Dhofar Integrated Services Company SAOC

REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2023

Directors Reports 2023

Our valued shareholders,

On my behalf and on behalf of the Board of Directors of Dhofar Integrated Services Company SAOC, I am pleased to present to you a summary of the company's performance, its activities, and the events and achievements that the company witnessed during 2023. It also explains the company's financial performance for the year ended on December 31, 2023.

Company structure

During the year 2023, sector law regulating the water and wastewater sectors was issued in accordance with Royal Decree 40/2023. Following the issuance of the sector law, a license was issued to the Dhofar Integrated Services Company, and accordingly, the Company undertakes water and wastewater activities in the Dhofar Governorate.

Achievements

The number of customers at the end of the year reached 290,633 for the three sectors (electricity, water, and wastewater). The company has completed many projects to enhance customer services, as it managed and operated an integrated customer services center, which is the only center in the Gulf that provides all three services to customers. The Company achieved 96% Customer satisfaction rate for electricity customer complaints. The company succeeded in achieving an overall customer satisfaction rate of 71% in 2023. In addition, the Company increased the inhouse collection to 57% compared to 2022.

This achievement was result of reliance on the efficiency of the company's 636 employees, with an Omanization rate of 95.6%. The Company pays great attention to Omani employees and provides continuous training and development required to achieve the company's vision. Company vision: "Sustainable Services, Prosperous Community."

Future Plans

The company has prepared its business plan for the period 2023-2025 for the Authority of Public Services Regulation (APSR) within the framework of price control for the electricity, water, and wastewater sectors. The company has completed work on its vital projects to ensure service continuity. The Authority also approved the company's budgets in the electricity, water, and wastewater sector, including development projects worth 56.1 million riyals to be implemented during the years 2024 to 2025.

Thanks, and appreciation.

I am honored, on my behalf and on behalf of the Board members and employees of the company, to extend the highest thanks, gratitude, and appreciation to His Majesty Sultan Haitham bin Tariq, may God protect him, and to his wise government for their constant support and for their tireless efforts for the advancement and prosperity of our beloved country in various fields.

I am also pleased to extend my sincere thanks to the Authority of Public Service Regulation, Oman Investment Authority, Ministry of Finance, and Nama Holding Company for the distinguished support, and my thanks go to all shareholders, customers, suppliers and contractors and employees for their continued support, as we look forward to another year full of valued achievements.

Mohammed Al Shuaili
Chairman

Dhofar Integrated Services Company SAOC

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF DHOFAR INTEGRATED SERVICES COMPANY SAOC

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Dhofar Integrated Services Company SAOC (the "Company"), which comprise the statement of financial position as at 31 December 2023, 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 a 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 2023 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis of 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 relating to going concern

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

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 IFRSs and their preparation in compliance with the relevant requirements of the Commercial Companies Law of 2019 of the Sultanate of Oman, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the 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.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF DHOFAR INTEGRATED SERVICES COMPANY SAOC (continued)

Report on the audit of the financial statements (continued)

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with ISAs, we exercise professional 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.
- 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 the 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.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF DHOFAR INTEGRATED SERVICES COMPANY SAOC (continued)

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;
- based on the information that has been made available to us, except for the non-compliance with Article 130 of Commercial Companies Law of 2019 described in following paragraph, nothing has come to our attention, which causes us to believe that the Company has contravened, during the year ended 31 December 2023, any of the applicable provisions of the Commercial Companies Law of 2019 or its Articles of Association, which would materially affect the financial performance of the Company for the year ended 31 December 2023 or its financial position as at 31 December 2023.

  During 2023 Annual General meeting, the Company has approved dividends of RO 2.9 million, out of the net profits for the year ended 31 December 2022, based on the audited financial statements that carried a qualification relating to non-compliance with IFRS. Had the financial statements fully complied with IFRS, then the Company would have a net loss of RO 88.7 million and accumulated losses of RO 80.8 million as at 31 December 2022. As per the Article 130 of Commercial Companies Law 2019, as amended, the distribution of dividends among the shareholders shall not be made if the Company sustains a loss which has not been fully extinguished.

Ernst + Young

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Mohamed Al Qurashi
Muscat
14 April 2024

Dhofar Integrated Services Company SAOC

STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	Notes	31 December 2023 RO'000	31 December 2022 RO'000 (Restated) (Note 1.1)	1 January 2022 RO'000 (Restated) (Note 1.1)
ASSETS				
Non-current assets				
Property, plant and equipment	6	**391,745**	451,147	411,261
Right-of-use assets	7	**79,755**	93,527	106,332
Intangible assets	8	**415**	926	1,288
Derivative financial instruments	15	**2,169**	2,977	-
Total non-current assets		**474,084**	548,577	518,881
Current assets				
Inventories	9	**4,129**	4,535	2,571
Trade and other receivables	10	**89,713**	72,254	52,714
Term deposits	12	**50,010**	-	-
Cash and bank balances	11	**44,951**	55,888	10,284
Total current assets		**188,803**	132,677	65,569
TOTAL ASSETS		**662,887**	681,254	584,450
EQUITY AND LIABILITIES				
Equity				
Share capital	13	**29,702**	29,702	29,702
Legal reserve	14	**10,597**	10,597	10,597
Additional shareholder contribution	14.1	**169,798**	197,946	170,568
Accumulated losses		**(11,527)**	(23,410)	(2,737)
Cash flow hedge reserve	15	**1,843**	2,530	(1,451)
Total equity		**200,413**	217,365	206,679
Liabilities				
Non-current liabilities				
Derivative financial instruments	15	**-**	-	1,706
Term loans	16	**-**	-	87,529
Deferred revenue	17	**42,949**	36,932	25,466
Payables - capital project	18	**17,388**	18,342	13,818
Lease liabilities	19	**76,110**	88,902	112,601
Employees' end of service benefits	20	**3,433**	3,896	3,742
Deferred tax liabilities	30	**8,349**	15,406	12,087
Total non-current liabilities		**148,229**	163,478	256,949
Current liabilities				
Term loans	16	**70,023**	81,142	11,307
Deferred revenue	17	**1,648**	1,303	862
Payables - capital project	18	**2,622**	-	-
Lease liabilities	19	**12,943**	12,904	113
Trade and other payables	21	**118,259**	110,205	77,732
Short-term borrowings	22	**108,750**	94,857	30,808
Total current liabilities		**314,245**	300,411	120,822
Total liabilities		**462,474**	463,889	377,771
TOTAL EQUITY AND LIABILITIES		**662,887**	681,254	584,450

The financial statements were authorised for issue and approved by the Board of Directors on 4 April 2024 and were signed on their behalf by:

Al Shuaili

Mohammed Said Al Shuaili
Chairman

Ali Issa Shamas
Chief Executive Officer

Abdullah Mohammed Al Rashdi
Member

The attached notes 1 to 38 form part of these financial statements.

Dhofar Integrated Services Company SAOC

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2023

	Notes	***2023*** ***RO'000***	*2022* *RO'000* *(Restated)* *(Note 1.1)*
Revenue	26(a)	**182,590**	162,972
Operating costs	27	**(172,209)**	(155,449)
Gross profit		**10,381**	7,523
General and administrative expenses	28	**(23,239)**	(23,202)
Impairment of property, plant and equipment	6	**(73,443)**	-
Allowance for expected credit losses	10, 11 & 12	**(2,563)**	(341)
Operating loss		**(88,864)**	(16,020)
Government subsidy	26(b)	**12,332**	14,040
Finance costs	29.1	**(19,598)**	(16,335)
Finance income	29.2	**487**	258
Loss before tax		**(95,643)**	(18,057)
Taxation	30	**6,936**	(2,616)
LOSS FOR THE YEAR		**(88,707)**	(20,673)
Other comprehensive income			
Items to be reclassified to profit or loss in subsequent period:			
Net movement in fair value of cash flow hedge	15	**(808)**	4,684
Tax effect	30	**121**	(703)
Other comprehensive (loss) / income for the year		**(687)**	3,981
TOTAL LOSS AND OTHER COMPREHENSIVE LOSS FOR THE YEAR		**(89,394)**	(16,692)

The attached notes 1 to 38 form part of these financial statements.

Dhofar Integrated Services Company SAOC

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Share capital RO'000	*Legal reserve RO'000*	*Additional shareholder contribution RO'000*	*Accumulated losses RO'000*	*Cash flow hedge reserve RO'000*	*Total RO'000*
At 31 December 2021 - (as previously reported)	29,702	10,597	62,086	7,919	(1,451)	108,853
Restatement [note 1.1 (a)]			108,482	(12,482)	-	96,000
Restatement [note 1.1 (c)]	-	-	-	1,826	-	1,826
At 31 December 2021 - (restated)	29,702	10,597	170,568	(2,737)	(1,451)	206,679
Loss for the year - (restated)	-	-	-	(20,673)	-	(20,673)
Other comprehensive income	-	-	-	-	3,981	3,981
Total comprehensive (loss) / income for the year - (restated)	-	-	-	(20,673)	3,981	(16,692)
Additional contribution during the year - (restated) (note 14.1)	-	-	27,378	-	-	27,378
At 31 December 2022 - (restated)	**29,702**	**10,597**	**197,946**	**(23,410)**	**2,530**	**217,365**
Loss for the year	**-**	**-**	**-**	**(88,707)**	**-**	**(88,707)**
Other comprehensive loss	**-**	**-**	**-**	**-**	**(687)**	**(687)**
Total comprehensive loss for the year	**-**	**-**	**-**	**(88,707)**	**(687)**	**(89,394)**
Additional contribution during the year (14.1)	**-**	**-**	**75,412**	**-**	**-**	**75,412**
Transfer to accumulated losses from additional shareholder contribution (14.1)	**-**	**-**	**(103,560)**	**103,560**	**-**	**-**
Dividend (note 24)	**-**	**-**	**-**	**(2,970)**	**-**	**(2,970)**
At 31 December 2023	**29,702**	**10,597**	**169,798**	**(11,527)**	**1,843**	**200,413**

For the year ended 31 December 2023, the shareholders of the Company have resolved to absorb the accumulated losses of RO 103.6 million (2022: RO Nil) against additional shareholder contribution.

The attached notes 1 to 38 form part of these financial statements.

Dhofar Integrated Services Company SAOC

STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	Notes	**2023 RO’000**	2022 RO’000 (Restated)
Operating activities			
Loss before tax		**(95,643)**	(18,057)
Adjustments for:			
Depreciation of property, plant and equipment	6	**19,615**	16,958
Impairment of property, plant and equipment	6	**73,443**	-
Depreciation of right-to-use assets	7	**13,873**	13,902
Amortisation of intangible assets	8	**511**	588
Accrual for employees' end of service benefits	20	**52**	31
Allowance for expected credit losses	10, 11 & 12	**2,563**	341
Reversal of provision for inventories obsolescence	9	**-**	(5)
Finance costs	29	**19,598**	16,335
Finance income	29	**(487)**	(258)
		33,525	29,835
Working capital changes:			
Inventories		**406**	(1,195)
Trade and other receivables		**(19,942)**	(12,792)
Trade and other payables		**8,054**	36,245
Deferred revenue		**6,362**	6,366
Cash from operating activities		**28,405**	58,459
Employees' end of service benefits paid	20	**(515)**	(67)
Net cash flows from operating activities		**27,890**	58,392
Investing activities			
Acquisition of property, plant and equipment	6	**(33,656)**	(22,977)
Acquisition of net assets from RAECO	1.2	**-**	(35,108)
Investment in short term deposits	12	**(50,112)**	-
Addition to intangible assets	8	**-**	(226)
Finance income received	29	**487**	258
Net cash flows used in investing activities		**(83,281)**	(58,053)
Financing activities			
Repayment of term loans	16	**(11,307)**	(17,915)
Additional shareholders' contribution	14.1	**75,412**	27,378
Proceeds from short term borrowings		**51,000**	94,857
Repayments of short term borrowings		**(37,107)**	(30,808)
Finance cost paid		**(10,624)**	(8,168)
Lease liabilities paid (principal plus interest)	19	**(19,972)**	(19,995)
Dividends paid	24	**(2,970)**	-
Net cash flows from financing activities		**44,432**	45,349
Net changes in cash and cash equivalents		**(10,959)**	45,688
Cash and cash equivalents at 1 January	11	**55,990**	10,302
Cash and cash equivalents at 31 December	11	**45,031**	55,990

Non-cash transactions:

Following non-cash transactions have been excluded from above cash flows:

	2023 RO’000	2022 RO’000
Transfer from RAECO	**-**	42
Write-offs of property, plant and equipment	**258**	19,281

The attached notes 1 to 38 form part of these financial statements.

1 LEGAL STATUS AND PRINCIPAL ACTIVITIES

Dhofar Integrated Services Company SAOC (the “Company” or “DISC”), a member of Nama Group (Electricity Holding Company SAOC and its subsidiaries) was registered as a closed joint stock company in the Sultanate of Oman on 25 February 2001. The Company was converted to a public joint stock company (SAOG) subsequent to the Initial Public Offering completed in May 2005. It has been thereafter delisted and converted to a closely held joint stock company (SAOC) pursuant to shareholders approval in the Extraordinary General Meeting (EGM) held on 14 May 2012. The Company’s registered address is PO Box 2609, Postal Code 211, Salalah, Dhofar, Sultanate of Oman.

The Company is primarily undertaking regulated distribution and supply of electricity, water and treatment of waste water in the Dhofar region under a license issued by the Authority for Public Services Regulation (APSR), Oman (formerly known as Authority for Electricity Regulation) and is authorised to design, develop, construct, manage and operate the water and wastewater system.

The electricity operations of the Company are governed by the provisions of the Law on the Regulation and Privatization of the Electricity (the Electricity Sector Law) promulgated by Royal Decree 78/2004 and the water and wastewater operations of the company are governed by the provision of the law on the Regulations of the water and wastewater sector (the water and wastewater Sector Law) promulgated by Royal Decree 40/2023. The Company commenced commercial operations on 1 May 2003.

The Company is 99.03% (2021: 99.01%) subsidiary of Electricity Holding Company SAOC (EHC or the “Holding Company”) holding both preference and ordinary shares, a company registered in the Sultanate of Oman. The Ultimate Parent is the Government of Sultanate of Oman, as it holds 100% shareholding in the Holding Company through the Oman Investment Authority (OIA) which was formed during the period pursuant to the Royal Decree 61/2020 under which all the shareholdings owned by Ministry of Finance (MOF) in the Holding Company have been transferred to OIA.

Under Royal Decree No 131/2020 promulgated on 9 December 2020, the Company was mandated with the task of undertaking the activities of water and wastewater in the Dhofar Governorate. Accordingly, the assets and liabilities of Directorate General of Water (DGW) at the Office of the Minister of State and Governor of Dhofar and those of Salalah Sanitary Drainage Services Company SAOC (SSDC) were transferred to the Company on 1 June 2021 (date of transfer). As the Company, DGW and SSDC were ultimately owned by the Government of Sultanate of Oman, the net assets of DGW and SSDOC have been transferred at carrying value to the Company at the date of transfer.

1.1 Prior year restatements

(a) Pricing control regulations

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

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

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

1 LEGAL STATUS AND PRINCIPAL ACTIVITIES (CONTINUED)

1.1 Prior year restatements (continued)

(a) Pricing control regulations

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

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

i) restate the property, plant and equipment, additional shareholder contribution, accumulated losses and related deferred tax liabilities as at 1 January 2022;

ii) restate operating revenue, depreciation charge, income tax expense and subsidy income for the year ended 31 December 2022

iii) the management has also written off receivable from MOF amounting to RO 7.9 million during 2022, as the Company is not expecting to recover this amount from MOF.

iv) The management has also restated the long-term portion of term loans to the short-term portion for the year 2022 due to a covenant breach.

(b) Unrecorded capital work in progress and related liabilities

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

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

(c) Regulated Asset Base Adjustment (RAB)

The Company's electricity revenue is driven by Price Control Regulations (PCR), under which the Company's electricity revenue entitlement is arrive through Maximum Allowed Revenue (MAR) formula which is based on notified values of both operating expenses (OPEX) and capital expenditure (CAPEX) at the start of PCR cycle which is repeated every three years. Under the MAR formula all OPEX including depreciation plus return on the carrying value of property, plant and equipment referred as Regulated Assets Base (RAB) in PCR. At the end of each year, Company recalculates the electricity revenue entitlement based on actual OPEX and CAPEX and the resulting impact on electricity revenue due to difference between revenue entitlement as per notified values and actual values is considered as K factor adjustment for the electricity segment which will be adjusted to electricity revenue and K factor receivable or payable accordingly. The Company has recognised K factor adjustment related to notified and actual CAPEX in prior years as difference between notified and actual CAPEX which is an incorrect application of PCR formula. Instead, only depreciation and return on differential CAPEX (difference between notified and actual CAPEX) needed to be adjusted as K factor adjustment to revenue and related receivable/payable.

1 LEGAL STATUS AND PRINCIPAL ACTIVITIES (CONTINUED)

1.1 Prior year restatements (continued)

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

	As previously reported	*Restatements RO'000*			*As restated*
	RO'000	*note (a)*	*note (b)*	*note (c)*	*RO'000*
As at 1 January 2022					
Statement of financial position:					
Property plant and equipment	291,157	106,286	13,818	-	411,261
Additional shareholders' contribution	62,086	108,482	-	-	170,568
Retained earnings / (accumulated losses)	7,919	(12,482)	-	1,826	(2,737)
Deferred tax liabilities	1,800	10,287	-	-	12,087
Payables - capital project	-	-	13,818	-	13,818
Trade and other payables	79,282	276	-	(1,826)	77,732
As at 31 December 2022					
Statement of financial position:					
Property plant and equipment	330,982	101,823	18,342	-	451,147
Trade and other receivables	87,546	(15,292)	-	-	72,254
Additional shareholders' contribution	67,253	130,693	-	-	197,946
Retained earnings / (accumulated losses)	26,269	(51,670)	-	1,991	(23,410)
Term loans - non-current portion	69,835	(69,835)	-	-	-
Term loans - current portion	11,307	69,835	-	-	81,142
Payables - capital project	-	-	18,342	-	18,342
Deferred tax liabilities	593	14,813	-	-	15,406
Trade and other payables	119,224	(7,028)	-	(1,991)	110,205
For the year ended 31 December 2022					
Statement of profit or loss and other comprehensive income:					
Revenue	194,564	(31,757)	-	165	162,972
Depreciation on property, plant and equipment	12,494	4,464	-	-	16,958
Government subsidy	-	14,040	-	-	14,040
Taxation	1,909	(4,525)	-	-	(2,616)
Total loss and comprehensive expense for the year	9,850	(26,707)	-	165	(16,692)

1 LEGAL STATUS AND PRINCIPAL ACTIVITIES (CONTINUED)

1.2 Transfer of assets and liabilities of Rural Areas Electricity Company SAOC ('RAECO')

On 15 March 2021, RAECO and DISC were instructed to transfer all distribution assets owned by RAECO in the Dhofar region to DISC via a letter by APSR against a consideration based on carrying values as at 31 December 2021.

Consequently, the Board of Directors of the DISC has passed necessary resolutions to purchase the related businesses in order to give effect for the instruction passed by APSR on 15 March 2021. On 15 December 2021, the shareholders of the Company approved the plan to purchase the distribution assets at the EGM. The transfer was effective from 1 January 2022.

Assets:	*RO'000*
Right-of-use asset *(after deducting accumulated depreciation of RO 0.29 million)*	1,097
Inventories *(after deducting provision for slow moving stock of RO 0.03 million)*	764
Property, plant and equipment *(after deducting accumulated depreciation of RO 10.20 million)*	33,867
Trade receivables *(after deducting provision for expected credit losses of RO 3.3 million)*	6,647
Other receivable	358
	42,733
Liabilities:	
Provision for end of service benefits	190
Deferred revenue	5,541
Trade and other payables	754
Lease liabilities	1,140
	7,625
Carrying value of net assets transferred	35,108

Consideration against transfer of net assets has been considered as RO 35.150 million as of the transfer date. Non-cash items are being adjusted with the consideration, as stated in Business Transfer Agreement.

1 LEGAL STATUS AND PRINCIPAL ACTIVITIES (CONTINUED)

1.3 Significant agreements

The Company has entered into the following agreements:

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

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

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

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

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

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

- Directorate General of Water (DGW) (transferred to the Company on 1 June 2021) had ongoing Bulk Supply Agreement (BSA) with Oman Power and Water Procurement Company SAOC (OPWP) (a related party) in prior years. Under BSA, the entire water produced by the "Sembcorp Salalah Power and Water Company SAOC and Dhofar Generating Company SAOC, an Independent Water Producer (IWP), supplied to the Company, as per the dispatch instructions issued by the Company. The Company is authorised to supply water to its customers. OPWP do not have any substantive substitution rights to bulk supply water to another company. Accordingly, this bulk supply of water arrangement, has been recognized as leases as per the guidelines of IFRS 16 ‘Leases’. These leases have terms ranging 15 to 20 years.

2 FUNDAMENTAL ACCOUNTING CONCEPT

The Company has incurred a loss RO 89.4 million [2022: loss (restated) of RO 16.7 million] for the year ended 31 December 2023 and its current liabilities exceeded its current assets by RO 125.4 million (31 December 2022: RO 167.7 million) and accumulated losses amounted to RO 11.5 million (2022: RO 23.4 million) as of 31 December 2023. Further, the Company was not in compliance with debt service coverage ratio covenant as at 31 December 2023 and 2022. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Company to continue as a 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 on the strength of continued financial support from the Holding Company including the undertaking from the Government, under the Sector Laws, to secure the availability of the necessary finance for the Company to undertake its activities and achieve its objectives as long as its capital is wholly-owned by the Government.

As per management, the Company is planning to raise long term funds of USD 500 million through issuance of trust certificates during next 12 months, which will be utilised to settle its short-term borrowings and other current liabilities, which will significantly improve net current liability position in coming years. Furthermore, the Company has generated net operating cash flows of RO 27.9 million (2022: RO 58.4 million) during current year.

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 has no reason to doubt such support will continue. Accordingly, these financial statements are prepared on a going concern basis and management concluded that a material uncertainty in respect of going concern does not exist.

3 BASIS OF PREPARATION

a) Statement of compliance

These financial statements 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 of the Sultanate of Oman.

b) Basis of measurement

These separate financial statements are prepared on historical cost basis except for certain 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 as well as presentation currency. All amounts have been rounded to the nearest thousand (RO '000) except where otherwise stated.

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 separate 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 2022 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.

3 BASIS OF PREPARATION (CONTINUED)

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

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

Estimates
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

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

During the year, the Company has assessed the recoverable amount of water sector assets and based on the assumptions using the future cash flows based on the PCR applied from 1 January 2024. Accordingly, an impairment of RO 73.4 million was triggered. The management believe that in 2022 expected date of the issuance of Sector Law was not forseen and hence it was not possible to estimate the possibility of the effectiveness of the PCR and therefore it was not used to estimate the future cash flows, however since the Sector Law was issued on 20 June 2023, the management was able to determine the effectiveness of the PCR from 1 January 2024.

Revenue recognition
Due to the nature of the business, a certain portion of the Company's revenue is estimated rather than based on actual billing. Detailed computations were made on the basis of pre-determined billing patterns and unit usage related criteria in order to arrive at the estimated revenue from those customers where the Company is unable to obtain meter readings and differential days' revenue estimation for those customers billed before year end. If the actual meter readings for such customers differ from the estimates, the Company's revenue would be impacted to the extent of such differences.

Impairment of financial assets at amortised cost
The impairment provisions for financial assets are based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

3 BASIS OF PREPARATION (CONTINUED)

Critical accounting estimates and judgements (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, inventories were RO 4.5 million (2022: RO 4.9 million) with provisions for old and obsolete inventories of RO 0.37 million (2022: RO 0.37 million). Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the statement of profit or loss and comprehensive income.

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.

Build Operate and Transfer agreement liabilities
The Company have 15 years obligation towards this agreements that will be paid as per the agreed fixed cash flow with the contractors (ONEIC). To realise these liabilities the Company have discounted this obligation based on the offered interest rate of 8% which represents available borrowing rate for the Company to fund the construction of this project.

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 realization of income tax assets, and the amount recognised has been limited to the amount that, based on management’s best estimate, is more likely than not to be realised.

Leases – Estimating the incremental borrowing rate
The 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.

3 BASIS OF PREPARATION (CONTINUED)

Critical accounting estimates and judgements (continued)

Judgements
In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements.

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).

4 CHANGES IN ACCOUNTING POLICIES

a) Standards and amendments issued but not yet effective

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

- Amendments to IFRS 16: Lease Liability in a Sale and Leaseback
- Amendments to IAS 1 - Classification of Liabilities as Current or Non-current
- Amendments to IAS 7 and IFRS 7 - Supplier Finance Arrangements

The amendments are not expected to have a material impact on the Company's financial statements.

b) 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 2023 (unless otherwise stated). The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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

The amendments have had an impact on the Company's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Company's financial statements.

- IFRS 17 Insurance Contracts
- Definition of Accounting Estimates - Amendments to IAS 8
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12
- International Tax Reform—Pillar Two Model Rules – Amendments to IAS 12

The new standard and amendments had no impact on the financial statements of the Company.

5 SUMMARY OF MATERIAL ACCOUNTING POLICIES

The accounting policies applied in these financial statements are the same as those applied in the Company's financial statements as at and for the year ended 31 December 2022.

5.1 Leases

The Company leases various properties, offices and vehicles. Rental contracts are typically made for fixed periods of 2-50 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, but leased assets may not be used as security for borrowing 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 period 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.

5 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

5.1 Leases (continued)

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

i) fixed payments, including in-substance fixed payments;
ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
iii) amounts expected to be payable under a residual value guarantee; and the exercise price under a purchase option that the 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.

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 profit or loss 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 profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

The principal estimated remaining useful lives used for this purpose are:

Assets	Years
Bulk supply agreements	22 - 25
Usufruct agreement and building	3 - 50
Vehicles	2 - 7

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 Currency

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 recognised in the profit or loss and other comprehensive income in the year in which they arise, with the exception of those related to monetary items that qualify as hedging instruments in a cash flow hedge that are recognised initially in profit or loss and other comprehensive income to the extent that the hedge is effective.

5 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

5.3 Financial Instruments

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

Financial assets and financial liabilities are recognised when the 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) Term deposits
4) Amounts due from related parties
5) Term loans
6) Short term borrowings
7) Trade and other payables
8) Payables - capital project
9) Lease liabilities
10) Derivatives

Initial recognition
Financial assets
On initial recognition, a financial asset is classified as measured at amortised cost; fair value through other comprehensive income – debt instruments 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
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 other comprehensive income
Debt instruments where the contractual cash flows are solely principal and interest and the objective of the Company's business model is achieved both by collecting contractual cash flows and selling financial assets.

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.

5 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

5.3 Financial Instruments (continued)

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 group 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.

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.

The Company designates a financial liability as measured at FVTPL when it meets the definition of held for trading or when they are designated as such on initial recognition using the fair value option.

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

The Company recognises the full amount of change in the fair value in profit or loss only if the presentation of changes in the liability's 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, fair value of derivatives, short term borrowings and term loans.

Except for fair value of derivatives which is measured at fair value, all other financial liabilities of the Company are measured at amortised cost.

5 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

5.3 Financial Instruments (continued)

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 derecognised) 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.

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 Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

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. The Company considers trade receivables in default when contractual payments are 180 days past due for private customers and 720 days past due for Government customers.

5 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

5.3 Financial Instruments (continued)

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.

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
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.

5 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

5.3 Financial Instruments (continued)

Derivative financial instruments and hedge accounting (continued)
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.

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.

5.4 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 profit and loss in the period in which the expenditure is incurred.

Amortisation
Computer software costs that are directly associated with identifiable and unique software products controlled by the Company and have probable economic benefit exceeding the costs beyond one year are recognised as an intangible asset. Direct costs consist of costs of the one-time software license fees and costs of implementation of the software by an independent consulting team and a portion of relevant overheads. The computer software costs recognised as an intangible asset is amortised using the straight-line method over the estimated useful life of 3 to 7 years.

5.5 Spares and consumables

Inventory comprises of fuel oil and are stated at the lower of cost and net realizable value. The cost of inventories is determined on the weighted average cost basis and includes expenditure incurred in acquiring and bringing them to their existing location and condition. Obsolete inventory items are written down to their estimated net realizable value.

5.6 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.

5 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

5.7 Property, plant and equipment

Recognition and measurement

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

Subsequent expenditure

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

Depreciation

Depreciation is charged to the profit and loss and other 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 are as follows:

	Years
Buildings	30
Electricity distribution works	25 - 50
Substations, lines and cables	25 - 60
Production Assets	10 - 30
Network and storage assets	10 - 50
Other plant and machinery	12 - 40
Plant spares	20 - 40
Furniture, fixtures and vehicles	5 - 7

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 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

5.8 Employees' end of service benefits

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

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

Employees’ end of service benefit for Omani employees are contributed in accordance with the terms of the Social Securities Law 1991 and Civil Service Employees Pension Fund Law. Gratuity for Omani employees who transferred from the Ministry of Housing, Electricity and Water on 1 May 2005 is calculated based on the terms agreed between the 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 recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. Where some or all of the economic benefits required to settle a provision are expected to be recovered from third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

5.10 Borrowing costs

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

5.11 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 profit and loss over the period necessary to match them with the costs that they are intended to compensate.

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

5 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

5.12 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 profit and loss and other comprehensive income unless it reverses a previous revaluation that was credited to equity, in which case it is charged to equity.

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

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

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.

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.

5 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

5.13 Revenue from contracts with customers (continued)

Revenue from supply of electricity
Revenue represents fair value of income receivable from supply of electricity, in the ordinary course of business, to the Government and private customers within the Company's operating area, including the estimated unbilled revenue during the period from the last billing date to the end of reporting period. The estimate is made using historical consumption patterns and included in trade receivables in these financial statements. Revenue is recognised at a point in time.

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

Revenue from services
Revenue from connection charges, sewage services and tanker hire revenue is recognised when the services are performed or facilities are used by the customers. Accordingly, performance obligation is satisfied over the time.

Revenue from metered, non-metered and bulk water sales
Revenue are measured at fair value of the consideration that is expected to be received for the services rendered in the normal course of business.

Revenue primarily comprise of charges for the consumption of water. This includes water supply to residential, commercial and Government customers. Revenue is recognised during the period in which the water is consumed, based on the actual meter readings and/or estimated water consumption.

Deferred revenue

i) Installation and connection revenue

The Company has identified that 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 i.e. supply of electricity. Accordingly, these revenues have been deferred and will be recognised throughout the useful life of the related assets (i.e. 25 years).

ii) Assets transfer from customers
The Company has identified that there is no separate performance obligation with respect to customer-contributed assets other than supply of electricity in the future. Therefore, consideration received (or fair value of the assets transferred) should be treated as part of the transaction price (non-cash consideration) and revenue to be recognised as and when electricity is provided to the customer in future.

Accordingly, this revenue has been deferred and will be recognised 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.

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

iv) Customer contributed assets
It represents the funds received from customers for the construction of specific assets. These funds are deferred and recognised as revenue over the period of the useful life of the assets.

5 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

5.13 Revenue from contracts with customers (continued)

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.

Cost to obtain and fulfilment of contracts

The Company capitalises incremental costs to obtain a contract with a customer except if the amortisation period for such costs is less than one year.

If the costs incurred in fulfilling a contract with a customer are not in the scope of other guidance - e.g. inventory, intangibles, or property, plant and equipment - then the Company recognises an asset only if the fulfilment costs meet the following criteria:

i) Relate directly to an existing contract or specific anticipated contract;
ii) Generate or enhance resources that will be used to satisfy performance obligations in the future;
iii) Are expected to be recovered.

If the costs incurred to fulfil a contract are in the scope of other guidance, then Company accounts for such costs using the other guidance.

The Company amortises the asset recognised for the costs to obtain and/or fulfil a contract on a systematic basis, consistent with the pattern of transfer of the good or service to which the asset relates. In the case of an impairment, the Company recognises these losses to the extent that the carrying amount of the asset exceeds the recoverable amount.

5.14 Government subsidy

The Company's revenue generated from sale of electricity is regulated by the price control mechanism and the maximum allowed revenue is determined for every reporting period. The excess of economic cost over customer and other revenue is received as Government subsidy. In accordance with the price control mechanism actual regulated revenue includes, electricity sales to private and Government customers, Government subsidy and other income including installation and connection charges. Any reduction in the actual regulated revenue would be compensated by corresponding increase in Government subsidy. Total revenue in excess / (short) of the maximum allowed revenue determined under the price control mechanism is shown as Government subsidy receivable.

The Company receives government subsidy related to water and wastewater segment as a reimbursement for expenses incurred by the Company.

5 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

5.15 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 profit and loss 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.

5.16 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 the right to receive dividend is established usually when approved by the shareholders.

5.17 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 profit and loss and other comprehensive

5.18 Determination of fair value

Derivative financial instruments
Fair value of forward exchange contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using yield curves of the respective currencies. The fair value of interest rate swaps is based on estimated future cash flows based on the terms and maturity of each contract and using market interest rates.

Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Company and counterparty when appropriate.

Non derivative financial liabilities
Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

5.19 Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on current/non-current
- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current

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

5 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

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 recognising such transfers prospectively from the date of business transfer.

6 PROPERTY, PLANT AND EQUIPMENT

	Buildings	*Electricity distribution networks*	*Lines and cables*	*Substation assets*	*Production assets*	*Network & storage*	*Other plant & machinery*	*Plants spares*	*Furniture, fixtures and*	*Vehicles*	*Capital work-in-progress*	*Total*
	RO'000	*RO'000*	*RO'000*	*RO'000*	*RO'000*	*RO'000*	*RO'000*	*RO'000*	*RO'000*	*RO'000*	*RO'000*	*RO'000*
Cost:												
At 1 January 2022 - (as previously reported)	28,603	68,242	78,382	50,869	9,327	48,091	25,275	1,081	4,982	1,458	35,658	351,968
Restatement [note 1.1 (a)]	17,382	-	-	-	7,219	85,457	16,441	-	805	1,785	(1,229)	127,860
Restatement [note 1.1 (b)]	-	-	-	-	-	-	-	-	-	-	13,818	13,818
At 1 January 2022 - (restated)	45,985	68,242	78,382	50,869	16,546	133,548	41,716	1,081	5,787	3,243	48,247	493,646
Additions	4,686	5,597	3,556	1,333	2,089	13,522	8,282	94	600	-	2,499	42,258
Transfer from RAECO (note 1.2)	1,075	7,440	22,822	4,715	-	-	5,008	220	516	-	2,268	44,064
Write-offs	(1,831)	-	-	-	(7,233)	(8,326)	(1,995)	-	(7)	(412)	(1,231)	(21,035)
Disposals	-	-	-	-	-	-	-	-	(1)	-	-	(1)
At 1 January 2023 - (restated)	49,915	81,279	104,760	56,917	11,402	138,744	53,011	1,395	6,895	2,831	51,783	558,932
Transfers	9,546	8,535	10,887	4,427	407	19,080	19,059	233	65	316	(72,555)	-
Additions	-	-	-	-	-	-	-	-	-	-	33,914	33,914
Write-offs	(12)	(43)	(140)	(30)	-	-	(29)	(4)	-	-	-	(258)
At 31 December 2023	**59,449**	**89,771**	**115,507**	**61,314**	**11,809**	**157,824**	**72,041**	**1,624**	**6,960**	**3,147**	**13,142**	**592,588**
Accumulated depreciation:												
At 1 January 2022 - (as previously reported)	4,481	18,082	10,626	8,469	2,275	6,043	6,474	228	3,194	939	-	60,811
Restatement [note 1.1 (a)]	1,533	-	-	-	3,481	11,109	4,147	-	354	950	-	21,574
At 1 January 2022 - (restated)	6,014	18,082	10,626	8,469	5,756	17,152	10,621	228	3,548	1,889	-	82,385
Transfer from RAECO (note 1.2)	287	3,109	4,608	937	-	-	668	111	477	-	-	10,197
Charge for the year	1,622	3,226	2,286	1,808	125	3,677	2,982	67	924	241	-	16,958
Write-offs	(43)	-	-	-	(514)	(766)	(124)	-	(2)	(305)	-	(1,754)
Related to disposals	-	-	-	-	-	-	-	-	(1)	-	-	(1)
At 1 January 2023 - (restated)	7,880	24,417	17,520	11,214	5,367	20,063	14,147	406	4,946	1,825	-	107,785
Charge for the year	**1,978**	**3,520**	**2,493**	**1,812**	**124**	**3,684**	**4,479**	**78**	**1,152**	**295**	**-**	**19,615**
Impairment	**7,946**	**11,002**	**14,079**	**7,665**	**2,328**	**19,492**	**9,638**	**192**	**787**	**314**	**-**	**73,443**
At 31 December 2023	**17,804**	**38,939**	**34,092**	**20,691**	**7,819**	**43,239**	**28,264**	**676**	**6,885**	**2,434**	**-**	**200,843**
Carrying amounts												
At 31 December 2023	**41,645**	**50,832**	**81,415**	**40,623**	**3,990**	**114,585**	**43,777**	**948**	**75**	**713**	**13,142**	**391,745**
At 31 December 2022	42,035	56,862	87,240	45,703	6,035	118,681	38,864	989	1,949	1,006	51,783	451,147
At 1 January 2022 (restated)	39,971	50,160	67,756	42,400	10,790	116,396	31,095	853	2,239	1,354	48,247	411,261

6 PROPERTY, PLANT AND EQUIPMENT (continued)

6.1 The Company's building and substations are constructed on lands leased from the Ministry of Housing, Government of Sultanate of Oman. The usufruct agreement was entered into with the Ministry of Housing to grant usufruct rights in respect of use of lands for 25 years ("Initial Term"), with the option of an extension for a further period of 25 years. Please refer to note 7 for right-of-use assets pertaining to the various lands leased (properties) from Ministry of Housing.

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, computers and software, and (e) other common assets.

6.3 The amount of borrowing costs capitalised during the year ended 31 December 2023 was RO 1.2 million (2022: RO 0.35 million).

6.4 Depreciation charge for the year is allocated as follows:

	2023 RO'000	*2022 RO'000 (Restated)*
Operating costs (note 27)	**18,168**	15,792
General and administration expenses (note 28)	**1,447**	1,166
	19,615	16,958

6.5 Based on the PCR notification received from APSR, maximum allowed revenue with respect to of transferred assets pertaining to Water and Wastewater segment will restricted to 35%. The management considers this as an indicator of potential impairment of assets related to Water and Wastewater segment and accordingly carried out an assessment of recoverable amount of these assets as at the reporting date. The recoverable amount of the property, plant and equipment relating to Water and Wastewater segment (cash generating unit) amounted to RO 126.2 million as at 31 December 2023 which has been determined based on a value in use calculation using cash flow projections from financial budgets approved by the Company's Board of Directors covering a five-year period. The pre-tax discount rate applied to cash flow projections is 15% and cash flows beyond the five-year period are extrapolated using a 2 % growth rate that is in line with the similar industry practice and reflective the trend of demand growth. It was concluded that the fair value less costs of disposal did not exceed the value in use. As a result of this analysis, the management has recognised an impairment charge of RO 73.4 million in the current year against the assets of Water and Wastewater segment having a carrying amount of RO 199.6 million as at 31 December 2023. The impairment charge is recorded in the statement of profit or loss and other comprehensive income.

7 RIGHT-OF-USE ASSETS

	Bulk supply agreements RO'000	***Vehicle RO'000***	***Properties RO'000***	***Total RO'000***
Cost				
At 1 January 2022	118,169	315	1,532	120,016
Transfer from RAECO (note 1.2)	-	195	1,192	1,387
At 1 January 2023	**118,169**	**510**	**2,724**	**121,403**
Additions	**-**	**-**	**101**	**101**
At 31 December 2023	**118,169**	**510**	**2,825**	**121,504**
Accumulated depreciation				
At 1 January 2022	13,499	149	36	13,684
Transfer from RAECO (note 1.2)	-	72	218	290
Charge for the year	13,688	127	87	13,902
At 1 January 2023	**27,187**	**348**	**341**	**27,876**
Charge for the year	**13,688**	**92**	**93**	**13,873**
At 31 December 2023	**40,875**	**440**	**434**	**41,749**
Carrying amounts				
At 31 December 2023	**77,294**	**70**	**2,391**	**79,755**
At 31 December 2022	90,982	162	2,383	93,527

8 INTANGIBLE ASSETS - SOFTWARE

	2023	*2022*
	RO'000	*RO'000*
Cost		
At 1 January	**4,376**	4,150
Additions	**-**	226
At 31 December	**4,376**	4,376
Accumulated amortisation		
At 1 January	**3,450**	2,862
Charge for the year	**511**	588
At 31 December	**3,961**	3,450
Carrying amounts	**415**	926

Intangible assets comprises computer software and software license fee, which is amortised over the period of 5 years on straight line basis.

9 INVENTORIES

The inventories comprised of spares and consumables which are used for the maintenance of distribution network of the Company.

	2023	*2022*
	RO'000	*RO'000*
Spares and consumables	**4,502**	4,144
Transfer from RAECO (note 1.2)	**-**	764
Provision for inventories obsolescence (note 9.1)	**(373)**	(373)
	4,129	4,535

9.1 The movement in provision for inventories obsolescence is as follows

At 1 January	**373**	343
Transfer from RAECO (note 1.2)	**-**	35
Reversal for the year	**-**	(5)
At 31 December	**373**	373

10 TRADE AND OTHER RECEIVABLES

	2023	*2022*
	RO'000	*RO'000*
		(Restated)
Amounts due from customers	**10,648**	8,516
Amounts due from ONEIC	**38,292**	32,745
Government subsidy receivable	**13,964**	12,427
Government customers receivables	**12,404**	10,946
Amount due from a related party (note 23.4)	**949**	1,036
VAT input tax	**11,972**	5,063
VAT receivable from MOF (note 10.2)	**11,295**	6,604
Advances, deposits and prepayments	**1,243**	1,143
Other receivables	**1,121**	3,466
	101,888	81,946
Allowance for expected credit losses (note 10.1)		
Trade receivables	**(12,092)**	(4,436)
Other receivables	**(83)**	(5,256)
	(12,175)	(9,692)
	89,713	72,254

10 TRADE AND OTHER RECEIVABLES (continued)

10.1 The movement in allowance for expected credit losses was as follows:

	2023 RO'000	2022 RO'000
At 1 January	**9,692**	6,136
Transfer from RAECO (note 1.2)	**-**	3,299
Charge for the year	**2,483**	257
At 31 December	**12,175**	9,692

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

10.2 Oman Tax Authority has directed the distribution companies that 5% VAT is applicable upon entire amount of billing issued to the customers including subsidy part. The Tax Authority issued letter to APSR to agree on VAT mechanism in this respect. The Company has received a letter from MOF to confirm and agree on VAT recovery mechanism. The Company has calculated VAT and recognised VAT payable and with same amount booked as receivable from MOF amounting to RO 11.3 million (2022 RO 6.6 million) as disclosed in note 21.

The information about the credit risk exposure as at 31 December 2023 and 2022 on the Company's receivables using a provision matrix is set out in (note 32.2).

11 CASH AND CASH EQUIVALENTS

	2023 RO'000	2022 RO'000
Cash at banks	**45,026**	55,985
Cash in hand	**5**	5
Cash and cash equivalents for the purpose of cash flows	**45,031**	55,990
Less: allowance for expected credit losses (note 11.1)	**(80)**	(102)
Cash and bank balances for the purpose of statement of financial position	**44,951**	55,888

11.1 The movement in allowance for expected credit losses was as follows:

	2023 RO'000	2022 RO'000
At 1 January	**102**	18
(Reversal) / charge for the year	**(22)**	84
At 31 December	**80**	102

Cash at banks are with commercial banks in Oman and are denominated in Omani Riyal and United States Dollar. Bank balances are placed with reputed financial institutions.

12 TERM DEPOSITS

	2023 RO'000	2022 RO'000
Oman Arab Bank	**16,000**	-
Bank Muscat	**15,000**	-
Bank Dhofar	**11,000**	-
Ahli Bank	**6,014**	-
Bank Nizwa	**2,098**	-
	50,112	-
Less: allowance for expected credit losses (note 12.1)	**(102)**	-
	50,010	-

Term deposits are placed with local commercial banks for the maximum period of 12 months carrying interest income between the range of 5.1% to 6%.

12 TERM DEPOSITS (continued)

12.1 The movement in allowance for expected credit losses was as follows:

	2023	*2022*
	RO'000	*RO'000*
At 1 January	**-**	-
Charge for the year	**102**	-
At 31 December	**102**	-

13 SHARE CAPITAL

The Company's authorised share capital comprises 40,000,000 (2022: 40,000,000) shares of RO 1 each. At 31 December 2023, the Company's issued and fully paid-up share capital consists of 29,702,000 (2022: 29,702,000) shares of RO 1 each. Share capital as follows:

	Number of shares	
	2023	*2022*
Preference shares	**19,306,300**	19,306,300
Ordinary shares	**10,395,700**	10,395,700
	29,702,000	29,702,000

Preference shareholders have the right to two votes per share at any general meeting of the Company. Ordinary shareholders have the right to one vote per share at any general meeting of the Company. The following is the shareholding structure of the Company:

	At 31 December 2023			
	Preference shares	***%***	***Ordinary shares***	***%***
Electricity Holding Company SAOC	**19,306,300**	**100.0**	**10,106,893**	**97.2**
Other shareholders	**-**	**-**	**288,807**	**2.8**
	19,306,300	**100.0**	**10,395,700**	**100.0**

	At 31 December 2022			
	Preference shares	*%*	*Ordinary shares*	*%*
Electricity Holding Company SAOC	19,306,300	100.0	10,100,667	97.0
Other shareholders	-	-	295,033	3.0
	19,306,300	100.0	10,395,700	100.0

During the year, the Holding Company has further acquired 0.2% of the Company's shares.

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. No further appropriation has been made as the Company has already achieved its minimum amount required in the legal reserve. This reserve is not available for distribution.

14.1 ADDITIONAL SHAREHOLDER CONTRIBUTION

	2023	*2022*
	RO'000	*RO'000*
		(Restated)
Additional shareholder contribution	**169,798**	197,946

During the year, the shareholder has provided additional contribution in cash amounting to RO 75.4 million (2022: RO 27.3 million).

Further, pursuant to a letter received from Holding Company dated 31 December 2023, RO 103.6 million (2022: RO Nil) has been transferred to accumulated losses from additional shareholders' contribution.

15 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 entered into for cash flow hedges. The cumulative gain or loss arising on changes in fair value of the hedging instruments that are recognised and accumulated under the heading of cash flow hedging reserve will be reclassified to profit or loss only when the hedged transaction affects the profit or loss or included as a basis adjustment to the non-financial hedged item.

	2023	*2022*
	RO'000	*RO'000*
At 1 January	**2,977**	(1,707)
Change in fair value during the year	**(808)**	4,684
	2,169	2,977
Less: related deferred tax assets (note 30.4)	**(326)**	(447)
At 31 December	**1,843**	2,530

The Company has entered into interest rate swap arrangement with various banks covering Tranche 1 of the term loan with a fixed interest rate of 2.065% 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 oher comprehensive income.

			Notional amount by term to maturity		
	Fair value	***Notional amount***	***1 to 12 Months***	***1 to 5 years***	***Over 5 years***
	RO'000	***RO'000***	***RO'000***	***RO'000***	***RO'000***
At 31 December 2023					
Interest swaps	**2,169**	**44,055**	**8,010**	**36,045**	**-**
At 31 December 2022					
Interest swaps	2,977	52,066	8,010	32,040	12,016

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

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

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 Tranche 1 of the loan (i.e., notional amount, maturity, payment and reset dates). The Company has established a hedge ratio of 1:1 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.

16 TERM LOANS

On 8 June 2016, the Company has entered into a "Dual Currency Term Facility Agreement" as a syndicate loan as Tranche 1 with National Bank of Abu Dhabi PJSC (Facility Agent) for an amount of RO 100 million (USD 260 million) which was fully utilised by 31 December 2017.

The Tranche 1 term loan carries an interest rate of SOFR plus 3.25% and is repayable in 40 quarterly payments started from 31 March 2017. The loan is unsecured and is payable in cash.

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

16.1 The movement in term loans during the year was as follows:

	2023	*2022*
	RO'000	*RO'000*
At 1 January	**81,733**	99,648
Less: Repayments	**(11,307)**	(17,915)
	70,426	81,733
Less: unamortised transaction costs (note 16.2)	**(403)**	(591)
At 31 December	**70,023**	81,142

16.2 Unamortised transaction costs:

At 1 January	**593**	811
Less: amortised during the year (note 29.1)	**(190)**	(220)
At 31 December	**403**	591

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

Term loans-current portion	**70,426**	81,733
Unamortised costs - current portion	**(403)**	(591)
	70,023	81,142

16.4 Compliance with covenants

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

17 DEFERRED REVENUE

17.1 The movement in deferred revenue during the year is as follows

	Installation and connection charges RO'000 (Note 17.2)	*Government sponsored projects RO'000 (Note 17.3)*	*Customer contributed assets RO'000 (Note 17.3)*	*Total RO'000*
At 1 January 2022	6,831	12,470	7,027	26,328
Transfer from RAECO (note 1.2)	-	5,541	-	5,541
Additions during the year	935	7,628	680	9,243
Amortised during the year (note 26)	(340)	(2,331)	(206)	(2,877)
At 1 January 2023	**7,426**	**23,308**	**7,501**	**38,235**
Additions during the year	**886**	**4,662**	**2,439**	**7,987**
Amortised during the year (note 26)	**(400)**	**(972)**	**(253)**	**(1,625)**
At 31 December 2023	**7,912**	**26,998**	**9,687**	**44,597**

17.2 Installation and connection charges

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

17.3 Government sponsored projects/customers contributed assets

Government sponsored projects represents government's funding towards the cost of property, plant and equipment and government sponsored assets transferred from other companies. The funding from government has been recognised as deferred government grant under IAS 20 "Accounting for Government Grants and Disclosure of Government Assistance". 'Government grant is deferred over the life of the relevant property, plant and equipment.

17.4 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):

	***2023* RO'000**	*2022 RO'000*
Current portion		
Installation and connection charges	**400**	360
Government sponsored projects	**972**	734
Customer contributed assets	**276**	209
	1,648	1,303
Non-current portion		
Installation and connection charges	**7,512**	7,066
Government sponsored projects	**26,026**	22,564
Customer contributed assets	**9,411**	7,302
	42,949	36,932
	44,597	38,235

18 PAYABLES - CAPITAL PROJECTS

	2023	2022
	RO'000	*RO'000*
		(Restated)
At 1 January	**18,342**	13,818
Unwinding of interest	**1,478**	1,237
Additions	**190**	3,287
At 31 December	**20,010**	18,342

18.1 Classification of payables into current and non-current portion:

Current portion	**2,622**	-
Non-portion	**17,388**	18,342
	20,010	18,342

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

19 LEASE LIABILITIES

Lease liabilities represents leasehold land acquired under the usufruct agreements with the Government of the Sultanate of Oman, bulk supply agreement with OPWP and vehicles. The details of lease liabilities are as follows:

- Bulk supply agreement carry interest of 7% per annum for the lease agreement.
- Vehicle carry interest of 5.8% per annum implicit in the lease.
- Properties carry interest of 7.08% per annum implicit in the lease.

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

	2023	2022
	RO'000	*RO'000*
At 1 January	**101,806**	112,714
Interest on lease liabilities (note 29.1)	**7,118**	7,947
Transfer from RAECO (note 1.2)	**-**	1,140
Additions	**101**	-
Payment (interest plus principal)	**(19,972)**	(19,995)
At 31 December	**89,053**	101,806

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

Current portion	**12,943**	12,904
Non-current portion	**76,110**	88,902
	89,053	101,806

19.3 Following are the amounts recognised in the statement of profit and loss and other comprehensive

Depreciation on right-of-use assets (note 7)	**13,873**	13,902
Interest on lease liabilities (note 29.1)	**7,118**	7,947
	20,991	21,849

The maturity analysis of lease liabilities are disclosed in note 32.3.

20 EMPLOYEES' END OF SERVICE BENEFITS

	2023	2022
	RO'000	*RO'000*
At 1 January	**3,896**	3,742
Transferred from RAECO (note 1.2)	**-**	190
Charge for the year	**52**	31
Payments during the year	**(515)**	(67)
At 31 December	**3,433**	3,896

21 TRADE AND OTHER PAYABLES

	2023	2022
	RO'000	*RO'000*
		(Restated)
Amount due to related parties (note 23.5)	**70,250**	68,908
Accruals and other payables	**30,024**	25,833
VAT payable on government subsidy (note 10.2)	**11,251**	6,584
Creditors for capital projects	**6,058**	8,880
Provision of early exit scheme (note 21.2)	**676**	-
	118,259	110,205

21.1 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 23.

For explanation on the Company's liquidity risk management process, refer note 32.3.

21.2 On 24 July 2023, the Company announced early exit scheme for certain national employees fulfill the criteria announced under the scheme. Under this scheme, each eligible employee is entitled to gross salary for 12 months, with maximum cap of RO 30,000 per employee. Total 31 number of eligible employees have applied, with estimated liability of RO 676 thousands as at 31 December 2023.

22 SHORT TERM BORROWINGS

	2023	2022
	RO'000	*RO'000*
Bank Dhofar (note 22.1)	**77,750**	57,750
Oman Arab Bank (note 22.2)	**-**	31,000
Parent Company (note 22.3)	**-**	6,107
Ahli Islamic (note 22.4)	**31,000**	-
	108,750	94,857

22.1 Represents 12 months Short-Term Bridge Facility obtained by the Company, having a limit of RO 77.75 million (2022: RO 57.75 million) out of which 100% is utilised at the reporting date. This facility carry mark-up at the rate of 4.1% per annum and is repayable as bullet repayment at the end of loan term. The interest rate were repriced to 6.2% during 2023 and additional RO 20 million were availed from the bank.

22.2 Represents 12 months Short-Term Working Capital Facility obtained by the Company, having a limit of RO Nil (2022: RO 31 million) out of which RO Nil (2022: RO 31 million) is utilised at the reporting date. This facility carry mark-up at the rate of 4.0% per annum and is repayable as bullet repayment at the end of loan term. The facility was repaid in 2023.

22.3 Represents short-term loan obtained by the Company from Electricity Holding Company SAOC, Parent company, which carry mark-up at the rate of 4.5% per annum and is repaid in full during 2023.

22.4 Represents 12 months Short-Term Working Capital Facility obtained by the Company, having a limit of RO 31 million (2022: RO Nil) out of which 100% is utilised at the reporting date. This facility carry mark-up at the rate of 6% per annum and is repayable as bullet repayment at the end of loan term.

23 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 period end are unsecured and settlement occurs in cash.

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

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

	2023	*2022*
	RO'000	*RO'000*
Shareholder		
Electricity Holding Company SAOC		
Short-term loan obtained (note 22)	**-**	6,107
Interest on short term loan	**158**	142
Other related parties - under common control		
Oman Power and Water Procurement Company SAOC		
Purchase of electricity and water (note 27)	**101,439**	89,650
Numo Institute for Competency Development LLC		
Training expenses	**222**	436
Nama Shared Services LLC		
IT Support service charges	**1,048**	1,047
Oman Electricity Transmission Company SAOC		
Transmission connection charges (note 27)	**2,907**	2,616
Transmission use of system charges (note 27)	**10,741**	9,646
Other related parties - under common directorship		
Said Al-Shahry And Partners Advocates & Legal Consultants		
Legal and professional services	**15,712**	2,038

23.2 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:

	2023	*2022*
	RO'000	*RO'000*
Salaries and other short term benefits	**593**	551
Post-employment benefits	**46**	39
Directors' remuneration and sitting fees	**154**	28
	793	618
No. of persons included in key management benefits excluding directors	**9**	9

23 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

23.3 Government and related entities

The Company has generated revenue of RO 22.9 million (31 December 2022: RO 19.8 million) from sale of electricity and water to the Government and related entities during current year. The balances at the year end arising from these transaction are disclosed in note 10.

The Company also received subsidy from the Government (refer note 26) under the Maximum Allowed Revenue (MAR) formula as per the license issued by the APSR. Any short / (excess) of actual revenue as compared to MAR are disclosed as Government subsidy receivable / payable in notes 10 and 21 respectively.

23.4 Amounts due from a related party (note 10)

	2023	*2022*
	RO'000	*RO'000*
Rural area Electricity Company SAOC	**949**	1,036

23.5 Amounts due to related parties (note 21)

	2023	*2022*
	RO'000	*RO'000*
Shareholder		
Electricity Holding Company SAOC	**22**	253
Other related parties - under common control		
Oman Power and Water Procurement Company SAOC	**66,289**	62,399
Oman Electricity Transmission Company SAOC	**3,427**	5,735
Rural Areas Electricity Company SAOC	**293**	-
Numo Institute for Competency Development LLC	**141**	233
Nama Shared Services LLC	**73**	260
Mazoon Electricity Company SAOC	**5**	6
Majan Electricity Company SAOC	**-**	2
Directors' remuneration payable	**-**	20
	70,250	68,908

24 DIVIDENDS

During the year, the Board of Directors have declared a cash dividend of 10% amounting to RO 2,970 thousands for the year ended 31 December 2022 approved by the shareholders in their Annual General Meeting held during 2023 (2022: None).

25 COMMITMENTS AND CONTINGENT LIABILITIES

	2023	*2022*
	RO'000	*RO'000*
Capital commitments (note 25.1)	**97,778**	145,293

25.1 Capital agreement commitment related to constructing various electricity and wastewater projects with two to three years timeframe.

25 COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

25.2 *(i) Case filed by Bank Muscat against Ozdil*

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

Ozdil had valid credit facilities from Bank Muscat SAOG (the "Bank") for the execution of this project and assigned the receivables in favour of the Bank. The Bank filed a suit against Ozdil and others before the Muscat Primary Court under number 364/2014 for the recovery of the outstanding amounts. DISC is the 4th defendant in that suit. The Bank demanded that the court appoint an expert to calculate the financial dues payable by DISC to Ozdil and declaration/injunction that DISC would not challenge the claim of the Bank against Ozdil. On 26 June 2014 DISC filed its statement of defence. DISC's main demand was that the Court may adjudge inadmissibility of the case primarily owing to the existence of an arbitration clause in the contract entered into between Ozdil and DISC and secondarily owing to the fact that DISC is not a party to the dispute between the Bank and Ozdil. The Court in the meantime ordered the Bank to join the liquidators of Ozdil, Salim Al Khusaibi Auditors, as a co-defendant in the suit, which was done. In the hearing held on 8 January 2015 the Bank submitted an amended statement of claim. DISC submitted its response to the amended statement of claim in the hearing held on 29 January 2015. On 29 October 2015, the Court appointed an accountancy firm, Abu Timam Grant Thornton, as expert in this case who submitted their report on 25 October 2015. DISC submitted their comments on the Expert Report on 19 November 2015. After reviewing the comments submitted by the parties, the Court directed the Expert to submit a Supplementary Report. The expert submitted the report on 25 February 2016 and later posted the case for judgment. The court pronounced its judgment on 12 May 2016 and obliged the office of Salim Al Khusibi – (Liquidator of the first defendant) along with the second defendant; jointly and severally to the plaintiff RO 10,481,870 with interest of 12% per annum from date of suit till final settlement. The Court also obliged the 1st and 2nd defendant with the Court fees and RO 300 as lawyer fees and rejected all the other reliefs.

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

Bank Muscat filed an appeal before the Supreme Court, and the management has filed their response on 30 November 2017. The first hearing in the remanded case was held at the Muscat Primary Court on 05 July 2021 in which the Company requested the Court to stay the case procedures until the Supreme Court issues its judgment. The Bank submitted a request to the court to join Mott MacDonald LLC ("Mott") as a co-defendant. On 27 December 2021, the Court stayed the case proceedings until the Supreme Court issued its judgement.

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

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

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

25 COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

(ii) Dispute with ACE (Associated Consulting Engineers)
This is an arbitration claim filed by SSDC against Associated Consulting Engineering International LLC (ACE). The claim is for losses in the total amount of OMR 9,000,695 plus interests and attorney fees. SSDC has initiated this claim due to ACE's negligence in the performance of its duties under the agreement signed between the two parties for the design and supervision of the expansion of the wastewater treatment plant in Raysut, Salalah. The arbitration award was issued on 22 April 2020 in favour of SSDC. The award obligates ACE to pay SSDC:
•an amount of OMR 8,205,762;
•arbitration fees amounting to OMR 220,718; and
•Attorney fees of OMR 30,000.

SSDC deposited the arbitration award at Muscat Primary Court on 25 June 2020. ACE filed annulment proceedings before the Administrative Court of Appeal. The court accepted SSDC's defence that the court has no jurisdiction aver the dispute; it dismissed the annulment proceedings and obliged ACE to bear the case registration fee.
ACE filed annulment proceedings before the Court of Appeal in Muscat. On 11 October 2020, SSDC submitted the memorandum of response. On 15 November 2020, the Appeal Court in Muscat dismissed ACE annulment claim and obliged them to pay case expenses and an amount of OMR 300 for attorney

SSDC opened enforcement file at Muscat Enforcement court with number 3606/9103/2020. On 22 December 2020, SSDC submitted a request to continue the enforcement procedure. On 28 December 2020, ACE filed Estishkal at the enforcement Court. The first hearing is scheduled on 03 January 2021. On 3 January 2021, SSDC submitted memorandum of response to the ACE's Estishkal and the court decided to reject the Estishkal on 17 January 2021. ACE filled appeal of Estishkal at the Appeal court in Muscat, The first hearing was on 14 February 2021. SSDC submitted our memorandum of response and the Court decided on 7 March 2021 to reject ACE's appeal.

On 29 June 2021, the Court issued arrest warrants and detain the authorized signatories of ACE. SSDC also requested the Court to send a letter to Ministry of Finance to know the projects that ACE is working on it in order to seize it. SSDC requested the Court also to send a letter to Oman Water Wastewater Services Company SAOC to seize what ACE has funds with them as they have some project with them. The Court has accepted SSDC's request and send it the above mentioned letters.

SSDC followed up with the Enforcement Court on 28 July 2021 and 16 August 2022 to chase up the proceedings. On 12 October 2021, the court informed us that they will send a follow up letters to the local banks and the Royal Oman Police. On 24 November 2021, we submitted a request to the court to issue an order to arrest warrants and detain ACE authorized signatories. SSDC followed up with the Court on 5 December 2021.

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

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

25 COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

(iii) Khotoot Al Reef Services SAOG (KARS) initiated an ad-hoc arbitration before a sole arbitrator in relation to a dispute arising out of a construction contract for building Hasek Area Water Network in Salalah. In its statement of claim, KARS requested the Arbitrator to order DISC to pay an amount of OMR 1,572,040 (US$ 4,084,073.46), being amounts related to the extension of time, unpaid invoices, prolongation of cost and a compensation for the damages caused by issuing variation orders. On 14 June 2023, DISC filed a counterclaim, in which requested the Arbitrator to order KARS to pay an amount of OMR 389,376 for delay banalities, an amount of OMR 230,505 as a compensation, the counterclaim expenses and the attorney fees.

On 24 August 2023, the Arbitrator decided to appoint an engineer and an accountant expert, who have submitted their main and supplementary report. Subsequent to the appointment of an engineer and an accountant expert, Arbitration panel has issued judgement on 1 February 2024, rejecting the claims of both parties based on the engineer and accountant experts conclusion. Accordingly, the management believes that no provision is required to be recorded as at 31 December 2023.

26(a) REVENUE

	2023 RO'000	2022 RO'000 (Restated)
Point in time		
Sale of electricity to private customers	**69,555**	59,189
Sale of electricity to Government customers	**17,080**	15,799
Sale of waste water	**5,005**	4,732
Sale of water to private customers	**12,401**	11,270
Sale of water to Government customers	**5,909**	3,990
Government subsidy - electricity	**75,933**	70,078
Others [note 26(a)(i)]	**2,029**	(372)
	187,912	164,686
Revenue short of maximum allowed as per price control formula [note 26(a)(ii)]	**(6,947)**	(4,591)
	180,965	160,095
Over period of time		
Installation, connection and metering charges (note 17.1)	**400**	340
Government sponsored projects (note 17.1)	**972**	2,331
Customer contributed assets (note 17.1)	**253**	206
	1,625	2,877
	182,590	162,972

26(a)(i) Others mainly relates to disconnection and reconnection revenue.

26(a)(ii) 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.

26(b) GOVERNMENT SUBSIDY

Funds received as government subsidy relates to reimbursement for expenses incurred by the Company.

27 OPERATING COSTS

	2023 RO'000	2022 RO'000 (Restated)
Electricity and water purchases (note 23.1)	**101,439**	89,650
Depreciation of property, plant and equipment (note 6.4) - (restated) (note 1.1)	**18,168**	15,792
Operation and maintenance charges	**17,910**	17,817
Transmission use of system charge (note 23.1)	**10,741**	9,646
Depreciation on right-of-use assets (note 7)	**13,873**	13,902
Commission charges	**7,171**	6,026
Transmission connection charges (note 23.1)	**2,907**	2,616
	172,209	155,449

28 GENERAL AND ADMINISTRATIVE EXPENSES

	2023 RO'000	2022 RO'000 (Restated)
Employees' costs (note 28.1)	**15,942**	16,980
Office expenses	**4,192**	4,203
Utilities	**1,117**	238
Depreciation of property, plant and equipment (note 6.4) - (restated) (note 1.1)	**1,447**	1,166
Amortisation on intangible assets (note 8)	**511**	588
Miscellaneous expenses	**30**	27
	23,239	23,202

28 GENERAL AND ADMINISTRATIVE EXPENSES (continued)

28.1 *Employees' costs*

Salaries and wages	**11,802**	13,053
Other allowances and benefits	**3,412**	3,896
Early exit scheme	**676**	-
Provision for end of service benefits	**52**	31
	15,942	16,980

29 FINANCE COSTS / FINANCE INCOME

	2023	*2022*
	RO'000	*RO'000*
29.1 Finance costs		
Interest on lease liabilities (note 19.3)	**7,118**	7,947
Interest on term loans	**5,470**	6,445
Interest on short term borrowings	**4,937**	1,723
Unwinding of interest on payables - capital project	**1,133**	-
Amortized transaction cost - term loans (note 16.2)	**190**	220
Other finance cost	**750**	-
	19,598	16,335
29.2 Finance income		
Interest on short term bank deposits	**487**	258

30 TAXATION

30.1 Tax credit / (expense) recognised in the statement of profit and loss and other comprehensive income:

	2023	*2022*
i) Statement of profit and loss	***RO'000***	*RO'000*
		(Restated)
Deferred tax	**6,936**	(2,616)
ii) Statement of other comprehensive income		
Deferred tax	**121**	(703)

The Company is subject to income tax at the rate of 15% (2022:15%) of taxable income in accordance with the Income Tax Law of the Sultanate of Oman. No current tax has been provided due to tax deductible losses for current and prior years. The deferred tax on all temporary differences have been calculated and dealt with in the statement of profit and loss and other comprehensive income.

30.2 The reconciliation of income tax expense

The following is a reconciliation of income tax on the accounting profit with the tax (credit) / expense at the applicable tax of 15% (2022:15%):

	2023	*2022*
	RO'000	*RO'000*
		(Restated)
Loss before tax	**(95,643)**	(18,057)
Income tax as per applicable tax rate	**(14,346)**	(2,709)
Adjustments	**7,410**	93
Tax credit for the year	**(6,936)**	(2,616)

No deferred tax asset has been recognised on tax losses of RO 90.2 million (2022: RO 59.7 million) as it is probable that future taxable profits will not be available against which the Company can utilise taxable losses.

The Company's effective tax rate for the year ended 31 December 2023 was 7% (31 December 2022: 15%).

30 TAXATION (continued)

30.3 Movement in the deferred tax is as follows:

	2023	*2022*
	RO'000	*RO'000*
		(Restated)
At 1 January	**15,406**	12,087
(Reversal) / charge for the year	**(7,057)**	3,319
At 31 December	**8,349**	15,406

30.4 Deferred tax

Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 15% (2022: 15%). Recognized deferred tax assets and liabilities are attributable to the following:

	2023	*2022*
	RO'000	*RO'000*
		(Restated)
Deferred tax assets		
Provision for expected credit losses	**(1,853)**	(1,469)
Provision for stores and spares obsolescence	**(57)**	(57)
Deferred revenue	**(713)**	(753)
Payables - capital project	**(170)**	-
Lease liabilities (including usufruct charges)	**(1,395)**	(1,242)
Fair value adjustment of cash flow hedge (note 15)	**326**	447
	(3,862)	(3,074)
Deferred tax liabilities		
Accelerated depreciation	**12,211**	18,480
	12,211	18,480
	8,349	15,406

30.5 Status of assessments

As at 31 December 2023, the Company's tax assessments have been completed up to 2021 by the Tax Authority of the Sultanate of Oman. The Company's assessment for the tax years 2022 to 2023 have not yet been finalised with the Tax Authority. The management believes that additional taxes, if any, in respect of open tax years, would not be significant to the Company's financial position as at 31 December 2023.

31 CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to provide an adequate return to shareholders. The Board's policy is to maintain a strong capital base so as to maintain creditor and market confidence and to sustain future development of the business. The capital structure of the Company comprises share capital, reserves and retained earnings.

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

Other than the requirements of the Commercial Companies Law of 2019, the Company is subject to externally imposed capital requirements under the "Dual Currency Term Facility Agreement" with lenders which requires that the Company's total net debt does not exceed 2.33 times total equity (gearing ratio). The gearing ratio as at 31 December 2023 was 1.72 (31 December 2022: 1.55) which is in compliance with the lender covenant.

	2023	*2022*
	RO'000	*RO'000*
Net debt		
Term loans	**70,023**	81,142
Lease liabilities	**89,053**	101,806
Short term borrowings	**108,750**	94,857
Trade and other payables	**118,259**	110,205
Less: cash and bank balances	**(44,951)**	(55,888)
	341,134	332,122
Equity (excluding cash flow hedge reserve)		
Share capital	**29,702**	29,702
Legal reserve	**10,597**	10,597
Additional shareholder contribution	**169,798**	197,946
Accumulated losses	**(11,527)**	(23,410)
	198,570	214,835
Gearing ratio	**1.72**	1.55

In order to achieve this overall objective, the Company's capital management, among other things, aims to ensure that it meets it financial covenants attached to the interest bearing term loans and borrowings that defines capital structure requirements. Breaches in meeting the financial covenants would permit the lenders to immediately call term loans and short term borrowings. There has been breach of financial covenant during the current and prior year which has been disclosed in note 16.

32 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.

32 FINANCIAL RISK MANAGEMENT (continued)

32.1 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 and short term borrowings. 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.

At the reporting date, the interest rate profile of the Company's interest-bearing financial liabilities was:

	2023	*2022*
	RO'000	*RO'000*
Financial liabilities		
Term loans	**70,426**	81,733
Lease liabilities	**89,053**	101,806
Payables - capital project	**20,010**	18,342
Short term borrowings	**108,750**	94,857
	288,239	296,738

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) equity and statement of profit or loss and other comprehensive income by the amounts of RO 2.8 million (2022: RO 2.9 million). This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

Lease liabilities and short term borrowings carry interest rate at fixed rate. Accordingly, these financial liabilities are not subject to interest rate risk variations in profit or loss account.

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 statement of profit or loss and other comprehensive income.

32 FINANCIAL RISK MANAGEMENT (continued)

32.2 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 and cash balances and short term deposits held with banks.

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:

	2023	*2022*
	RO'000	*RO'000*
Trade and other receivables	**61,344**	52,207
Amounts due from related parties	**949**	1,036
Term deposits	**50,112**	-
Bank balances	**45,026**	55,985
	157,431	109,228

Trade receivables
The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Company's customer base, including the default risk of the industry and country, in which customers operate, has less of an influence on credit risk. The Company's major receivable is from ONIEC who has been transacting with the Company as a service provider for many years, and no significant losses have occurred. The Company establishes an allowance for expected credit losses that represents its estimate of expected credit losses in respect of gross trade receivables.

	2023	*2022*
	RO'000	*RO'000*
Amounts due from customers	**10,648**	8,516
Amounts due from ONEIC	**38,292**	32,745
Government customers receivables	**12,404**	10,946
	61,344	52,207

The age of trade receivables and related expected credit losses at the reporting date is:

	2023			*2022*		
	Gross carrying value RO'000	***ECL RO'000***	***Net carrying value RO'000***	*Gross carrying value RO'000*	*ECL RO'000*	*Net carrying value RO'000*
Not past due	**6,845**	**135**	**6,710**	7,563	133	7,430
Past due:						
Less 30 days	**1,359**	**28**	**1,331**	661	22	639
31 to 90 days	**15,717**	**734**	**14,983**	14,170	665	13,505
91 to 365 days	**18,615**	**2,049**	**16,566**	13,719	1,331	12,388
Above one year	**18,808**	**9,146**	**9,662**	16,094	2,285	13,809
	61,344	**12,092**	**49,252**	52,207	4,436	47,771

32 FINANCIAL RISK MANAGEMENT (continued)

32.2 Credit risk (continued)

Credit quality disclosure

	ECL Model	*12 months or Lifetime ECL*	*Gross amounts RO'000*	*ECL RO'000*	*carrying amounts RO'000*
31 December 2023					
Trade receivables	**Provision matrix**	**Lifetime**	**61,344**	**12,092**	**49,252**
Bank balances	**External rating**	**12 month**	**45,026**	**80**	**44,946**
31 December 2022					
Trade receivables	Provision matrix	Lifetime	52,207	4,436	47,771
Bank balances	External rating	12 month	55,985	102	55,883

For trade receivables, 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, estimated based on historical credit loss experience based on the past due status of the debtors, 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.

Bank balances and term deposits
The Company limits its credit risk with respect to bank deposits by only dealing with banks with high credit rating. The table below shows the balances with banks categorised by short term credit ratings as published by Moody's Service at the reporting date.

	Rating	***2023*** ***RO'000***	*2022* *RO'000*
Bank balances:			
Bank Muscat SAOG	Ba3	**32,847**	36,939
First Abu Dhabi Bank	Aa3	**1,770**	178
Sohar Islamic Bank	Ba3	**7,272**	6,236
Bank Dhofar SAOG	Ba3	**2,706**	7,986
Oman Arab Bank	Ba3	**166**	4,127
National Bank of Oman	Ba3	**265**	519
		45,026	55,985

32 FINANCIAL RISK MANAGEMENT (continued)

32.3 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:

At 31 December 2023	***Carrying amount RO'000***	***Contractual cash flow RO'000***	***Less than 3 months RO'000***	***3 months to 1 year RO'000***	***More than 1 year RO'000***
Non-interest bearing					
Trade and other payables	**48,009**	**48,009**	**-**	**48,009**	**-**
Amounts due to related parties	**70,250**	**70,250**	**-**	**70,250**	**-**
	118,259	**118,259**	**-**	**118,259**	**-**
Interest bearing					
Term loans	**70,023**	**70,023**	**70,023**	**-**	**-**
Short term borrowings	**108,750**	**115,275**	**-**	**115,275**	**-**
Payables - capital project	**20,010**	**33,281**		**2,622**	**30,659**
Lease liabilities	**89,053**	**126,651**	**-**	**19,703**	**106,948**
	287,836	**345,230**	**70,023**	**137,600**	**137,607**
	406,095	**463,489**	**70,023**	**255,859**	**137,607**
31 December 2022					
Non-interest bearing					
Trade and other payables	34,713	50,317	-	50,317	-
Amounts due to related parties	68,908	68,908	-	68,908	-
	103,621	119,225	-	119,225	-
Interest bearing					
Term loans	81,142	85,649	-	11,307	74,342
Short term borrowings	94,857	96,067	313	95,754	-
Payables - capital project	18,342	33,281	-	-	33,281
Lease liabilities	101,806	144,047	-	12,904	131,143
	296,147	359,044	313	119,965	238,766
	399,768	478,269	313	239,190	238,766

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

Fair value hierarchy:

The management believes that the fair value of the financial assets and liabilities are not significantly different from their carrying amounts as shown in the financial statements at the reporting date. All the financial assets and liabilities are measured at amortised cost except derivative financial instruments which are measured at fair value through OCI. Derivative financial instruments fair value is based on level 2 technique as disclosed in note 15.

There were no transfers between level 1 and level 2 during the year.

33 GEOPOLITICAL UNCERTAINTY

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

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

34 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 behavior and investor demand. These risks are receiving increasing regulatory, political and societal scrutiny, both within the country and internationally.

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

35 SEASONALITY OF BUSINESS

The Company's revenue and cash flows are both subject to seasonal fluctuations as the demand of electricity increases significantly during summer season and decreases significantly during winter season. Generally, demand for electricity is significantly higher in the warmer summer period (May to September) than in the cooler winter period (October to April) due to the increased use of air conditioning in the summer months. As a result, the Company's revenue tends to be higher in the second and third quarters of each year. The Company manages the seasonality of working capital principally by supplementing operating cash flows with utilization of revolving working capital facilities.

36 CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	1 January 2023 RO'000	*Cash flows RO'000*	*Others RO'000*	*31 December 2023 RO'000*
Term loans	**81,142**	**(11,307)**	**188**	**70,023**
Short term borrowings	**94,857**	**13,893**	**-**	**108,750**
Lease liabilities	**101,806**	**(19,972)**	**7,219**	**89,053**
	277,805	**(17,386)**	**7,407**	**267,826**

	1 January 2022 RO'000	*Cash flows RO'000*	*Others RO'000*	*31 December 2022 RO'000*
Term loans	98,836	(17,915)	221	81,142
Short term borrowings	30,808	64,049	-	94,857
Lease liabilities	112,714	(19,995)	9,087	101,806
	242,358	26,139	9,308	277,805

37 OPERATING SEGMENTS

For management purposes, the Company is organised into business units based on its services and has three reportable segments, as follows:

- Water
- Wastewater
- Electricity

No operating segments have been aggregated to form the above reportable operating segments.

The Chief Executive Officer is the Chief Operating Decision Maker and monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the financial statements. There has been no inter-segment adjustments and eliminations during the current and prior year.

Year ended 31 December 2023	***Water RO'000***	***Wastewater RO'000***	***Electricity RO'000***	***Total RO'000***
Revenue and other income	**25,160**	**11,168**	**158,594**	**194,922**
Operating, general and administrative expenses	**(16,235)**	**(9,706)**	**(138,071)**	**(164,012)**
Depreciation and amortisation	**(16,924)**	**(6,255)**	**(10,820)**	**(33,999)**
Impairment of property, plant and equipment	**(25,075)**	**(48,368)**	**-**	**(73,443)**
Finance costs	**(7,018)**	**(1,341)**	**(11,239)**	**(19,598)**
Finance income	**86**	**299**	**102**	**487**
Taxation	**(988)**	**10,610**	**(2,686)**	**6,936**
Total expenses	**(66,154)**	**(54,761)**	**(162,714)**	**(283,629)**
Segment loss	**(40,994)**	**(43,593)**	**(4,120)**	**(88,707)**
Total assets	**135,263**	**115,077**	**412,547**	**662,887**
Total liabilities	**135,526**	**22,952**	**303,996**	**462,474**

37 OPERATING SEGMENTS (continued)

Year ended 31 December 2022	*Water* *RO'000*	*Wastewater* *RO'000*	*Electricity* *RO'000*	*Total* *RO'000*
Revenue and other income	24,651	10,169	142,192	177,012
Operating, general and administrative expenses	(8,903)	(14,322)	(124,319)	(147,544)
Depreciation and amortisation	(17,462)	(3,878)	(10,108)	(31,448)
Finance costs	(7,797)	(308)	(8,230)	(16,335)
Finance income	58	113	87	258
Taxation	3,817	(5,111)	(1,322)	(2,616)
Total expenses	(30,287)	(23,506)	(143,892)	(197,685)
Segment loss	(5,636)	(13,337)	(1,700)	(20,673)
Total assets	180,536	162,221	338,497	681,254
Total liabilities	145,575	43,763	274,551	463,889

38 COMPARATIVE FIGURES

Certain corresponding figures have been reclassified, wherever considered necessary, for the purposes of comparison and to reflect the substance of the transactions. Such reclassifications do not impact the Company's previous year reported loss or equity.