IFRS 9 amendments. If an entity does not restate comparative information, it cannot present comparative disclosures.

The Company does not expect that the amendments will have a material impact on its financial statements.

Nama Electricity Distribution Company SAOC

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2025

5 MATERIAL ACCOUNTING POLICIES INFORMATION

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

5.1 Leases

The Company 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 Company. At inception of a contract the Company assesses whether a contract is, or contains, a lease. A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset the Company assesses whether:

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

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

Company as a lessee

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

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

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

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

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

Nama Electricity Distribution Company SAOC

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2025

5 MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

5.1 Leases (continued)

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

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

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

Company as a lessor

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

5.2 Foreign currency transactions

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

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

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

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

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.

Nama Electricity Distribution Company SAOC

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2025

5 MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

5.3 Financial Instruments

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

- 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 company of financial liabilities which are managed and their performance evaluated on fair value basis, in accordance with a documented risk management strategy; or
- iii) The financial liability contains an embedded derivative that would otherwise need to be separately recorded.

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

Nama Electricity Distribution Company SAOC

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2025

5 MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

5.3 Financial Instruments (continued)

Subsequent measurement of financial assets

Financial assets

Financial assets carried at amortised cost

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

Subsequent measurement of financial liabilities

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

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

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

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

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

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

Nama Electricity Distribution Company SAOC

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2025

5 MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

5.3 Financial Instruments (continued)

Derecognition of financial assets (continued)

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

Derecognition of financial liabilities

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

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

Impairment of financial assets

The Company 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 Company 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 Company provides for expected losses on all of the following using reasonable and supportable information about past events, current conditions and reasonable and supportable forecasts of future economic conditions when measuring expected credit losses.

For trade receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company 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.

For other financial assets, the Company measures expected credit losses through a loss allowance at an amount equal to:

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

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

Derivative financial instruments and hedge accounting

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

Nama Electricity Distribution Company SAOC

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2025

5 MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

5.3 Financial Instruments (continued)

Derivative financial instruments and hedge accounting (continued)

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

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

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

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

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

Effectiveness testing, rebalancing and discontinuation

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

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

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

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

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 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 statement of comprehensive income.

Nama Electricity Distribution Company SAOC

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2025

5 MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

5.4 Property, plant and equipment

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 year in which it is incurred.

Depreciation

Depreciation is charged to the 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 years are as follows:

	Years
Buildings	30
Electricity distribution works	20-40
Substations, lines and cables	25-60
Other plant and machinery	10-40
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.

5.5 Intangible assets

Recognition and measurement

Intangible assets represents softwares. These intangible assets are initially recognised at cost and subsequently remeasured at cost less accumulated amortisation and any impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and charged to statement of comprehensive income in the year 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 statement of comprehensive income in the expense category consistent with the function of intangible asset.

Nama Electricity Distribution Company SAOC

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2025

5 MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

5.6 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.

5.7 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 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.

5.8 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 Company and the Government. An accrual has been made and is classified as a non-current liability in the statement of financial position.

5.9 Provisions

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

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

5.10 Borrowing costs

Interest expense and similar charges are expensed in the statement of comprehensive income in the year 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.

5.11 Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the 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.

Nama Electricity Distribution Company SAOC

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2025

5 MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

5.12 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 Company will comply with all the attached conditions. Government grants relating to the costs are deferred and recognised in the statement of comprehensive income over the year 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 statement of comprehensive income on straight line basis over the expected useful life of the related assets.

5.13 Revenue from contracts with customers

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

Step 1 Identify the contract(s) with a customer

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

Step 2 Identify the performance obligations in the contract

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

Step 3 Determine the transaction price

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

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

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

Step 5 Recognise revenue

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

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

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

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

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 Company 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 Company. The Company 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 Company measures the progress of the transfer of each distinct unit in the series to the customer (output method or number of units distributed).

Nama Electricity Distribution Company SAOC

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2025

5 MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

5.13 Revenue from contracts with customers (continued)

Deferred revenue

i) Installation and connection revenue

There is no separate distinct performance obligation on the Company with regard to this revenue stream, and these services cannot be distinguished from the primary business activity of the Company. 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 Company has estimated the average assets life to be 25 years based on the useful life of the Installation and connection asset. The Company recognizes the fee over 25 years.

iii) Government sponsored projects

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

Variable consideration

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

Significant financing component

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

Contract modification

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

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

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

Nama Electricity Distribution Company SAOC

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2025

5 MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

5.14 Income tax

Income tax for the year comprises current and deferred tax, which is computed as per the fiscal regulations of the Sultanate of Oman. Income tax is recognised in the 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.

5.15 Dividends

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

5.16 Directors' sitting fees and remuneration

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

5.17 Earnings per share

The Company 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 year. Diluted EPS is same as Basic as there are no convertible instruments.

5.18 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 Company 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 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 31 December 2025, the Company 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.

Nama Electricity Distribution Company SAOC

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2025

5 MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

5.19 Current versus non-current classification

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

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

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 date
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting date.

5.20 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 Company applies the book value method of accounting. According to this method, the assets and liabilities taken over are recorded in the 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 Company has adopted the policy of recognizing the assets of the distribution business prospectively from the date of business transfer.

5.21 Offsetting of financial instruments

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

Nama Electricity Distribution Company SAOC

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2025

6 PROPERTY, PLANT AND EQUIPMENT

	<i>Buildings on leasehold land AED '000</i>	<i>Electricity distribution networks AED '000</i>	<i>Lines and cables AED '000</i>	<i>Substation assets AED '000</i>	<i>Other plant and machinery AED '000</i>	<i>Furniture, fixtures and vehicles AED '000</i>	<i>Plants spares AED '000</i>	<i>Assets under finance lease AED '000</i>	<i>Capital work-in- progress AED '000</i>	<i>Total AED '000</i>
Cost										
1 January 2024	134,843	1,384,275	723,122	471,047	139,857	26,039	8,794	740	53,657	2,942,374
Additions	-	358	802	990	804	607	1,123	-	146,671	151,355
Transfer to intangible assets (note 8)	-	-	-	-	-	-	-	-	(163)	(163)
Disposal	-	-	-	-	-	(627)	-	-	-	(627)
Transfers	7,815	10,924	36,609	11,517	16,159	591	15	-	(83,630)	-
1 January 2025	142,658	1,395,557	760,533	483,554	156,820	26,610	9,932	740	116,535	3,092,939
Additions	-	318	706	647	56	36	2,387	-	139,744	143,894
Transfer to intangible assets (note 8)	-	-	-	-	-	-	-	-	(1,074)	(1,074)
Transfer of asset from related party (note 16)	-	-	-	-	8,129	-	-	-	-	8,129
Write-off of CWIP (note 6.4)	-	-	-	-	-	-	-	-	(2,951)	(2,951)
Transfers	11,494	60,292	39,991	18,343	16,679	2,109	-	-	(148,908)	-
31 December 2025	154,152	1,456,167	801,230	502,544	181,684	28,755	12,319	740	103,346	3,240,937
Accumulated depreciation										
1 January 2024	39,961	469,723	150,781	135,781	52,784	24,326	2,435	739	-	876,530
Charge for the year (note 6.6)	4,782	49,152	17,095	13,001	6,940	1,081	442	-	-	92,493
Related to disposals	-	-	-	-	-	(627)	-	-	-	(627)
1 January 2025	44,743	518,875	167,876	148,782	59,724	24,780	2,877	739	-	968,396
Charge for the year (note 6.6)	5,193	52,481	18,147	13,609	7,658	1,174	568	-	-	98,830
Transfer of asset from a related party (note 16)	-	-	-	-	2,697	-	-	-	-	2,697
Impairment of CWIP for the year (note 6.5)	-	-	-	-	-	-	-	-	7,075	7,075
	49,936	571,356	186,023	162,391	70,079	25,954	3,445	739	7,075	1,076,998
Carrying amounts										
31 December 2025	104,216	884,811	615,207	340,153	111,605	2,801	8,874	1	96,271	2,163,939
31 December 2024	97,915	876,682	592,657	334,772	97,096	1,830	7,055	1	116,535	2,124,543

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

Nama Electricity Distribution Company SAOC

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2025

6 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

- 6.2 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.
- 6.3 Assets with Net book Value of RO 751 Million (31 December 2024: RO 751 Million) identified and described in the transaction documents and agreements between the Company and its 99.99 percent owned subsidiary Mazoon Assets Company SAOC, for the 10 Year US\$ 500 Million Sukuk Certificate issued in 2017, the 5 Year US\$ 500 million Sukuk Certificate issued in February 2024 and the 7 Year US\$ 750 million Sukuk certificate issued in October 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 Company is authorized to operate and maintain the assets which forms part of the distribution network of the Company within the authorised area. The risk and rewards associated with the assets continue to be with the Company as per the transaction documents executed.
- 6.4 During the year, the Company carried out a comprehensive review of the Capital Work-in-Progress (CWIP) to identify long-outstanding projects that were either discontinued, replaced, or no longer expected to yield future economic benefits. As a result of this assessment, CWIP amounting to RO 2.95 million, pertaining to old and inactive projects, was determined to be non-recoverable. Since these assets were no longer expected to generate future economic benefits and did not meet the recognition criteria under IAS 16, the Company has written off the carrying amount in full.
- 6.5 Certain projects experienced changes in scope, delays, or revised plans that reduced the expected economic benefits associated with the related costs. Based on this assessment, CWIP amounting to RO 7 million was identified as no longer fully recoverable, and an impairment charge of RO 7 million has been recognised. Management will continue to monitor and assess the projects on an ongoing basis, including reassessing the recoverability of related assets as new information becomes available and determining whether any reversal of impairment or further adjustments are required in future periods.
- 6.6 Depreciation charge for the year is allocated as follows:

	2025 ﷲ'000	2024 ﷲ'000
Operating costs (note 29)	97,659	91,412
General and administration expenses (note 30)	1,171	1,081
	98,830	92,493

7 RIGHT-OF-USE ASSETS

	Buildings ﷲ'000	Usufruct ﷲ'000	Vehicle ﷲ'000	Total ﷲ'000
Cost				
At 1 January 2024	2,486	13,731	5,863	22,080
Additions	99	339	1,519	1,957
Terminations of right-of-use	(331)	(31)	(904)	(1,266)
At 1 January 2025	2,254	14,039	6,478	22,771
Additions	23	289	2,999	3,311
Terminations of right-of-use	(12)	-	(635)	(647)
At 31 December 2025	2,265	14,328	8,842	25,435
Accumulated Depreciation				
At 1 January 2024	1,888	1,847	3,237	6,972
Charge for the year (note 7.1)	193	344	962	1,499
Related to termination	(79)	(6)	(808)	(893)
At 1 January 2025	2,002	2,185	3,391	7,578
Charge for the year (note 7.1)	195	350	1,008	1,553
Related to termination	(8)	(2)	(614)	(624)
At 31 December 2025	2,189	2,533	3,785	8,507
Carrying value				
At 31 December 2025	76	11,795	5,057	16,928
At 31 December 2024	252	11,854	3,087	15,193

Nama Electricity Distribution Company SAOC

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2025

7 RIGHT-OF-USE ASSETS (CONTINUED)

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

	2025	2024
	₭'000	₭'000
Operating costs (note 29)	350	344
General and administration expenses (note 30)	1,203	1,155
	1,553	1,499

8 INTANGIBLE ASSETS

	<i>Capital-work- in-progress</i>		
	<i>Software</i>	<i>Software</i>	<i>Total</i>
	<i>₭'000</i>	<i>₭'000</i>	<i>₭'000</i>
Cost			
At 1 January 2024	6,114	14,501	20,615
Additions	-	3	3
Transfer from capital work in progress	(754)	754	-
Transferred from capital work in progress in PPE (note 6)	-	163	163
Derecognition of capital work in progress	(754)	-	(754)
At 1 January 2025	4,606	15,421	20,027
Additions	-	194	194
Transferred from capital work in progress in PPE (note 6)	-	1,074	1,074
Transferred to capital work in progress in PPE	(118)	-	(118)
At 31 December 2025	4,488	16,689	21,177
Accumulated amortisation			
At 1 January 2024	4,158	13,757	17,915
Charge for the year (note 30)	-	574	574
Impairment of software (note 8.1)	448	-	448
At 1 January 2025	4,606	14,331	18,937
Charge for the year (note 30)	-	669	669
Reversal of impairment of software (note 8.1)	(118)	-	(118)
At 31 December 2025	4,488	15,000	19,488
Carrying amounts			
At 31 December 2025	-	1,689	1,689
At 31 December 2024	-	1,090	1,090

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

8.1 During the year ended 31 December 2024, the Company reassessed its investment in the implementation of the CC&B software used for customer database and billing management, along with other related software. Management concluded that the intended purpose of the software was not achieved, and accordingly, an impairment loss of RO 0.45 million was recognised. During the year, management placed the other impaired softwares into active use. Based on this development and the resulting improvement in the expected future economic benefits, an impairment reversal of RO 0.12 million has been recognised in the current year.

Nama Electricity Distribution Company SAOC

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2025

9 INVESTMENT IN A SUBSIDIARY

Pursuant to the decision of the shareholders in the extra ordinary general meeting held on 20 August 2017, the Company established a special purpose vehicle for raising finance by issuance of Sukuk in the international market. Accordingly, Mazoon Assets Company SAOC, a Company registered under the Commercial Companies Law of the Sultanate of Oman was established with the shareholding as follows:

	<i>Number of shares</i>	2025 RO	<i>2024 RO</i>
Nama Electricity Distribution Company SAOC	499,950	499,950	499,950
Nama Shared Services LLC	25	25	25
Numo Institute for Competency Development LLC	25	25	25
	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>

Investment represents the Company's investment in Mazoon Assets Company SAOC. The main objective of the Mazoon Assets Company as per the Memorandum and Articles of Association is to raise the finance. In addition to the 99.99 percent shareholding, the Company also exercises control over the affairs of the SPV Mazoon Assets Company SAOC with three of its senior executives as members in the five member board of directors. The other shareholders namely, Nama Shared Services LLC and Numo Institute for Competency Development LLC, who hold 0.005 percent shares each in Mazoon Assets Company SAOC are the companies within the Nama Holding Company and are wholly owned by the Electricity Holding Company.

10 STORES AND SPARES

	2025 ﷮'000	<i>2024 ﷮'000</i>
Spares and consumables	5,698	5,670
Provision for inventories obsolescence (note 10.1)	(1,633)	(1,767)
	<u>4,065</u>	<u>3,903</u>

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

	2025 ﷮'000	<i>2024 ﷮'000</i>
Opening balance	1,767	1,366
Provision for inventories obsolescence (note 30)	(134)	401
	<u>1,633</u>	<u>1,767</u>

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

11 TRADE AND OTHER RECEIVABLES AND PREPAYMENT

	2025 ﷮'000	<i>2024 ﷮'000</i>
Amounts due from related parties (note 25.3)	34,456	41,564
Regulatory Asset Base adjustment (note 20)	13,146	-
VAT input tax receivable	415	561
Prepayments	1,099	1,108
Advances to contractors/suppliers	2,030	2,002
Advance to MOH related to MSH city	11,160	-
Other receivables	1,102	1,197
	<u>63,408</u>	<u>46,432</u>
Allowance for expected credit losses (note 11.1)	(1,826)	(2,893)
	<u>61,582</u>	<u>43,539</u>

11.1 The movement in expected credit losses is as follows:

	2025 ﷮'000	<i>2024 ﷮'000</i>
Opening balance	2,893	1,797
Allowance for expected credit losses	(1,067)	1,096
	<u>1,826</u>	<u>2,893</u>

Nama Electricity Distribution Company SAOC

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2025

12 CASH AND BANK BALANCES

	2025 RO '000	2024 RO '000
Cash at banks	13,753	44,130
Cash in hand	3	4
Cash and cash equivalents	<u>13,756</u>	<u>44,134</u>

12.1 The Company assessed that the expected credit losses related to bank balances are immaterial to the financial statements as a whole.

12.2 The Company has availed a working capital facility (overdraft and revolving short term loan) and bank guarantee from Ahli Bank SAOG for an amount of RO 15 million. The overdraft limit of RO 10 million is interchangeable between overdraft and revolving short term loan upon a condition that the combined utilisation of both the facilities not to exceed RO 15 million at any point of time. The facilities are unsecured, payable on demand and carry interest rate at the rate of 4% (31 December 2024: 4%) per annum. The overdraft facility was unutilised at both reporting dates.

13 SHARE CAPITAL

The Company's authorised, issued and paid up share capital consist of 210,000,000 shares (31 December 2024: 200,000,000 shares) of RO 1 each. The details of shareholders are as follows:

	2025 <i>Number of shares</i>	2024 <i>Number of shares</i>	2025 RO	2024 RO
Electricity Holding Company SAOC	209,979,000	199,980,000	209,979,000	199,980,000
Nama Shared Services LLC	10,500	10,000	10,500	10,000
Numo Institute for Competency Development LLC	10,500	10,000	10,500	10,000
	<u>210,000,000</u>	<u>200,000,000</u>	<u>210,000,000</u>	<u>200,000,000</u>

During the year ended 31 December 2025, the authorised share capital was increased by RO 10 million by issue of 10 million shares of RO 1 each.

14 LEGAL RESERVE

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

15 GENERAL RESERVE

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

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.

Nama Electricity Distribution Company SAOC

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2025

16 SHAREHOLDERS' FUNDS

The shareholder's fund represents the net carrying value of assets transferred on transfer of distribution business from related parties and transfer of supply business to a related party and conversion of shareholder loan.

During the year, assets relating to the distribution business were transferred to the Company from Rural Areas Electricity Company SAOC (RAECO), a fellow subsidiary under common control. The transfer was effected through an addendum to the original Business Transfer Agreement ("BTA") dated 10 October 2023. The assets transferred had a carrying amount of RO 5.43 million (cost of RO 8.13 million and accumulated depreciation of RO 2.70 million) as recorded in the books of the transferor as at the effective date of transfer, 1 January 2025. No consideration was paid for the transfer. As this transaction represents a common-control transfer, it has been accounted for using the carrying value method, with the assets recognised at their carrying amounts and no gain or loss recognised in profit or loss. The carrying amount of RO 5.43 million has been recognised directly in equity as an adjustment to Shareholders' Funds.

17 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 statement of comprehensive income only when the hedged transaction affects the statement of comprehensive income or included as a basis adjustment to the non-financial hedged item.

	2025 ₹'000	2024 ₹'000
Opening balance	2,739	4,796
Change in fair value during the year	(2,064)	(2,057)
	<u>675</u>	<u>2,739</u>
Less: Related deferred tax assets (note 33.4)	(100)	(410)
	<u>575</u>	<u>2,329</u>

At the reporting date, the Company has Interest Rates Swap (IRS) agreements covering 56.6% (31 December 2024: 43%) of the term loans with an interest rate ranging from 2.08% to 3.43% 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 ₹'000	Notional amount Total ₹'000	Notional by term to maturity more than		
			1 - 12 months ₹'000	1 upto 5 years ₹'000	Over 5 years ₹'000
31 December 2025					
Interest rate swaps	<u>675</u>	<u>175,256</u>	<u>74,001</u>	<u>101,255</u>	<u>-</u>
31 December 2024					
Interest rate swaps	<u>2,739</u>	<u>97,525</u>	<u>23,524</u>	<u>74,001</u>	<u>-</u>

Valuation techniques and significant inputs:

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

Nama Electricity Distribution Company SAOC

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2025

17 CASH FLOW HEDGING RESERVE (CONTINUED)

Type **Valuation techniques**

Interest rate 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 Company has 2 hedges and has established hedge ratios of 66% and 100%, compared to the targeted ratio of minimum 50%, against for the hedging relationships as the underlying risk of the interest rate swap is identical to the hedged risk component. The Company 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.

18 TERM LOANS

18.1 The movement in term loans during the year is as follows:

	2025	2024
	₹'000	₹'000
At 1 January	226,838	287,169
Less: Derecognition of old financial liability (note 18.3 D iii)	-	(100,420)
Add: Recognition of new financial liability (note 18.3 D iii)	-	100,420
Add: Obtained during the year (note 18.3 E)	139,126	-
Less: Repayments made during the year	(57,462)	(57,444)
Less: Modification gain on financial liability (note 34)	-	(3,646)
Add: Unwinding of financial liability (note 32)	1,230	759
	309,732	226,838
Less: Unamortised transaction costs (note 18.2)	(1,826)	(2,003)
	307,906	224,835

18.2 The movement of unamortised transaction costs is as follows:

	2025	2024
	₹'000	₹'000
At 1 January	2,003	1,937
Addition during the year	710	1,626
Less: Amortised during the year (note 32)	(887)	(1,560)
	1,826	2,003

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

	2025	2024
	₹'000	₹'000
Term loans - current portion	58,069	56,233
Unamortised costs - current portion	(760)	(852)
	57,309	55,381
Term loans - non-current portion	251,663	170,605
Unamortised costs - non-current portion	(1,066)	(1,151)
	250,597	169,454
	307,906	224,835

Nama Electricity Distribution Company SAOC

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2025

18 TERM LOANS (CONTINUED)

The Company previously had the following term facilities:

- A The Company 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 outstanding amounted to Nil (31 December 2024: Nil).
- (ii) USD 320 million (equivalent to RO 123 million), at floating interest rate. At the reporting date, the balance outstanding amounted to Nil (31 December 2024: Nil).
- 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 outstanding amounted to Nil (31 December 2024: Nil).
- (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 outstanding amounted to Nil (31 December 2024: Nil).
- (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 outstanding amounted to Nil (31 December 2024: Nil).
- 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 outstanding amounted to Nil (31 December 2024: Nil).
- (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 outstanding amounted to Nil (31 December 2024: Nil).
- D The facilities as disclosed in note 18 (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 outstanding amounted to RO 61.3 million (31 December 2024: RO 82.3 million).
- (ii) USD 430.4 million (equivalent to OMR 165.7 million), at a floating interest rate. At the reporting date, the balance outstanding amounted to RO 110.9 million (31 December 2024: 147.5 million).

Nama Electricity Distribution Company SAOC

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2025

18 TERM LOANS (CONTINUED)

(iii) During the year 2024, term loans of the Company 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 Company's rights and obligation under the loan agreement and concluded that the 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 Company's and Country improved credit ratings. Accordingly, modification gain of RO 3.6 million has been recorded in the 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 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.

E The Company entered into Bilateral Term Loan Facility Agreement with the following banks:

- (i) Arab Banking Corporation USD 100 million (equivalent to OMR 38.5 million) bearing interest at a floating rate, repayable in full on 30 August 2030. At the reporting date, the balance outstanding amounted to OMR 38.5 million (31 December 2024: Nil).
- (ii) Oman Arab Bank SAOG for USD 78 million (equivalent to OMR 30 million) bearing interest at a floating rate, repayable in full on 30 August 2030. At the reporting date, the balance outstanding amounted to OMR 30 million (31 December 2024: Nil).
- (iii) Arab Bank plc for USD 85 million (equivalent to OMR 32.7 million) bearing interest at a floating rate, repayable in full on 30 August 2030. At the reporting date, the balance outstanding amounted to OMR 32.7 million (31 December 2024: Nil).
- (iv) Qatar National Bank QPSC OMR 10 million, bearing interest at a fixed rate, with annual interest review, and repayable in full on 29 September 2030. At the reporting date, the balance outstanding amounted to OMR 7 million (31 December 2024: Nil).
- (v) Ahli Islamic Bank SAOG OMR 13.75 million, bearing interest at a fixed rate, with annual interest review, and repayable in full on 05 October 2030. At the reporting date, the balance outstanding amounted to OMR 9.87 million (31 December 2024: Nil).
- (vi) Bank Muscat SAOG OMR 50 million, bearing interest at a fixed rate and maturing on 31 December 2030. At the reporting date, the balance outstanding amounted to OMR 21 million (31 December 2024: Nil).

18.4 Compliance with covenants

The term loan facilities as disclosed in D & E 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 Company is required to comply. The details of financial covenants are as below:

- (i) Net debt to equity ratio of the Company as of reporting date was 1.44 times (31 December 2024: 1.45 times) against the maximum limit of 2.33 times.
- (ii) Debt service coverage ratio of the Company for the year was 1.58 times (31 December 2024: 1.55 times) against the minimum requirement of 1.10.

At 31 December 2025 and 2024, the Company was in compliance with these covenants.

Nama Electricity Distribution Company SAOC

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2025

19 LONG TERM BORROWINGS - SUKUKS

- a) In 2017, the Company raised long-term finance to meet the capital expenditure needs through assets backed Sukuk route. In order to facilitate the funding the Company formed Mazoon Assets Company SAOC, a Special Purpose Vehicle (SPV), 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 Company raised long-term finance to meet the capital expenditure and to refinance its short-term 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. The following issuances were made in 2024 under the program:
- (i) 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, structured under the Shari'a-compliant Ijara structure, with a profit rate set at 5.50%. Profit payments are due on 14 February and 14 August each year during the Sukuk's tenure, and the certificates are due for full repayment on 14 February 2029. The Certificates were issued on 14 February 2024 and are listed on the London Stock Exchange.
- (ii) On 7 October 2024, Mazoon Assets Company SAOC successfully priced its Reg S/144A US\$ 750 million (RO 288.75 million) 7-year Sukuk offering, structured under the Shari'a-compliant Ijara structure, with a profit rate set at 5.25%. Profit payments are due on 9 April and 9 October each year during the Sukuk's tenure, and the certificates are due for full repayment on 9 October 2031. The Certificates were issued on 9 October 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 statement of financial position.

	2025 S'000	2024 S'000
Long term borrowings - Sukuks	673,750	673,750
Less: unamortised transaction cost (note 19.1)	(3,487)	(4,428)
	<u>670,263</u>	<u>669,322</u>

19.1 The movement of unamortised transaction costs is as follows:

	2025 S'000	2024 S'000
At 1 January	4,428	436
Additions during the year	-	4,661
Amortised during the year (note 32)	(941)	(669)
	<u>3,487</u>	<u>4,428</u>

Nama Electricity Distribution Company SAOC

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2025

20 DEFERRED REVENUE

20.1 The movement in deferred revenue during the year is as follows :

	<i>Installation and connection charges ₹'000 (Note 20.2)</i>	<i>Government sponsored projects/ Customer contributed assets ₹'000 (Note 20.3)</i>	<i>Regulatory base asset adjustment liability / (asset) ₹'000 (Note 20.4)</i>	<i>Total ₹'000</i>
31 December 2025				
At the beginning of the year	89,706	137,016	3,201	229,923
Addition during the year	6,596	5,247	-	11,843
Amortised during the year (note 28)	(5,767)	(5,925)	(16,347)	(28,039)
Reclassified to trade and other receivables and prepayment (note 11)	-	-	13,146	13,146
At the end of the year	<u>90,535</u>	<u>136,338</u>	<u>-</u>	<u>226,873</u>
31 December 2024				
At the beginning of the year	88,041	135,466	20,991	244,498
Addition during the year	7,168	7,280	-	14,448
Amortised during the year (note 28)	(5,503)	(5,730)	(17,790)	(29,023)
At the end of the year	<u>89,706</u>	<u>137,016</u>	<u>3,201</u>	<u>229,923</u>

20.2 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 year of time as per IFRS 15. The Company 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 year.

20.3 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.

20.4 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.

20.5 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 31 December 2025:

	2025 ₹'000	2024 ₹'000
Current portion		
Installation and connection charges	5,767	5,503
Government sponsored projects / customer contributed assets	5,527	5,730
Regulatory Asset Base adjustment	-	3,201
	<u>11,294</u>	<u>14,434</u>
Non-current portion		
Installation and connection charges	84,768	84,203
Government sponsored projects / customer contributed assets	130,811	131,286
	<u>215,579</u>	<u>215,489</u>
	<u>226,873</u>	<u>229,923</u>

Nama Electricity Distribution Company SAOC

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2025

21 LEASE LIABILITIES

Lease liabilities includes leasehold land acquired under the usufruct agreements with the Government of the Sultanate of Oman, leasehold vehicles and buildings under relevant contracts (right of use assets). The lease arrangements carry an interest rate ranging from 5.25% to 6.1% (31 December 2024: ranging from 5.6% to 6.1%) per annum implicit in the lease on reducing balance method and is repayable over a period of 4 to 60 years as per contract terms. Amounts due within a year from the end of reporting year are disclosed as a current liability.

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

	2025 S'000	2024 S'000
At the beginning of the year	16,997	16,659
Interest on lease liabilities (note 32)	1,119	1,104
Additions (note 7)	3,311	1,957
Adjustment to lease liability	(378)	-
Terminations of lease liability	(35)	(443)
Payment (interest and principal)	(2,363)	(2,280)
	<u>18,651</u>	<u>16,997</u>

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

Current portion	1,552	1,129
Non - current portion	17,099	15,868
	<u>18,651</u>	<u>16,997</u>

21.3 Amounts recognised in the statement of comprehensive income:

Depreciation on right-of-use assets (note 7.1)	1,553	1,499
Interest on lease liabilities (note 32)	1,119	1,104
	<u>2,672</u>	<u>2,603</u>

The maturity analysis of lease liabilities are disclosed in note 35.3

22 EMPLOYEES' END OF SERVICE BENEFITS

	2025 S'000	2024 S'000
At the beginning of the year	1,935	2,537
Charge for the year	61	80
Payments during the year	(162)	(682)
At 31 December	<u>1,834</u>	<u>1,935</u>

23 TRADE AND OTHER PAYABLES

	2025 S'000	2024 S'000
Trade payables	6,272	10,338
Amount due to related parties (note 25.4)	20,842	27,514
Creditors for capital projects	28,760	14,830
Accruals and other payables	56,840	55,318
	<u>112,714</u>	<u>108,000</u>

23.1 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 25.

For explanation on the Company's liquidity risk management process, refer note 35.3.

Nama Electricity Distribution Company SAOC

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2025

24 SHORT TERM BORROWINGS

	2025 S'000	2024 S'000
24.1 The Break up of short term borrowings is as follows:		
Bridge loan facilities (note 24.4)	71,500	91,500
Loan from a related party (note 25.4)	-	72,987
	<u>71,500</u>	<u>164,487</u>
Unamortised transaction costs (note 24.3)	(15)	(24)
	<u><u>71,485</u></u>	<u><u>164,463</u></u>

24.2 The movement in short term borrowings is as follows:

	2025 S'000	2024 S'000
At the beginning of the year	164,487	451,237
Addition during the year	121,500	45,000
Less: repayment during the year	(214,487)	(331,750)
	<u><u>71,500</u></u>	<u><u>164,487</u></u>

24.3 The movement of unamortised transaction cost is as follows:

	2025 S'000	2024 S'000
At the beginning of the year	24	168
Add: Additions during the year	30	94
Less: amortised during the year (note 32)	(39)	(238)
	<u><u>15</u></u>	<u><u>24</u></u>

24.4 Bridge loan facilities

- a The Company vide an agreement dated 27th July 2022 entered into a Wakala Bridge facility agreement with Alizz Islamic Bank SAOC for an amount of RO 35 million. As at 31 December 2025, the outstanding balance under this facility is RO Nil (31 December 2024: RO 20 million). The loan is unsecured and was repaid on 31 July 2025.
- b 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 Company SAOC (MJEC). The loans are unsecured.
 - (i) The Company has taken over RO 40.5 million short-term bridge facility with Oman Arab Bank SAOG from MJEC. As at 31 December 2025, the outstanding balance under this facility was RO Nil (31 December 2024: Nil). The loan was repaid on 22 October 2024 out of the proceeds of the US\$ 750 million Sukuk Issuance.
 - (ii) The Company 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 12 January 2025 and final maturity on 28 March 2025. As at 31 December 2025, the outstanding balance under this facility is RO Nil (31 December 2024: RO 49 million). The loan was repaid on 27 March 2025 out of the proceeds of the RO 71.5 million from Sohar International Bank SAOG.
 - (iii) The Company has taken over RO 40.5 million short-term bridge facility with Sohar International Bank SAOG from MJEC. As at 31 December 2025, the outstanding balance under this facility is RO Nil (31 December 2024: RO Nil). The loan was repaid on 22 October 2024 out of the proceeds of the US\$ 750 million Sukuk Issuance.

Nama Electricity Distribution Company SAOC

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2025

24 SHORT TERM BORROWINGS (CONTINUED)

- c The Company 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 facility was renewed on 25 March 2025 with limit enhancement by OMR 49 million and the additional facility drawdown was used to repay one of the existing bridge facility. The outstanding balance of this facility as of 31 December 2025 is RO 71.5 million (31 December 2024: 22.5 million). The loan is unsecured and is maturing on 31 March 2026.
- d In 2023 the Company 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 31 December 2025 was nil (31 December 2024: nil). The loan was unsecured and was repaid on 22 February 2024 out of the proceeds of the US\$ 500 million Sukuk Issuance.
- e 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 31 December 2025, the outstanding balance under this facility is nil (31 December 2024: nil). The loan is unsecured and was repaid on 15 December 2025 and reached its contractual maturity on 27 December 2025.
- f The Company has taken over RO 28.50 million part of the bridge facility with National Bank Of Oman SAOG from RAECO. As part of the reorganization of the electricity sector, the facility pertaining to distribution businesses have been novated from Rural Areas Electricity Company SAOC (RAECO). The facility reached its contractual maturity on 30-June-2025.
- g The Company 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 31 December 2025 is RO Nil (31 December 2024: Nil). The loan was unsecured and was repaid on 22 October 2024 out of the proceeds of the US\$ 750 million Sukuk Issuance.

25 RELATED PARTY TRANSACTIONS AND BALANCES

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

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

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

Nama Electricity Distribution Company SAOC

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25 RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

25.1 The Company had the following transactions with related parties during the year:

	2025 S'000	2024 S'000
Entities under common control:		
Oman Electricity Transmission Company SAOC		
Transmission connection charges (note 29)	26,575	26,396
Transmission connection advance settlement	96	168
Capital Projects and advances	1,881	3,583
Dhofar Integrated Services Company SAOC		
Management recharge	69	49
AMR meter purchase	622	-
Secondment of staff	-	1
Nama Electricity Supply Company SAOC		
Distribution use of system charges - revenue	285,588	277,946
Interest on loan	2,355	3,206
Electricity charges	1,803	1,299
Service expense	302	92
Management recharge	79	543
Oman Water and Wastewater Services Company SAOC		
Water service charges	115	108
Management recharge	-	214
Shareholders:		
Electricity Holding Company SAOC		
Shareholders service charges	45	23
Restructuring expense	-	1,061
Service expense	553	35
Capital Projects	194	-
Numo Institute for Competency Development LLC		
Training expenses	66	293
Nama Shared Services LLC		
IT Support service charges	3,300	4,603
Subsidiary:		
Mazoon Asset Company SAOC		
Interest on long-term loans - sukuks (note 32)	35,757	22,958

25.2 Key management benefits

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

	2025 S'000	2024 S'000
Salaries and other short term benefits	884	751
End of service benefits	29	55
Directors' remuneration and sitting fees (note 30)	108	64
	<u>1,021</u>	<u>870</u>
Number of persons in key management	<u>8</u>	<u>9</u>

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25 RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

25.3 Amounts due from related parties (note 11)

	2025 S'000	2024 S'000
Entities under common control:		
Nama Electricity Supply Company SAOC	32,822	38,421
Majan Electricity Company SAOC	290	274
Oman Electricity Transmission Company SAOC	1	703
Wadi Al Jizzi Power Co.	16	16
Oman Water and Wastewater Services Company SAOC	766	778
Dhofar Integrated Services Company SAOC	308	37
Ghubra Power & Desalination Company SAOC	63	75
Rural Areas Electricity Company SAOC	190	359
Shareholders:		
Electricity Holding Company SAOC	-	901
	34,456	41,564

25.4 Amounts due to related parties (note 23)

	2025 S'000	2024 S'000
Entities under common control:		
Oman Electricity Transmission Company SAOC	9,409	8,064
Nama Electricity Supply Company SAOC	338	2,482
Majan Electricity Company SAOC	250	250
Rural Areas Electricity Company SAOC	8	8
Dhofar Integrated Services Company SAOC	622	-
Shareholders:		
Electricity Holding Company SAOC	282	4,641
Numo Institute for Competency Development LLC	11	393
Nama Shared Services LLC	765	2,500
Subsidiary:		
Mazoon Asset Company SAOC	9,157	9,176
	20,842	27,514
	2025	2024
	S'000	S'000
Entities under common control:		
Loan from Nama Electricity Supply Company SAOC (note 24.1)	-	72,987

26 DIVIDENDS

The Board of Directors have proposed a cash dividend amounting to Nil (31 December 2024: RO 10 million) for the year ended 31 December 2025.

Nama Electricity Distribution Company SAOC

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27 COMMITMENTS AND CONTINGENT LIABILITIES

	2025 ₹'000	2024 ₹'000
Capital commitments	84,687	95,659
Letter of guarantee	741	741
	<u>85,428</u>	<u>96,400</u>

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

28 REVENUE

	2025 ₹'000	2024 ₹'000
Over period of time		
Disaggregation of revenue		
Distribution use of system revenue	285,588	277,946
Revenue excess of Maximum Allowed Revenue as per price control formula (note 28.1)	1,791	2,604
Less: System and security penalties (note 28.2)	(6,934)	(2,214)
Installation and connection charges (note 20.1)	5,767	5,503
Funds for Government sponsored projects / customer contributed assets (note 20.1)	5,925	5,730
Regulatory Asset Base adjustment (note 20.1)	16,347	17,790
	<u>308,484</u>	<u>307,359</u>

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

28.2 Distribution Use of System (DUOS) Revenue and system loss penalty for the year 2025 includes the reversal of Regulated Units Distributed (RUD) units. The RUD units reversal pertains to estimated billing by Nama Electricity Supply Company SAOC (NESC). The reversal of RUD units has been challenged by the Company and has requested Authority for Public Services Regulation (APSR) views on the treatment of the RUD units by the NESC. However, penalties have been recognised and the matter is pending with APSR for which the response is awaited.

29 OPERATING COSTS

	2025 ₹'000	2024 ₹'000
Depreciation on property, plant and equipment (note 6.6)	97,659	91,412
Maintenance and repairs expenses	24,526	24,659
Transmission connection charges (note 25.1)	26,575	26,396
Meter reading charges	12,378	9,867
Spares and consumable expenses	3,339	3,817
Depreciation on right-of-use assets (note 7.1)	350	344
Other direct costs	273	144
	<u>165,100</u>	<u>156,639</u>

Nama Electricity Distribution Company SAOC

NOTES TO THE FINANCIAL STATEMENTS

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30 GENERAL AND ADMINISTRATIVE EXPENSES

	2025 <u>₹</u> '000	2024 <u>₹</u> '000
Employees' costs (note 30.1)	39,446	37,877
Services expenses	12,340	12,835
Depreciation on property, plant and equipment (note 6.6)	1,171	1,081
Depreciation on right-of-use assets (note 7.1)	1,203	1,155
Amortisation on intangible assets (note 8)	669	574
Telephone expenses	405	434
Distribution code review panel expenses	340	378
Directors' remuneration and sitting fees (note 25.2)	108	64
(Reversal) / provision for inventories obsolescence (note 10.1)	(134)	401
Legal and penalty expenses	101	1,270
Other expenses	2,563	2,533
	<u>58,212</u>	<u>58,602</u>

	2025 <u>₹</u> '000	2024 <u>₹</u> '000
30.1 <i>Employees' costs</i>		
Wages and salaries	23,904	22,865
Other allowances and benefits	15,580	15,666
Accruals for end of service benefits	61	56
Employee Voluntary Exit Scheme Expenses (note 30.2)	(99)	(710)
	<u>39,446</u>	<u>37,877</u>

30.2 Voluntary Exit Scheme (VES) is a program for early retirement for the purpose of optimizing staff cost which was initially launched in 2023. During the year 2025, an amount of RO 0.14 million was paid and excess provision of RO 0.1 million reversed. As at 31 December 2025 RO 0.03 million (31 December 2024 RO 0.3 million) is payable.

31 OTHER INCOME

	2025 <u>₹</u> '000	2024 <u>₹</u> '000
Penalties and fines	1,049	1,458
Gain on disposal of property, plant and equipment	-	106
Gain on termination of lease liability	11	70
Sale of Government contracts forms & tenders	242	135
Liabilities no longer payable	7,887	699
Scrap sale	1,129	4,836
Miscellaneous income (note 31.1)	1,216	1,507
	<u>11,534</u>	<u>8,811</u>

31.1 The miscellaneous income is related to the management recharge and other revenues not specifically referred above.

Nama Electricity Distribution Company SAOC

NOTES TO THE FINANCIAL STATEMENTS

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32 FINANCE COSTS

	2025 S'000	2024 S'000
Interest on long-term loans - sukuks	35,757	22,958
Interest on short-term borrowings	7,074	18,469
Interest on term loans	11,705	15,154
Amortized transaction cost - term loans (note 18.2)	887	1,560
Interest on lease liabilities (note 21.1)	1,119	1,104
Amortized transaction cost - long term loans - sukuks (note 19.1)	941	669
Amortized transaction - short term borrowings (note 24.3)	39	238
Interest on bank overdrafts	83	201
Modification gain on financial liability (note 18)	-	(3,646)
Unwinding of financial liability (note 18)	1,230	759
Bank charges	6	6
	58,841	57,472

33 TAXATION

33.1 Tax expense recognised in the statement of comprehensive income is as follows:

	2025 S'000	2024 S'000
<i>i) Statement of profit and loss</i>		
Deferred tax	13,666	19,963
	13,666	19,963
<i>ii) Statement of other comprehensive income</i>		
Deferred tax reversal	(310)	(309)

The Company is subject to income tax at the rate of 15% (31 December 2024:15%) 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 statement of comprehensive income.

33.2 Movement in current tax and deferred tax payable during the year was as follows:

	Current tax		Deferred tax liability	
	2025 S'000	2024 S'000	2025 S'000	2024 S'000
At 1 January	-	-	99,670	80,016
Charge for the year	-	-	13,356	19,654
Payment during the year	-	-	-	-
At 31 December	-	-	113,026	99,670

33.3 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% (2024:15%):

	2025 S'000	2024 S'000
Profit before tax	29,874	42,185
Income tax as per applicable tax rate	4,481	6,328
Deferred tax on carry forward losses	9,185	13,635
Tax charge for the year	13,666	19,963

Nama Electricity Distribution Company SAOC

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2025

33 TAXATION (CONTINUED)

33.4 Deferred tax

Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 15% (2024: 15%). Deferred tax asset of RO 10.5 million (2024: RO 13.6 million) on carry forward tax losses for the current year has not been recognized as management believes that there are remote chances of having taxable income in foreseeable future years 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:

	2025 <u>RO</u> '000	2024 <u>RO</u> '000
Allowance for expected credit losses	(274)	(434)
Deferred revenue	(2,835)	(3,030)
Provision for stores and spares obsolescence	(184)	(205)
Lease liabilities (including usufruct charges)	(258)	(271)
Provision for legal expenses	(256)	(250)
Transaction cost - long term loans	232	229
Modification gain	248	433
Transaction costs - long term loans - Sukuks	523	664
Impairment of CWIP & intangible assets	(1,735)	(691)
Fair value adjustment of cash flow hedge (note 17)	100	410
Carry forward losses	(1,290)	-
Accelerated depreciation	118,755	102,815
	<u>113,026</u>	<u>99,670</u>

33.5 Status of assessments

Tax assessments for the years 2022 to 2024 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 statement of comprehensive income for the year ended 31 December 2025.

33.6 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.

33.7 BEPS Pillar Two

On 31 December 2024, Oman issued Royal Decree Number 70/2024, enacting new global minimum tax rules to align with the Organization for Economic Co-operation and Development (OECD) Base Erosion and Profit Shifting (BEPS) Pillar Two rules (GloBE Rules). The enacted law introduces a domestic minimum top up tax (DMTT) and an Income Inclusion Rule (IIR), effective from 1 January 2025. This tax applies to entities that are part of an MNE Group with annual revenues amounting to or exceeding the Rial Omani equivalent of EUR 750 million or more in two of the last four financial years. The taxable income and effective tax rate will be calculated in accordance with the Executive Regulations to the Royal Decree, which are expected to be issued during 2026.

For the year ended 31 December 2025, the GloBE Rules are not expected to have a significant impact on income tax expense for the Company as the Holding Company is currently in the process of assessing the impact. The Company will continue to monitor the legislation and accrue any potential top-up tax in the year 2026, in accordance with the IAS 12 Amendments and consider the Transitional Country-by-Country (CbC) Safe Harbour relief. In the absence of Executive Regulations to the Royal Decree, the potential exposure, if any, for Pillar Two income taxes is currently not known or could not be reasonably estimated.

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34 CAPITAL MANAGEMENT

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

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

	2025 Rp'000	2024 Rp'000
Net debt		
Term loans	307,906	224,835
Long term borrowings - Sukuks	670,263	669,322
Lease liabilities	18,651	16,997
Short term borrowings	71,485	164,463
Less: Cash and bank balances	(13,756)	(44,134)
	1,054,549	1,031,483
Equity (excluding cash flow hedge reserve)		
Share capital	210,000	200,000
Legal reserve	68,287	66,667
Retained earnings	36,933	32,345
Shareholders' fund	424,587	419,155
	739,807	718,167
Equity and net debt	1,794,356	1,749,650
Gearing ratio	58.8%	59.0%

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

35 FINANCIAL RISK MANAGEMENT

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

- Market risk
- Credit risk
- Liquidity risk

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

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

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NOTES TO THE FINANCIAL STATEMENTS

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35 FINANCIAL RISK MANAGEMENT (CONTINUED)

35.1 Market risk

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

Price risk

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

Interest rate risk

The Company has borrowings which are interest bearing and exposed to changes in underlying interest rates. The Company has entered into interest rate swaps to hedge its interest rate risk exposure on its term loans. The Company actively manages its interest rate exposure by negotiating competitive interest rates for its short-term borrowings, reflecting current market conditions. The Company'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 Company does not account for any fixed rate financial liabilities at fair value through profit or loss and the Company does not designate hedging instruments under a fair value hedge accounting model. Therefore a change in interest rate at the reporting date would not affect the statement of comprehensive income.

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

	2025 RO'000	2024 RO'000
Financial liabilities		
Term loans	307,906	224,835
Long term borrowings - Sukuks	670,263	669,322
Lease liabilities	18,651	16,997
Short term borrowings	71,485	164,463
	<u>1,068,305</u>	<u>1,075,617</u>

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 statement of comprehensive income by the amounts of RO 2 million (2024: RO 3.1 million). This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

Foreign currency risk

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

Nama Electricity Distribution Company SAOC

NOTES TO THE FINANCIAL STATEMENTS

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35 FINANCIAL RISK MANAGEMENT (CONTINUED)

35.2 Credit risk

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

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

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

	2025 ₹'000	2024 ₹'000
Amounts due from related parties	34,456	41,564
Other receivables	1,102	1,197
Long term deposit	500	500
Bank balances	13,753	44,130
	49,811	87,391

Credit quality disclosure

	<i>ECL Model</i>	<i>12 months or Lifetime ECL</i>	<i>Gross amounts ₹'000</i>	<i>ECL ₹'000</i>	<i>Net carrying amounts ₹'000</i>
31 December 2025					
Amount due from related parties	External rating based PDs	Lifetime	34,456	(912)	33,544
Other receivables	Provision matrix	Lifetime	1,102	(1)	1,101
Bank balances	External rating based PDs	12 month	13,753	-	13,753
Long term deposit	External rating based PDs	12 month	-	-	-
31 December 2024					
Amount due from related parties	External rating based PDs	Lifetime	41,564	(1,681)	39,883
Other receivables	Provision matrix	Lifetime	1,197	(3)	1,194
Bank balances	External rating based PDs	12 month	44,130	-	44,130
Long term deposit	External rating based PDs	12 month	-	-	-

For other receivables and amount due from related parties, the Company has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Company determines the expected credit losses on these items by using a provision matrix 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.

Nama Electricity Distribution Company SAOC

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35 FINANCIAL RISK MANAGEMENT (continued)

35.2 Credit risk (continued)

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

	Current ₹'000	0-30 ₹'000	30-90 ₹'000	90-365 ₹'000	Above 365 ₹'000	Total ₹'000
31 December 2025						
Gross amounts	473	585	24	3	17	1,102
ECL	-	-	-	-	1	1
Percentage	0%	0%	0%	0%	6%	0%
31 December 2024						
Gross amounts	838	-	214	-	145	1,197
ECL	-	-	-	-	3	3
Percentage	0%	0%	0%	0%	2%	0%

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

	31 December 2025			31 December 2024		
	Gross amounts ₹'000	ECL ₹'000	Past due but not impaired ₹'000	Gross amounts ₹'000	ECL ₹'000	Past due but not impaired ₹'000
Ba3	34,456	(912)	33,544	41,564	(1,681)	39,883

Bank balances and long term bank deposit

The Company limits its credit risk with respect to bank deposit by only dealing with banks with high credit rating. The Company's bank accounts are placed with reputed financial institutions with a minimum credit rating of Ba3 (2024: 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.

	2025 ₹'000	2024 ₹'000
Bank balances:		
Bank Muscat SAOG	5,302	18,277
Oman Arab Bank SAOG	6,665	12,659
Sohar International Bank SAOG	461	281
Ahli Bank SAOG	28	12,477
Qatar National Bank QPSC	2	-
National Bank Oman SAOG	1,295	436
	13,753	44,130

35.3 Liquidity risk

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

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

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35 FINANCIAL RISK MANAGEMENT (CONTINUED)

35.3 Liquidity risk (continued)

	<i>Carrying amount</i>	<i>Contractual cash flow</i>	<i>Less than 3 months</i>	<i>3 months to 1 year</i>	<i>1 year to 5 years</i>	<i>> 5 years</i>
<i>31 December 2025</i>	<i>₹'000</i>	<i>₹'000</i>	<i>₹'000</i>	<i>₹'000</i>	<i>₹'000</i>	<i>₹'000</i>
Non-interest bearing						
Trade and other payables	91,872	91,872	91,872	-	-	-
Amounts due to related parties	20,842	20,842	20,842	-	-	-
	112,714	112,714	112,714	-	-	-
Interest bearing						
Term loan	307,906	362,556	18,607	54,773	289,175	-
Long term loans - Sukuks	670,263	821,783	5,294	30,463	482,116	303,909
Short term borrowings	71,485	72,337	72,337	-	-	-
Lease liabilities	18,651	43,835	676	2,027	7,903	33,230
	1,068,305	1,300,510	96,914	87,263	779,195	337,139
	1,181,019	1,413,224	209,628	87,263	779,195	337,139
	<i>Carrying amount</i>	<i>Contractual cash flow</i>	<i>Less than 3 months</i>	<i>3 months to 1 year</i>	<i>1 year to 5 years</i>	<i>> 5 years</i>
<i>31 December 2024</i>	<i>₹'000</i>	<i>₹'000</i>	<i>₹'000</i>	<i>₹'000</i>	<i>₹'000</i>	<i>₹'000</i>
Non-interest bearing						
Trade and other payables	80,486	80,486	80,486	-	-	-
Amounts due to related parties	27,514	27,514	27,514	-	-	-
	108,000	108,000	108,000	-	-	-
Interest bearing						
Term loan	224,835	261,554	18,062	52,977	190,515	-
Long term loans - Sukuks	669,322	857,539	5,294	30,463	502,714	319,069
Short term borrowings	164,463	167,048	92,923	74,125	-	-
Lease liabilities	16,997	42,251	551	1,654	6,316	33,730
	1,075,617	1,328,393	116,830	159,219	699,545	352,799
	1,183,617	1,436,393	224,830	159,219	699,545	352,799

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

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35 FINANCIAL RISK MANAGEMENT (CONTINUED)

35.4 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.

	<i>Designated at FVOCI</i>	<i>Amortised cost</i>	<i>Total Carrying value</i>	<i>Fair value</i>
31 December 2025	₹'000	₹'000	₹'000	₹'000
<i>Financial assets</i>				
<i>Long term deposit</i>				
Cash and bank balances	-	13,756	13,756	13,756
Trade and other receivables	-	60,483	60,483	60,483
Derivative financial instruments	675	-	675	675
	675	74,239	74,914	74,914
<i>Financial liabilities</i>				
Term loans	-	307,906	307,906	307,906
Long term borrowings - Sukuks	-	670,263	670,263	684,118
Short term borrowings	-	71,485	71,485	71,485
Trade and other payables	-	112,714	112,714	112,714
Lease liabilities	-	18,651	18,651	18,651
	-	1,181,019	1,181,019	1,194,874
	<i>Designated at FVOCI</i>	<i>Amortised cost</i>	<i>Total Carrying value</i>	<i>Fair value</i>
31 December 2024	₹'000	₹'000	₹'000	₹'000
<i>Financial assets</i>				
<i>Long term deposit</i>				
Cash and bank balances	-	44,134	44,134	44,134
Trade and other receivables	-	42,431	42,431	42,431
Derivative financial instruments	2,739	-	2,739	2,739
	2,739	86,565	89,304	89,304
<i>Financial liabilities</i>				
Term loans	-	224,835	224,835	224,835
Long term borrowings - sukuks	-	669,322	669,322	666,286
Short term borrowings	-	164,463	164,463	164,463
Trade and other payables	-	108,000	108,000	108,000
Lease liabilities	-	16,997	16,997	16,997
	-	1,183,617	1,183,617	1,180,581

36 EARNINGS PER SHARE

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

	2025	2024
	₹'000	₹'000
Profit for the year:	16,208	22,222
Weighted average number of shares outstanding during the year (number of shares in thousands)	200,082	200,000
Basic and diluted earnings per share (Baizas)	0.081	0.111

The weighted average number of shares takes into account the weighted average effect of period from the date of incorporation of the Company and the reporting date. Had the earnings per share been calculated assuming the entire 10 million shares were issued for the full period, the earnings per share would have been RO 0.077.

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NOTES TO THE FINANCIAL STATEMENTS

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37 SEGMENT REPORTING

The CEO and executive management team are the Company's Chief Operating Decision-Makers (CODM). Up to 31 May 2023, the principal activities of the Company 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 NESO, effective from 1 June 2023 the principal activity of the Company 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 Company that will lead to determination of other operating segments. Accordingly, CODM has determined that the Company has only one operating segment, which is consistent with the internal reporting and performance measurement.

38 CLIMATE RELATED RISKS

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

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

39 EVENTS AFTER THE REPORTING DATE

As per the recent significant developments in the geopolitical landscape of the Middle East that have occurred after the close of our reporting period, there has been a marked escalation of conflict, impacting several countries across the region. This escalation has resulted in extensive airspace closures, notable disruptions to maritime trade routes, increased volatility in energy markets, and a general rise in economic uncertainty.

Since these events transpired after the reporting date, they do not reflect conditions that existed as of year-end. In accordance with IAS 10, these are classified as non-adjusting subsequent events. Nonetheless, the profound nature of these developments and their potential indirect effects, including shifts in economic conditions, fluctuations in market pricing, changes in funding costs, and increased operational risk make it important to disclose them as material non-adjusting subsequent events.

Management is actively monitoring the situation as it unfolds and continues to assess any possible implications for the Company's operations, financial standing, and future outlook.