



شركة كهرباء مزون ش.م.ع.م.
MAZOOON ELECTRICITY COMPANY S.A.O.C.

إحدى شركات مجموعة نماء
Member of Nama Group



Annual Report 2022



His Majesty Sultan
Haitham Bin Tarik Al Said
(May Allah Protect Him)



His Majesty Sultan
Qaboos Bin Said
(May Allah Rest His Soul in Peace)

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GLOSSARY OF TERMS

APSR	Authority for Public Services Regulation	LTIFR	Lost Time Injury Frequency Rate
MZEC	Mazoon Electricity Company	RWC	Restricted Work Case
NAMA	Nama Holding	AMM	Advanced Metering Management
HSE	Health Safety and Environment	CRT	Cost Reflective Tariff
ISO	International Organization for Standardization	LMS	Learning Management system
BST	Bulk Supply Tariff	WD	Working Day
TC	Transmission Connection Charges	VPN	Virtual Private Network
TUOS	Transmission Use of System Charges	PV system	Photovoltaic System
VAT	Value Added Tax	SMEs	Small and Medium Size Enterprises
SAIFI	System Average Interruption Frequency Index	ICV	In-Country ValueGIS
CAIDI	Customer Average Interruption Duration Index	GIS	Geographic Information System
SAIDI	System Average Interruption Duration Index	MIS	Main Interconnected System
VOC	Voice of Customer	RAEC	Rural Areas Electricity Company (TANWEER)
LTI	Lost Time Injury	DISC	Dhofar Integrated Services Company



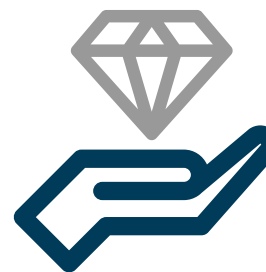
OUR MISSION

"Lighting and enriching life through safe, reliable and sustainable electricity"



OUR VISION

To be leaders in providing electricity in Oman



OUR VALUES

Safety, teamwork, professionalism, integrity and respect

On behalf of the Board of Directors, I am pleased to present the annual report of Mazoon Electricity Company S.A.O.C for the year ended 31 December 2022.

During the year 2022, MZEC took solid steps towards achieving excellence in the business, based on clear strategic goals. These steps had a significant impact on developing the company's staff and the customers' expectations in obtaining highly reliable electrical services in accordance with the highest international safety standards. MZEC has made remarkable achievements and successes this year.

The Government support to the electricity sector and the trust of His Majesty Al Sultan Haitham Bin Tariq, enabled MZEC to move towards more business improvement, development, and expansion. Furthermore, the company is enhanced by a clear orientation and focus on the reliability of services, and strategic planning aimed at keeping pace with Oman Vision 2040. This will lead MZEC closer to achieving the company's vision.

In this annual report, we are pleased to summarize the most notable achievements of MZEC during 2022 future projects, along with the major plans and projects on which we relay on to contribute to achieving major leaps in the performance of the company.



Ibrahim Said Masoud Al Suleimani
Chairman Board of Directors

Performance Summary

In 2022, the company reported growth in the size of its network, customer accounts, regulated units sold and sales revenue.

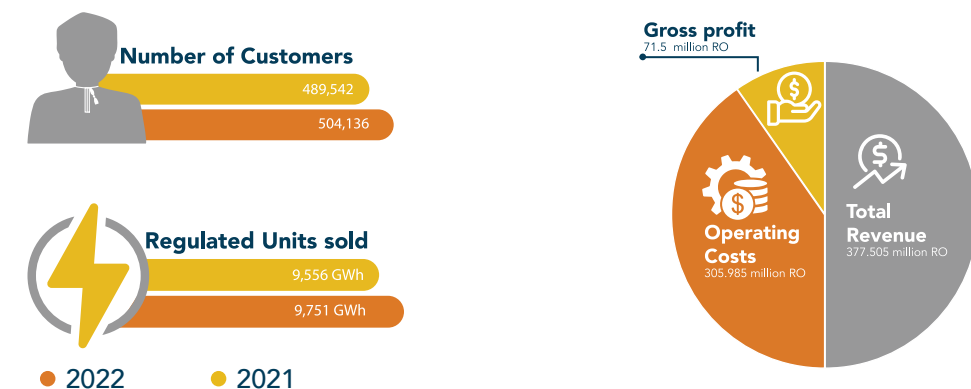
Total number of customers as at the end of the year was 504,136 showing an increase of 14,594 additional new customers during the year. Similarly the Regulated Units sold during the year was 9,751 GWh showed a growth of 2% compared to the last year.

The total Revenue comprising of the sales revenue, subsidy and other revenue, for the year was RO 377.505 Million as against RO 369.934 Million reported in 2021, showing a growth of 2%.

Operating costs showed an increase of RO 6.8 Million to reach RO 305.985 Million (2021- RO 299.213 Million) mainly due to increase in depreciation by RO 4.2 Million and maintenance & repair expenses by RO 2.6 Million.

The Gross profit for the year was RO 71.5 Million also showed a growth from RO 70.7 Million reported in 2021.

The company continued to invest in the network assets as the capital investments reached RO 82 Million in order to meet the growth and to comply with the system security standards and other license requirements.



Operational Performance

The investments in the network assets mainly the construction or upgrading of primary substations helped to enhance the network performance indices (SAIFI and SAIDI). The company record a remarkable improvements in SAIFI and SAIDI of 18% and 24% respectively.

Customer communication services improvement were also given a high priority which is positively reflected in customer satisfaction rate. The company launched number of process automation services during 2022 to enhance and improve the customer satisfaction. The Company has also focused on the continues development of its employees skills, competencies and qualifications. As a result, customer satisfaction rate measured as 'Voice of customer' to reach 95 points in 2022.

The ISO 27001 (Information Security Management) audit was successfully completed in 2022 with zero nonconformities. Moreover, the Asset Management ISO 55001 certification demonstrate the effectiveness and robustness of the management processes and systems.

Commitment to the society

We believe that companies focusing on social responsibility can enhance stakeholder value by engaging in activities that benefit the communities where they operate.

Mazoon Electricity, an organization that prioritizes corporate social responsibility, has developed a commendable strategy that reinforces its strong commitment to achieving national development objectives, in alignment with Oman Vision 2040.

At Mazoon Electricity, we recognize that its long-standing commitment to corporate responsibility and sustainability is connected to its day-

to-day activities. The company understands that it must successfully create value and respond to the growing importance of social issues among its customers, employees, and other stakeholders.

Quality, Health, Safety and Environment

Quality, Health, Safety and Environment (QHSE) is always given the highest priority and in every meeting the Board allocates adequate time for discussion of QHSE performance. The board and the management are committed to adhere to the QHSE policies and take necessary steps to drive and ensure QHSE compliance. During 2022 zero LTI has been reported and the LTIFR is zero. We remain focused on reducing the risk of personal injury across our operations and businesses by promoting a 'Zero Harm Culture'

Strategic Vision and Achievements

In order to achieve the vision to be "Leaders in Providing Electricity in Oman". The company has formulated its strategies under six main themes; Customer services, HSE, Operation & Assets, IT & cyber security, Human Resources and Communication & Marketing. The company continued to implement these strategies in 2022 which gained the desired results as reflected in the financial and operational performance.

Corporate Governance

The Board is committed to highest standards of corporate governance. The Audit and Risk committee (which reports to Board) oversee the company's internal controls and risk management.

Furthermore, the majority shareholder of Nama Holding (MZEC's majority shareholder) has been changed from the Ministry of Finance to be Oman Investment Authority (OIA). During the last period, OIA has issued some new policies and guidelines to strengthen the corporate governance through code of corporate governance, Internal Audit Guideline, Risk Management Guideline and Procurement and Tenders Guideline, amongst many others have been implemented.

Going forward, in 2023, MZEC will work diligently to ensure compliance with all OIA issued policies and ensure that its day-to-day-operations and decision making are held to good governance best practices.





Business Outlook

With the aim of enhancing efficiency and reducing operational and administrative costs, the company have successfully completed the readiness milestones of the initiative towards the merge of the electricity distribution and supply companies to be as one distribution and one supply companies to the services to all governorates except Dho-far.



Acknowledgment

I would like, on behalf of the Board of Directors, to express our sincere gratitude to His Majesty Sultan Haitham bin Tarik - May Allah protect Him - for his wise and great leadership.

I extend my gratitude to Public Authority for Service Regulation, Oman Investment Authority, Nama Holding, the Electricity Sector companies, all stakeholders and to our customers.

I would like also to thank Bord Members, the company Executive Management and all company staff for their dedication and commitment to the Group's continued prosperity and development.

Ibrahim Said Masoud Al Suleimani
Chairman Board of Directors



Chairman
Mr. Ibrahim Said Masoud Al Suleimani

Chairman of Mazoon Electricity Company since December 7, 2020, Ibrahim Said Masoud Al Suleimany is also on the boards of other Nama Group companies. He has diverse knowledge covering civil service, oil and gas, wastewater and electricity sectors with almost 30 years of experience working in the fields of human resources development, talent management and corporate communication. Mr. Ibrahim simultaneously handles the position of executive manager for Group HR at Nama Holding and is responsible for developing and implementing a wide range of human resource strategies for the entire group. He guides and pilots implementation of an effective human resources strategy for Nama Holding Companies to ensure continuous updating of HR policy, processes and practice. He acts as an internal consultant to other roles and directs the identification/resourcing of human capital needs.



MS. Munira Saloom Salim Al Harthi

Munira Saloom Salim Al Harthi currently works as board secretary, and in Group Document Management and Group Governance at Nama Holding Company. Her experience of over 15 years in a range of companies and roles has contributed to her unique leadership style and knowledge base. With an associated degree in Finance and Accounting from the City and Guilds London Institute, UK, she has held leading positions at companies like Majlis Industrial Services (Sohar Port Area), Oman Cables and Jotun Paints. She has several certifications to her credit, including CPD Certified in Business Process Analysis and Mapping; MSP Foundation and Practitioner - Managing Successful Programs; PECB Certified ISO 900: 2015 Lead Implementer; IRCA Certified ISO 9001:2015 Lead Auditor; ISO 9001: 2008 Quality Management Systems and PECB Certified ISO 31000 Lead Risk Management.



Mr. Faisal Khamis Mohammed Al Daoudi

Faisal Khamis Mohammed Al Daoudi holds the position of group risk and compliance manager at Nama Holding. He is responsible for developing, maintaining, implementing and monitoring Nama Group enterprise risk management (ERM) and compliance strategies. He has 19 years experience, having served in prestigious organisations, performing diversified roles in the risk management audit and compliance sectors. Holding BA degree in accounting from Staffordshire University, Faisal has international certification in risk management from the Institute of Risk Management (The IRM, UK). He also has international certificates in business continuity (CBCI) and compliance. CPD-certified in business process analysis and mapping; MSP Foundation and practitioner: Managing Successful Programs; PECB certified ISO 900 2015 lead implementer; IRCA certified ISO 9001 2015 lead auditor; ISO 9001 2008 quality management systems and PECB certified; ISO 31000 lead risk management



Salim Said Al Kamyani
Chief Executive Officer

The company's management process, functions, and systems are built aligning with its mission and to contribute to the overall development of the nation by providing, safe, reliable, power and services and to keep our customers satisfied and delighted.

The company successfully tested its readiness (business continuity plans, crisis management and disaster recovery plans), and overcame disruptions in the supply chain locally and globally during the COVID-19 pandemic, where materials, spare parts and personal protective equipment were secured for operation and maintenance departments in the company in order to ensure the continuity of the electrical power supply and services to our customers. The Distribution and Customer Services business line continues to work diligently towards providing superior customer service and raising the level of confidence in the electrical services provided by launching a succession of initiatives and projects.

The company formed high-efficiency specialized teams to meet the challenges and overcome difficulties, and to benefit from all modern technologies available for digital transformation and service delivery through multiple communication channels which allow customers to take advantage of the company's services in an easy and faster way. Despite all the challenges during 2022, the company was able to record an outstanding performance mainly because of a solid corporate strategy and business plan supported by the high commitment of employees along with QHSE standers.

There is no doubt that the many challenges we face do not differ from those of other companies. Yet, these trials cannot stop us from accomplishing our ambitions and achievements, because we are aware of the scale of these challenges and that we work in a scientific and strategic way to overcome them. Instead, we turn them into opportunities to be able to raise the strength to support and promote our goals, and to seek innovative solutions that would enable us to overcome such challenges and serve our future strategic goals.



Salim Said Al Kamyani
Chief Executive Officer



Majid Nasser Al Busaidi
Chief Operations Officer,
Distribution



Khalfan Nasser Al Burtumani
Senior Manager Regulatory &
Corporate Affairs



Sultan Saleem Al Alawi
Senior Manager Shared
Services



Muntasar Abdullah Ambusaidi
Senior Manager Human Resources



Ali Ibrahim Al Maki
Senior Manager Finance



Mohammed Salim Al Ghenaime
Senior Manager Planning & Asset
Management



Ahmed Zayed Al Shaqsi
Senior Manager Quality,
Health, Safety and
Environment



Abdullah Said Al Kindi
Chief Operations Officer,
Supply (Acting)



Fatma Ahmed Al Subhi
Manager Communication
and Sustainability (Acting)



The electricity sector in the Sultanate of Oman comprises three separate and distinct market segments: The Main Interconnected System (“MIS”) in the north of Oman; the Rural System of the Rural Areas Electricity Company (TANWEER); and the Dhofar Integrated Services Company System (DISC).

The Oman Electricity Transmission Company SAOC (OETC) is the monopoly provider of transmission services in the MIS. OETC owns and operates the 220 kV, 132 kV and 400 kV interconnected transmission systems, and as system operator it is responsible for the central dispatch of generating and desalination facilities.

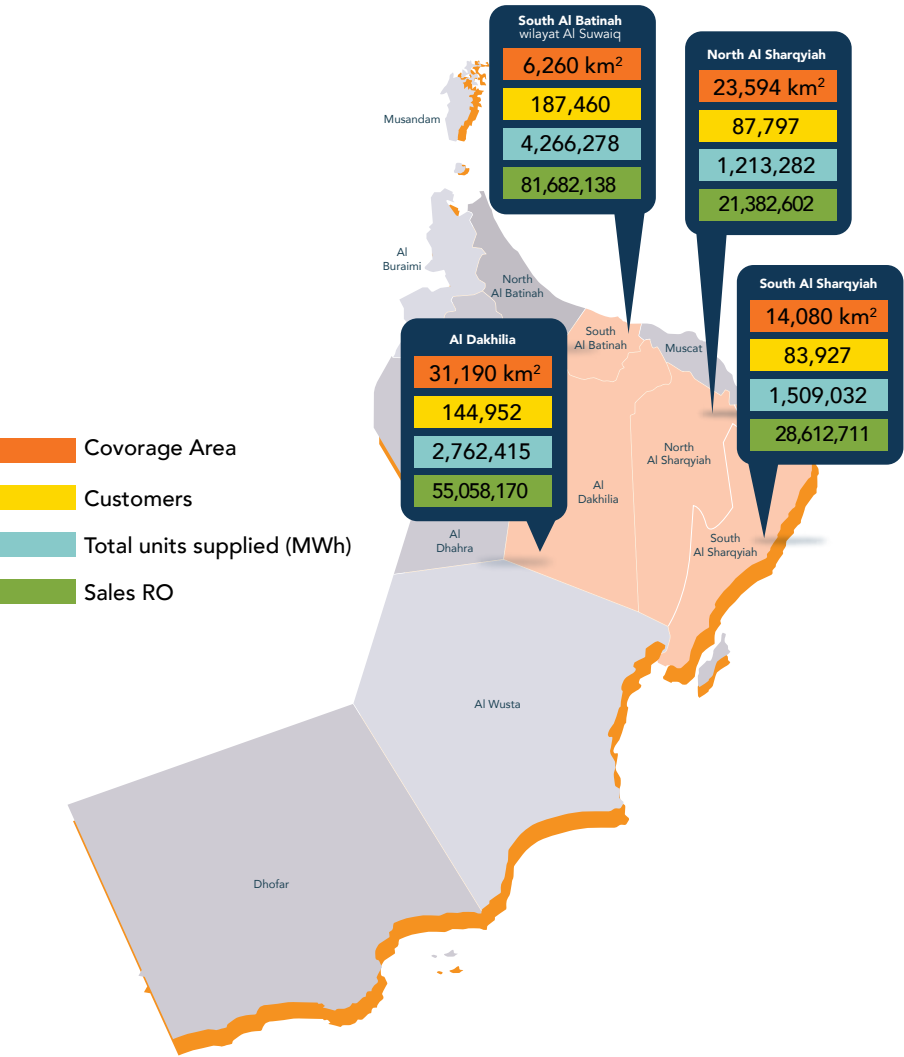
After electricity is produced at the various power plants, it reaches the customers. Electricity is transmitted long distances to substations through high voltage lines. The power lines go into substations near businesses, factories and homes. Here, transformers change the very high voltage electricity back into lower voltage electricity. The distribution system is the last stage in the electricity production, as the distribution system reduces the voltage and then transfers the electricity to customers. In addition to substations, the distribution system includes wiring, poles, measurement, billing and related support systems.

Mazoon Electricity Company pays Oman Electricity Transmission Company to connect to the Company’s network (distribution work) and uses the network (supply works). MZEC pays OPWP for bulk electricity purchases through bulk supply tariffs, which include costs paid by the Company for its electricity purchases.

CERTIFICATIONS

- ▶ IT: ISO27001 recertification
- ▶ Planning Asset Management: Recertification of ISO55001

COVERAGE AREA





CORPORATE GOVERNANCE

The Board of Directors of MZEC, abiding by the laws of the Sultanate of Oman, the Commercial Companies Law, the Sector Law, and Nama Group Board Manual and Oman Investment Authority (OIA) Code of Governance, recognizes the necessity for clarity in the roles, responsibilities and accountability of MZEC in relation to its subsidiaries and Affiliates.

The Company's management structure is commensurate with the size of the organization and the company has implemented proper delegation of authority aligning with the corporate governance philosophy. The Company also aims at achieving sustainable growth and accordingly focus on all aspects of business. Further, the company has established systems to drive performance and compliances and thus to protect the interests of all the shareholders.

The company has also established the internal control systems and internal regulations and procedures to ensure the business is conducted in compliance with the corporate governance policies. The internal audit function is being managed by the centralized unit at the group level and the internal team provides the internal audit services to the company.

The transactions with the sector companies under the same holding group; i.e. the related party transactions, are made in the normal course of business and are at arm's length.

The company's board consists of three non-executive directors. The Board has also constituted Audit and Risk Committee.

Board of Directors

Role of the Board of Directors

1. Approve the commercial and financial policies and the estimated budget of the company for achieving its objectives, to safeguard the rights of its shareholders, and to develop the company.
2. Lay down the necessary plans for achievement of the company's objectives and carrying out of its activities in accordance with the purpose of its establishment and supervision and updating of such plans from time to time.
3. Carry out the company's disclosure procedures and follow the application thereof in accordance with the rules and conditions of disclosure issued by the Concerned Body.
4. Supervise the performance of the executive management and ensure the good performance of the business in a manner that achieves the objectives of the company in accordance with the purpose of its establishment.
5. Approve the financial statements related to the activities of the company and the results of its business, presented thereto by the executive management, which reveal the actual financial status of the company.

Role of Audit and Risk Committee

The Board constituted the Audit and Risk Committee pursuant to Article (54) of the Articles of Association and its terms of reference include all matters specified under that article, mainly;

- To ensure the adequacy of internal control systems through regular reports from internal and external auditors
- Recommend appointment/reappointment of external auditors and study their scope and audit plan and ensure no restrictions or limitations have been imposed on the scope.
- Serving as a channel of communication between the Board of Directors and the Auditors
- Gain an understanding of the financial and reporting risks and the mitigation measures.

- Review the appropriateness and ensure adoption of accounting policies, and the impact of changes in the accounting policies in the financial statements.
- Review significant accounting and reporting issues including recent professional and regulatory pronouncements and understand their impact on the financial statements.
- General oversight of financial matters and review and recommend interim and Annual financial statements for approval by the Board.
- Meet with the management and the auditors to review the financial statements.
- Receive the internal audit reports and discuss with the management and ensure proper follow up of the closure of the observations.
- Review the Risk Management policy and procedures and recommend to board for approval and ensure that major risks are adequately addressed so that the residual risks are within the acceptable levels.
- Receive and review regular reports from the management on the risk management including the capital and liquidity risks management policies and strategies.
- Obtain regular updates from the management and the legal department regarding compliance matters.



COMPOSITION OF THE BOARD

Being closed joint stock company, NH is subject to the provisions of the Commercial Companies Law No. 4/1974 (18/2019) as amended and NH's Articles of Association.

In this context, MZEC's Board is composed of three members nominated by the shareholders - Electricity Holding Company SAOC, Nama Shared Services LLC and Numo Institute for Competency Development LLC.

Details of the Directors of the company holding their office as of 31 December 2022 and their membership in other companies in Oman are as follows;

Mr. Ibrahim Said Masoud Al Sulaimani

Chairman

- ▶ Nominated by Electricity Holding Company
- ▶ Non-Executive Director
- ▶ Chairperson of other Boards- Nil
- ▶ Member of other Boards- 1
- ▶ Member of other Committees- 1

Ms. Munira Saloom Salim Al Harthi

Deputy person

- ▶ Nominated by Electricity Holding Company
- ▶ Non-Executive Director
- ▶ Chairperson of other Boards- NIL
- ▶ Member of other Boards- NIL
- ▶ Member of other Committees- NIL

Mr. Faisal Khamis Mohammed Al Daoudi

Member

- ▶ Nominated by Electricity Holding Company
- ▶ Non-Executive Director
- ▶ Chairperson of other Boards- NIL
- ▶ Member of other Boards- NIL
- ▶ Member of other Committees- 1



The meetings of the Board of Directors for the year 2022 as follows:

Member	Position	AGM	Board Meetings							
		30-03-2022	27-02-2022	21-03-2022	30-05-2022	28-08-2022	27-10-2022	13-12-2022	20-12-2022	
Mr.Ibrahim Said Masoud Al Sulaimani	Chairman	✓	✓	✓	✓	✓	✓	✓	✓	
Ms.Munira Saloom Salim Al Harthi	Deputy Chairperson	✓	✓	✓	✓	✓	✓	✓	✓	
Mr.Faisal Khamis Mohammed Al Daoudi	Member	✓	✓	✓	✓	✓	✓	✓	✓	



The meetings of the Audit and Risk Committee for the year 2022 as follows:

Member	Position	ARC Meeting			
		24-02-2022	25-05-2022	23-08-2022	23-10-2022
Mr.Ibrahim Said Masoud Al Sulaimani	Chairman	✓	✓	✓	✓
Mr.Faisal Khamis Mohammed Al Daoudi	Member	✓	✓	✓	✓

Remuneration Matters

The company paid RO 541,532 towards remuneration to the 8 key management personnels. And to the Directors sitting fee and remuneration RO 15,600 during the year.

No sitting Fee was paid to the members of the Board of the Mazoon Assets Company, the 99.99 percent subsidiary of Mazoon Electricity Company.

Training programs attended by the directors

As at 31st December 2021 the shareholding was as follows:

Member	Position	Program	Date	Venue	Cost
Mr.Ibrahim Said Masoud Al Sulaimani	Chairman				
Ms.Munira Saloom Salim Al Harthi	Deputy Chairperson	Directors Development Program	26 Sep. 2022 (1 Week)	London Premier Centre - Dubai	1,825 RO
Mr.Faisal Khamis Mohammed Al Daoudi	Member				

Corporate Social Responsibility

We are pleased to state that during 2022 our commitment to CSR led to impactful initiatives and positive contributions to the society, while also boosting the company's reputation and creating long-term value for all stakeholders.

The company delivered a national campaign on the health and safety requirements associated with the electricity and the efficient use of electricity.

Being committed to recruiting and nurturing dynamic young Omanis to meet their manpower needs and enable them to contribute to the overall national development, we achieved a major milestone with Omanisation targets in both MZEC workforce and the related contractor workforce. The total number of employees at Mazoon Electricity stood at 565 in 2022 and the Omanisation rate recorded a target of 99.29%.

The company has also worked very closely with the Government and the APSR to increase the Omanization with its main contractors and during 2022 there was a recruitment of 299 Omani person in the emergency and maintenance contracts.

The company also supporting the Omani candidates who wants to work independently (freelancer) in electricity internal wiring and by end of 2022 the total authorized Omani persons reached more than 1,000 qualified and authorized persons.

NON-Compliance by the Company

No penalty or strictures have been imposed on the company by Muscat Securities Market/Capital Market Authority or Ministry of Commerce Industry and Investment Promotion on any matter related to capital market during the year.

Annual General Meeting (AGM)

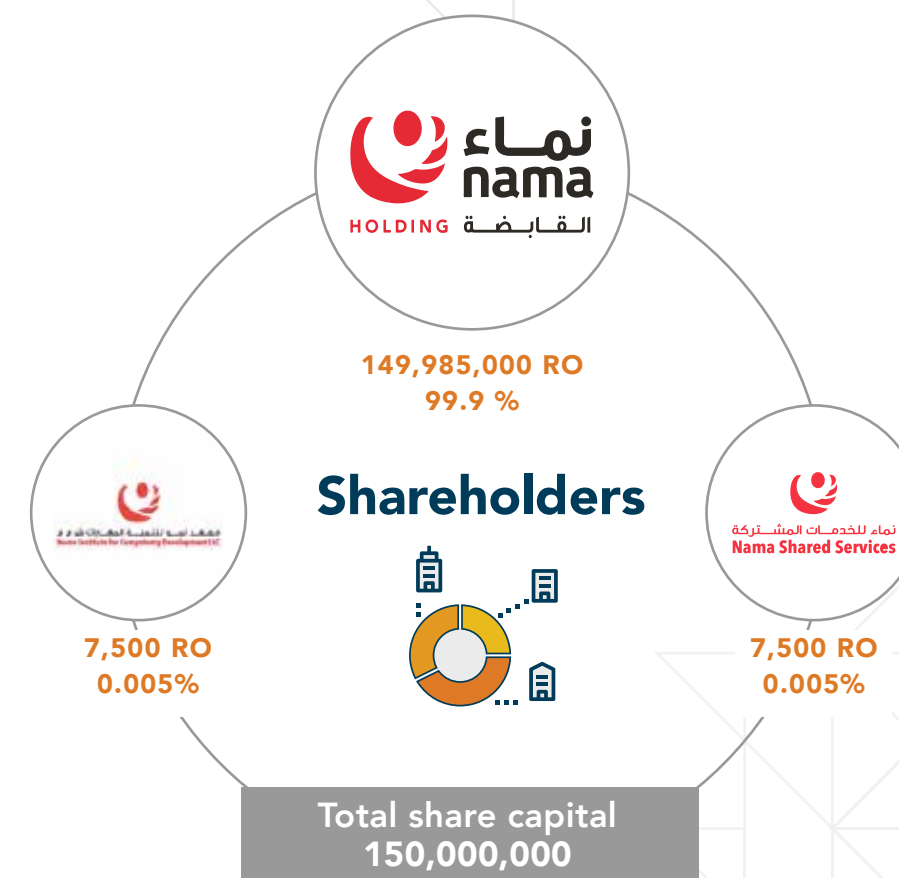
Annual General Meeting (AGM) refers to the general meeting of the Company which is held annually.

Article No. 172 of the Commercial Companies Law mandates Nama Holding to hold an AGM within 90 days from the end of each financial year.

Communications with the Shareholders and Investors

The company maintains close liaison with the major shareholder Electricity Holding Company (EHC), for various strategic initiatives and policy matters. The company's financial and operational performances are reviewed regularly by monthly reporting to Electricity Holding Company. The company's annual report will be forwarded to the shareholders EHC, Numo Institute for Competency Development LLC and Nama Shared Services LLC.

Distribution of Shareholding



The Statutory Auditors

Statutory auditors express an opinion on the fairness with which MZEC presents, in all material respects, its financial position, operating results, and cash flows in line with internationally recognized accounting standards.

EY were the statutory auditors of MZEC during 2022. EY is a global network of professional firms providing. Audit, Financial, Tax, Enterprise Risk Management and Advisory services to selected clients.





CORPORATE STRATEGY



The strategic business plan aims to set a clear vision and strategic direction to the business of the company and to assist the management in focusing its attention on the key responsibilities towards the shareholders while complying with the regulatory requirements. The plan identifies objectives, milestones, risks, issues and challenges, in addition to the financial plans that will need to be addressed during the period of this plan. The business plan also addresses the associated risks and challenges while envisaging the desired state the company would like to achieve.

The company has grouped the strategic objectives under six strategic themes. The company has adopted MSP approach to manage the strategy implementation and assigned Senior Responsible Owners for each strategic theme to manage the related projects. A strategic plan for each theme has been prepared ensuring its' alignment with other plans and milestones have been set for achieving the targets.



Customer Service



Operational Efficiency



Human Resources



**Quality Health,
Safety &
Environment**



**Communication &
Marketing**



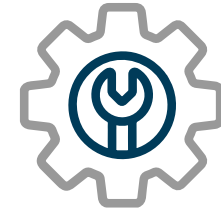
**IT & Cyber
Security**



Improve network security, reliability, and performance



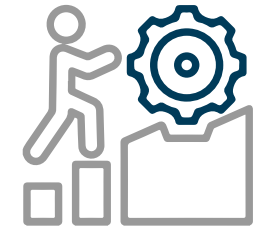
Enhance and implement %100 effective self-healing system in QHSE.



To be a model of service excellence in meter reading, first time resolution and customer satisfaction.



Enhance digitalization and cyber security compliance.



Create high performance in working environment to achieve professionalism.



Enhance and implement %100 effective self-healing system in QHSE.



Maximise return on investment and optimise quality working capital management

Quality, Health, Safety and Environment

Quality, Health, Safety and Environment (QHSE) is always given the highest priority and in every meeting the Board allocates adequate time for discussion of QHSE performance. The board and the management are committed to adhere to the QHSE policies and take necessary steps to drive and ensure QHSE compliance. During 2022, key safety indicators show there are continuous improvement in safety as prime focus in MZEC business. There was no LTI been recorded or neither fatality been occurred in 2022.

Health, Safety & Environment

Mazoon Electricity Company continued to work on implementing a comprehensive QHSE plan in all the activities. The main activities were spreading awareness and building a '**Zero Harm**' through enhancing the culture among the employees and the society. In line with our strategy, the company's QHSE Department launched three campaigns related to Operation Safety, Health awareness Campaign at all MZEC offices and Environmental Campaign. 2022 was a year marked by significant HSE performance and the company did not record any fatalities this year.



Industrial hazardous waste management

In continuance of its efforts to improve integrity and reduce environmental impact arising from its operation, MZEC uses modern approaches to handle hazards by following best international practices and complies with relevant Oman Environmental Law.

Waste Description



OIL
17,000
Litre



Batteries (All types)
273
NO's



Silica Gel
956
KG



Recycling of oil transformer

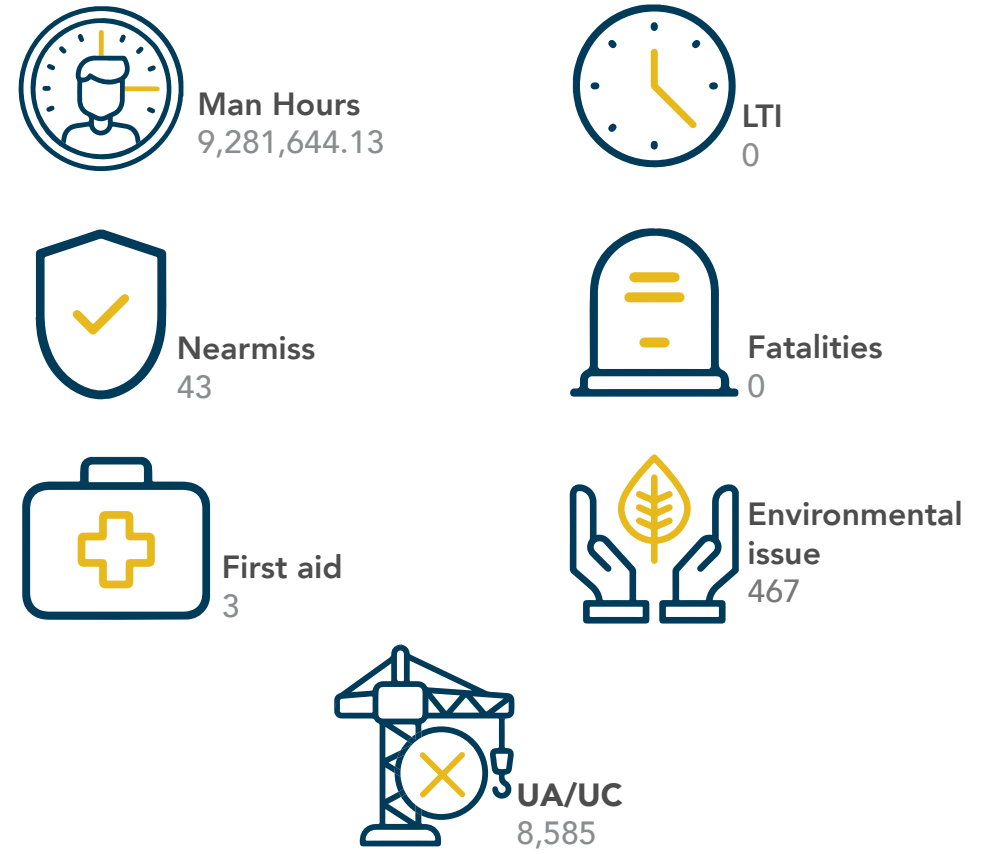
As a responsible business, MZEC has a strong commitment to conducting its activities in a manner that prevents pollution and that complies with relevant legislation, industry standards and codes of practice. In 2022, a filtration plant at the transformer workshop recycled around 101,200 litres.



REPORTING SYSTEM

In 2022, MZEC maintained a proactive culture in HSE by enhancing its reporting through NIMS. All incidents, injuries and near misses must be reported in accordance with MZEC incident management procedures to ensure appropriate actions are taken to prevent reoccurrence and ensure a safe and healthy work environment within all Company workplaces.

Our lost time injury frequency rate (LTIFR) of 0 during 2022 was generally in line with the expected performance trend. We remain focused on reducing the risk of personal injury across our operations and businesses by promoting a 'Zero Harm' Culture.





**OPERATIONAL
EXCELLENCE**

OPERATIONAL EXCELLENCE

In 2022, MZEC continued the roll out of auditing HSE compliance in operation, maintenance, asset management and projects to assess the performance of operational safety, with an emphasis on ESR (electrical safety rules) implementation in switching programs, working at height, safe lifting and other significant activities. The audit delivered effective findings that described areas where improvement was required.

Mazoon Electricity Company participated in the 8th edition of HSE Conference and Exhibition in February 2022 that was hosted by the Ministry of Energy and Minerals, Petroleum Development Oman (PDO) Company and Oman Society for Petroleum Services (OPAL). The conference presented a forum for participants in the field of health, safety and environment to exchange and discuss the new ideas and innovations, which contributed to delivery of an important strategic formation to be implemented in work places. Health, Safety and Environment Sector dedicates its efforts to raise the awareness of HSE policies and technical literacy that enables this sector to compete throughout the world, in line with Nama Endeavors to enhance the best practices in this field.



Management HSE Walkthrough

Mazoon's commitment to safety is the number one priority in business. During the year, MZEC's management conduct several management walkthroughs of the following most high-risk areas:



Public safety



Lifting operation in MZEC main store



Operation safety



Coastal area project



Health

These management walkthroughs aim to identify and mitigate hazards at MZEC workplaces, build an attitude towards a better safety culture in MZEC, evaluate safety conditions and help in improvement of processes at workplace.

MZEC aims to improve the physical and mental health of employees, which is expected to lead to a reduction in injuries and illness by addressing the health risks within the workplace and ensuring their fitness to work in a safe manner. In 2022, MZEC delivered a program to support employees' wellbeing and health in corporate with Ministry of Heath, covered %100 of MZEC office. Around 180 of MZEC's employees attended this program.





CUSTOMER EXPERIENCE

CUSTOMER EXPERIENCE

1. Voice of Customers

Despite the challenges faced by the company during the year 2022, and the engagement of the company in the sector restructuring project, the company maintained a high customer satisfaction rate throughout the year. Where the company has achieved (95 points) in 2022 compared to (91 points) in 2021. The company is moving ahead to improve and digitize its services to achieve higher customer satisfaction.

2. Supply Business Achievements

2.1. The completed initiatives and strategic projects

2.1.1. Supporting customers with difficulties in paying their bills

As part of its obligation to support customers, and in coordination with the Authority of Public Services Regulation (APSR), MZEC has launched a support scheme for customers who face difficulties in paying/settling their dues. The initiative includes:

1. Offering fixed payment rate for the customers, where it allows them to pay a fixed amount throughout the year, where there will be a settlement of the dues (if any) at the end of each year, and settlement can be added to the fixed rate for the next year.
2. Offer flexible payment plans: by allowing customers to pay their bills in extended number of installments or spread out over a longer period of time, allowing customers plan their payments in more flexible way.
3. Implementing the APSR direction to hold disconnection due to non-payment during the summer months (May, June and July).
4. Intensive communication with customers who have outstanding debt to offer them support and encourage them to settle their dues in order to avoid debt accumulation.
5. Coordination with the Ministry of Social Development and charity

teams to identify customers with payment difficulties, to allow them to receive charity bill payments.

6. Allowing customers with prepaid meters to have continuous supply after credit is finished. The allowance is for a certain time to allow them to top up their meters.

7. Providing a facility to prepaid meter customers who do not have the funds to buy a new token. The customer will receive a token without payment; which will be settled in the next few tokens as agreed with the customer.

8. Provide energy efficiency advice and information to help customers reduce their energy usage.

2.1.2. Launching of Guaranteed Services Standards (GSOS)

Mazoon Electricity Company launched the guaranteed standards of services in July 2022 as part of directions from the Authority for Public Services Regulation. The main aim of these guaranteed standards is to enhance service quality and improve customer satisfaction. There are 11 guaranteed standards launched including service reliability, new connections, complaints handling, outages communication

management and reconnection response time, in addition to timely compensation standard.

These standards outline the level of service that a MZEC commits to provide to customers and help to establish customer expectations. By setting these standards and actively working to meet them, MZEC can demonstrate to the customers that it values their satisfaction and is willing to make an effort to 28 meet their needs which in turn, builds trust and increases customer satisfaction.

2.1.3. Digitization progress of the Supply Business and Customer Service

1. Oman Vision 2040 digitization strategy

The Company has participated as part of the sector companies in the government project for service digitisation. It covers 41 services which support improving Oman's ranking in ease of doing business. MZEC has contributed to process improvements by:

- a. Optimize the time required for connections to premises ready for use.
- b. Optimize the time required for connections that require extension/enhancement to the network,.
- c. Improve network planning and extension by integrating and synchronizing the current housing projects with MZEC's current network and extension planning.



2. Introduction of field service management

(Improvements for metering, billing and enhance customer service)

The field inspectors and contractors now have better access to the systems from site which gives them access to immediate inspection information updated in the systems. The key benefits are:

- a. Improved quality of service and information.
- b. Enhanced service delivery time frame.
- c. Reduction of manual intervention and errors probability.

3. Cost optimization of the MRBD & Collection contracts Management

The Company has worked to enhance contractors' performance which has led to improved results in terms of:

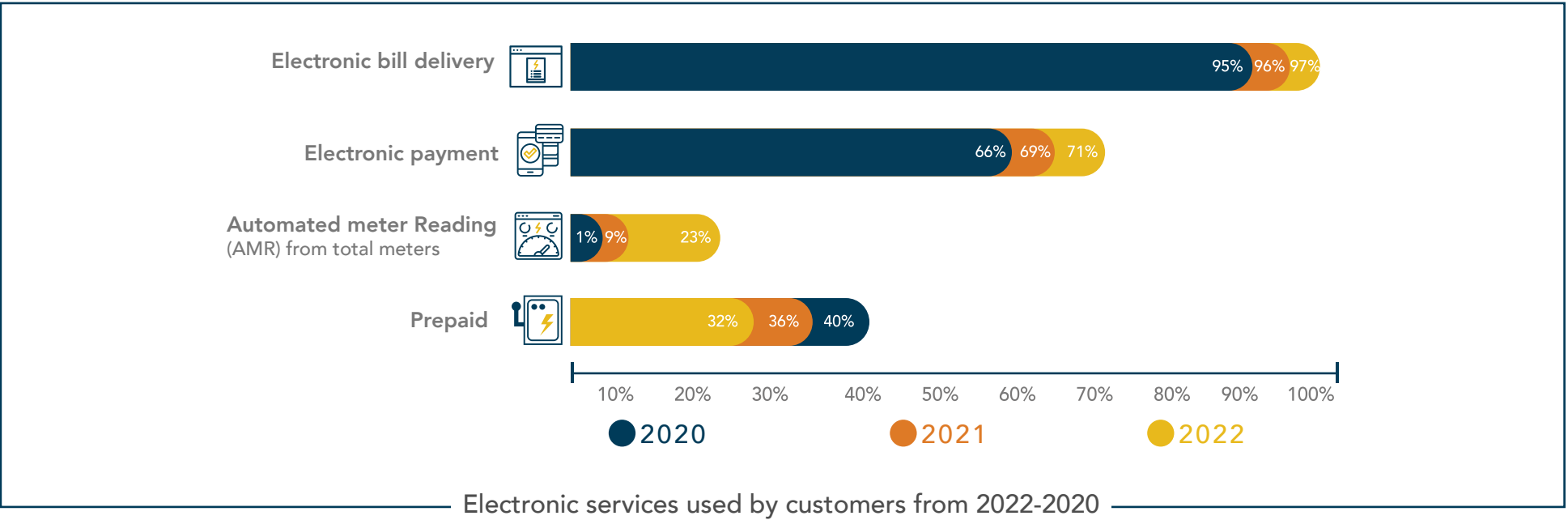
- Quality of services provided to the customers.
- Improved customer payment cycles.

4. Customer self-service Mobile Application

Preparation and readiness of a fully-fledged mobile application that provides connection and billing-related services. The launch date is deferred until the launch of newly restructured companies, where it will be cascaded to cover the customers of the merged companies as part of the restructuring project.

5. Ntegration with Ministry of Al Dakhiliya for Municipal Services

Integration reached to its final stage before (User Acceptance Test) requirements with Ministry of Interior for the Municipal systems for optimizing new connections, network extensions.



TALENT MANAGEMENT

The MZEC workforce is its most valuable asset. The Company's employee engagement rate achieved a notable growth through launching a number of strategic initiatives that contribute to the creation of a more positive and stimulating work environment for employees; it leads to an increase in their corporate loyalty and raises their satisfaction rates, which reflects positively on the Company's performance. With the network expanding and the workload increasing, the number of employees in the Company in 2022 was 565. The Omanisation percentage reached 99.29%.



99.29%

Omanisation target
achieved during **2022**

To keep up with Oman vision 2040 and the electricity sector's transformation strategies, and in order to distribute business, responsibilities and administrative authorities according to the highest degree of professionalism, during 2022, MZEC transferred the learning management system from LMS to the Rawafid Platform, which is

an international learning platform where employees can enrol and complete their online courses along with in-class courses.

The Company considers human resources crucial to bringing about the Company's desired growth and in upgrading its production efficiency. Hence, it adopted specialised programs to select and upgrade staff competencies, as well as mapping out their career paths, including improving and ensuring their technical competencies to take on all positions in the Company. To support these continuing efforts to develop human resources and to enhance staff competencies in order to achieve greater performance efficiency, MZEC arranged a number of development projects, such as the Kafaah Project, where it targeted 98 engineers from the Operations, Maintenance and Control Department. It is worth mentioning that the Kafaah Project started in 2019 and was successfully completed in 2022.

MZEC has worked in preparing targeted leaders and those who have leadership potential to assume future leadership positions with A bigger scope of responsibility within the Company, ensuring a healthy pipeline for succession planning and to ensure the continued development of MZEC leaders. Leadership and coaching programs were implemented during 2022 where they targeted 37 leaders from multiple divisions and departments.

As part of its social responsibilities, MZEC hosted and trained more than 300 graduates and job seekers in a range of fields in 2022, also

accommodating five trainees through the Eidad Program via coordination with the Ministry of Higher Education, Research and Innovation and the Numo Institute for Competency Development. The Company also accommodated a trainee through Sohar International Academy.

MZEC is currently implementing an Omanisation project for technical jobs in emergence and maintenance contracts as directed by APSR. This initiative is mainly to absorb Omani job seekers who have an electrical background and who are interested in working as supervisors, HSE officers, technicians and linemen. Omanisation is targeted to reach 62% by recruiting 479 Omanis in a range of positions. In 2022, the number of Omanis recruited reached 299 and this initiative is planned to be completed in Q2 2023.



INFORMATION TECHNOLOGY

Mazoon Electricity launched more than 20 process automation services during 2022. These processes include unit rate project, overtime requests, electricity outages information, cyber security incident reporting and a switching process for the control centre. These services enhance time and effort optimisation and improve reporting quality.

In addition, the IT department refurbished the IT infrastructure, replacing it with new technology and enhancing its security levels. The new technology reduces the space requirements, improves power and cooling consumption and also enhances the business recovery process.

In addition, a new IP telephony system was installed in the regional offices. To improve IT asset management and to comply with ISO27001 requirements, the IT department introduced an IT asset tracking system.

From the cyber security perspective, the IT department passed the ISO27001 recertification, ISO27001 auditing with zero nonconformity, and continued its internal

auditing. During 2022, it was mandatory for all Mazoon electricity staff to pass an online security awareness training course.

In connection to end-user support, the IT department addressed about 22,273 support requests from Company staff at all offices, successfully closing 98% of them. During 2022, the IT department trained about 10 IT students and job seekers as part of its CSR and knowledge-sharing commitments. Finally, IT participated in the sector merge process to ensure smooth integration between the systems, and to simplify day 1 operation.





OPERATION PERFORMANCE

A. Customer Base



Number of new connections

2022	14,594
2021	16,106



Total customers

2022	504,136
2021	489,542

The new connections are driven by expansion in the construction of new premises/properties. According to the market and economic situation, the construction activities decreased in 2022 compared to previous years and this resulted in a decrease in the number of new connections.



B. Number of Customers



Government

2022	14,607
2021	14,833



Residential

2022	366,413
2021	359,789



Commercial

2022	113,861
2021	106,318



Agriculture & Fisheries

2022	5,597
2021	4,250



CRT

2022	3,518
2021	4,221



Tourism

2022	111
2021	112



Industrial

2022	29
2021	19

TOTAL

2022	504,136
2021	489,542

* CRT includes government and Private customers whose consumption exceeded 100 MWh

C. Unit Sold per Customer Category (GWh)



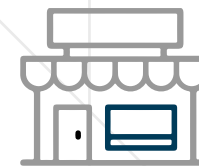
Government

2022	350
2021	322



Residential

2022	5,734
2021	5,759



Commercial

2022	861
2021	724



Agriculture & Fisheries

2022	283
2021	140



CRT

2022	2,519
2021	2,585



Tourism

2022	2
2021	4



Industrial

2022	0.8
2021	1

TOTAL

2022	9,751
2021	9,536

D. Demand Profile (MW)



Peak load MW

2022	2,350
2021	2,339



Minimum load MW

2022	418
2021	433

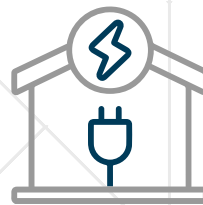
E. Unit Sold GWh



Peak load MW

2022	2,350
2021	2,339

G. Electricity losses



Total Electricity Losses

2022	9.91%
2021	10.25%

F. Sales Revenue OMR



Total Permitted Tariff Revenue

2022	186,736
2021	173,094

H. Electricity Reliability Investment

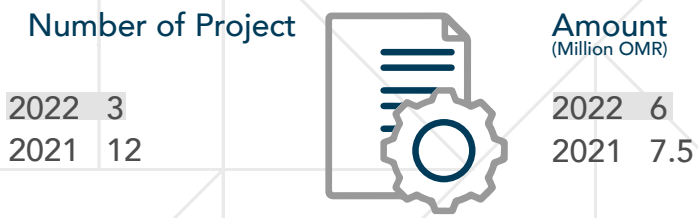
Capital works completed (energised)



Projects under execution phase

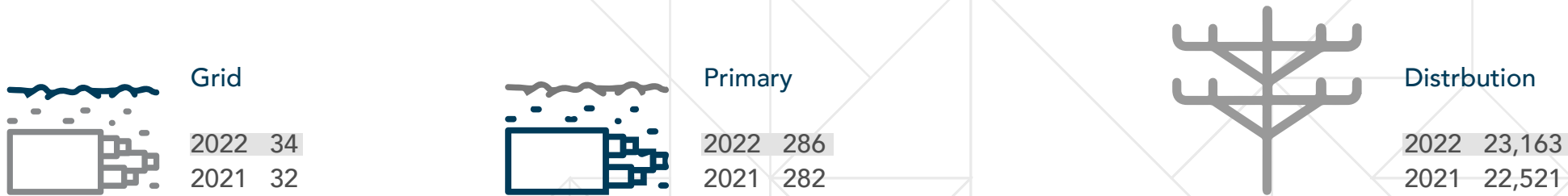


Projects under commissioning phase

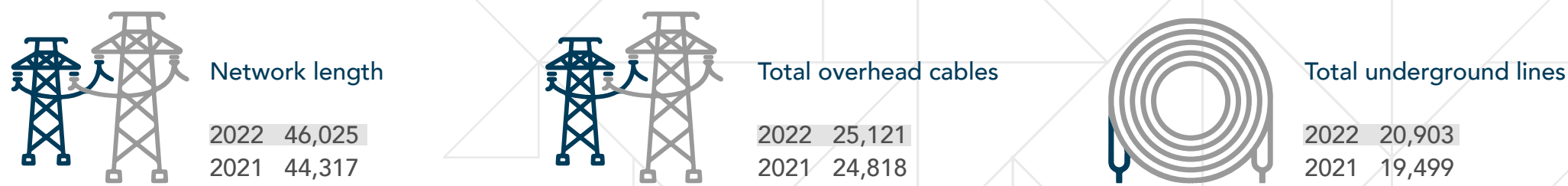


Total Projects		
Number of Project		Amount (Million OMR)
2022	26	34.2
2021	35	41

I. Number of Stations



O. Network Growth (km)



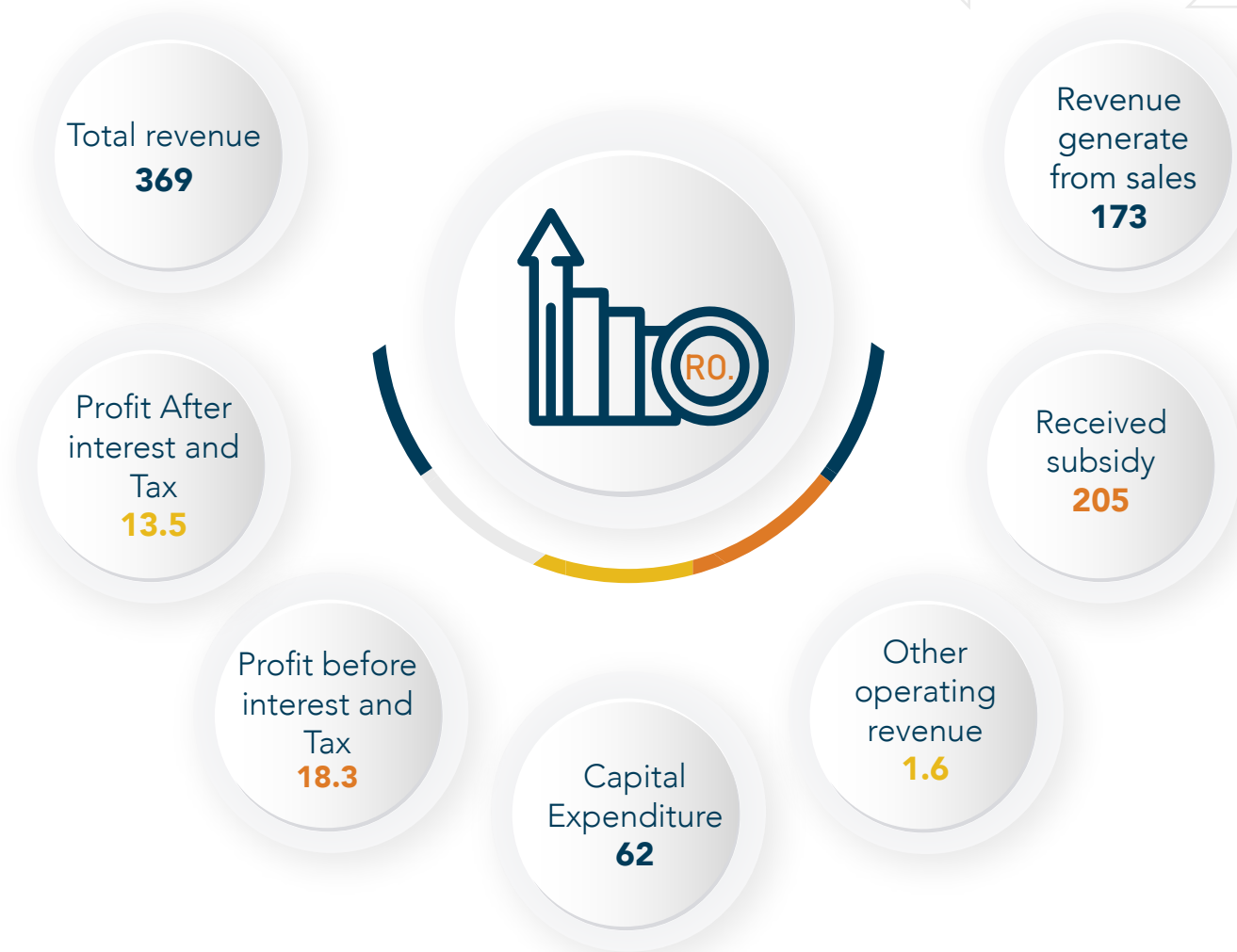


FINANCIAL PERFORMANCE

Key Financial Indicators Million RO

2021

2022





COMMUNICATION AND SUSTAINABILITY

Mazoon's communication strategic plan was successfully activated using dissemination via identified internal and external communication channels with effective communication campaigns and initiatives to reach all our stakeholders, thus enabling MZEC to meet business goals.

Communication Initiatives and Programs

By 2022, Mazoon became the first Omani Company to publish its documented report on the Sustainable Finance Framework. This framework represents the next step in ESG's (environmental, social, and governance) journey in supporting Oman Vision 2040, through its strategic objective of lighting and enriching lives through safe, reliable and sustainable electricity.

All communications activities were extensively covered through press releases and digital media platforms, including corporate business topics. The most important items covered under media awareness campaigns are MZEC rationalising electricity consumption, Earth hour, efficient use of electrical devices in winter, illegal connections, and the Communication Campaign for Coastal Area. Furthermore, commercial campaigns include 2022 tariff updates, e-payment channels, and Siraj services marketing campaigns.



Workshops and activities were held throughout the MZEC license area to reach a wide range of citizens throughout governorate offices, government and private institutions, charity organisations, volunteer teams, women's associations, schools and educational institutes, and Sports clubs.

External Media Awareness Campaign

8 QHSE Awareness Campaigns

5 Commercial Campaign

5 Efficient Use of Electricity Campaigns

The engaged workshops and activities

22 External Workshops for all segmented MZEC stakeholders

19 Internal Workshops for MZEC employees, Contractors, and trainees

11 Activities was done as exhibition and camps

CSR and Sustainability Initiatives

Given that business reputation among key constituencies is one of a company's greatest assets, MZEC used CSR (corporate social responsibility) and sustainability initiatives to effectively engage with stakeholders and customers, implemented through:

Blood Donation Staff Campaign

Employees were encouraged to donate blood and to promote the virtue of volunteering through three blood donation campaigns.



Earth Hour Campaign

To promote the culture of rationalising electricity consumption and reducing the percentage of heat emissions that contribute to the reduction of carbon dioxide in the world, MZEC participated in the Earth Hour campaign as a global media campaign and an annual activity.



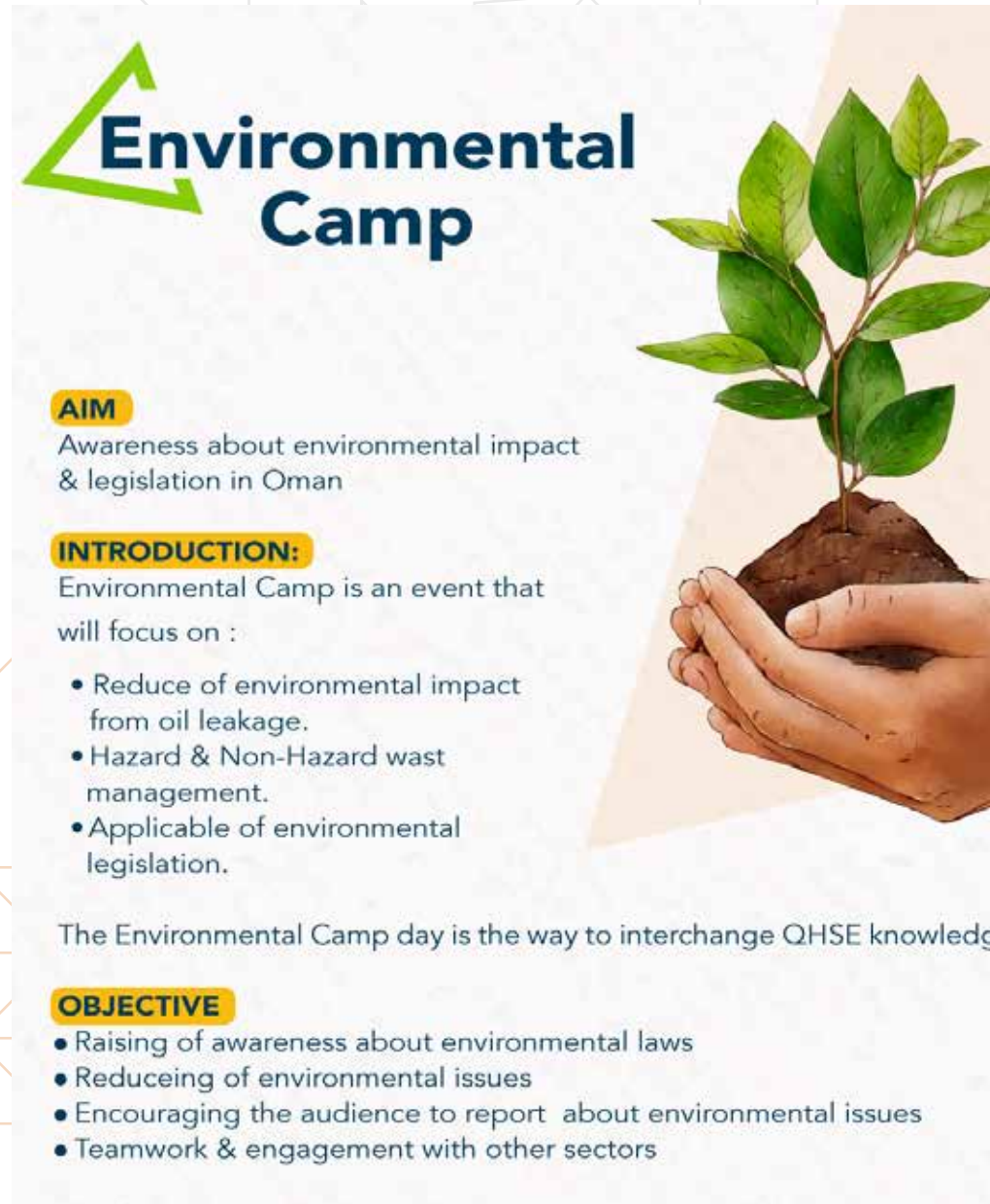
Baity A'amen Campaign

Mazoon Electricity participated with the Nama Group in launching the Baity A'amen campaign, which aims to educate various segments of society about electrical safety by holding awareness exhibitions during the Khareef Salalah season with the participation of a group of project engineers, as well as health and safety teams. Messages were spread through social networking and a special program for schools was launched by providing interactive workshops in which participants numbered about 700 students. The team evaluated students' research papers and offered structured guidelines on school projects for the implementation of cultural awareness on electrical safety and the prevention of illegal connections risks.



► Environmental Awareness

We are pleased to report that in 2022, as part of our CSR activity, Mazoon Electricity organised several environmental campaigns for the benefit of our employees and contractors in Oman. The primary objective of these campaigns was to raise awareness about environmental impact and legislation in Oman. We aimed to reduce any adverse environmental impact, encourage our staff to report any environmental issues, and inspire teamwork and engagement with other sectors. Through these campaigns, we successfully increased awareness about environmental laws and regulations among our stakeholders. We also fostered a sense of teamwork and engagement with other sectors and encouraged them to take proactive measures in order to reduce their environmental impact.



Environmental Camp

AIM
Awareness about environmental impact & legislation in Oman

INTRODUCTION:
Environmental Camp is an event that will focus on :

- Reduce of environmental impact from oil leakage.
- Hazard & Non-Hazard waste management.
- Applicable of environmental legislation.

The Environmental Camp day is the way to interchange QHSE knowledge

OBJECTIVE

- Raising of awareness about environmental laws
- Reduceing of environmental issues
- Encouraging the audience to report about environmental issues
- Teamwork & engagement with other sectors

► Programs, Initiatives and Sponsorship of Activities

“National Campaign for Rationalization of Electricity Consumption”, the Program of Communication and Sustainability Department Graduates, “Wayyakom” Project and “Bayti Amen” (My home is safe) Campaign. In addition, Mazoon Electricity Company cooperated through Nama Group effectively with number of development corporations in the Sultanate of Oman during 2022, including Environment Authority and Ministry of Energy and Minerals (Oman Sustainability Week), and Oman Charity Organization.

Various projects have been completed within the economic pillar, including:

Naqla Program

This initiative aims at enhancement of the electricity services throughout the Sultanate of Oman by enhancement of the positive effect of Naqla Program which was launched in 2017 to achieve the economic objectives of sustainability policy by supporting the Omani technicians. The program will further enhance the skills and abilities of the electricians by training and granting the graduates licenses for work in the field of electricity.

Social Pillar

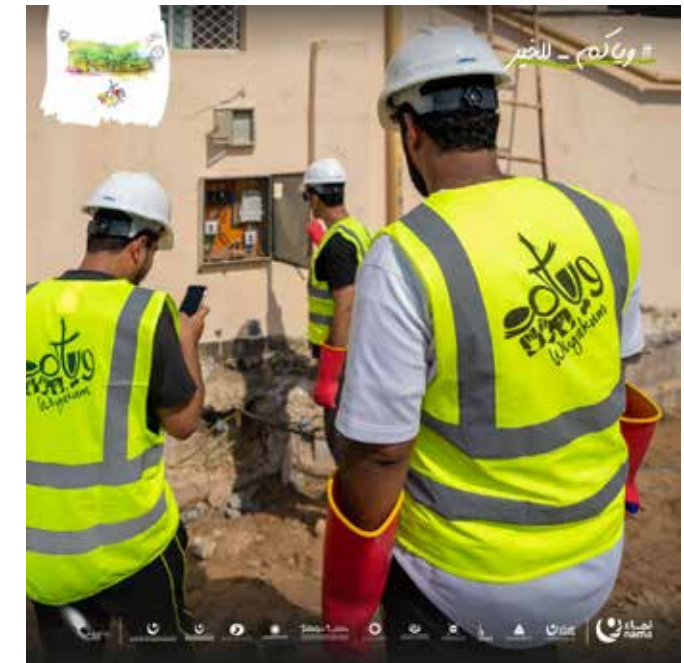
The company aims at enhancing the sustainable approach of compliance with the health, safety 45 and environment (HSE) standards of its employees and contractors in the way that achieves a safer environment for the whole community.

The company shall educate its workforce and train them in HSE practices. In addition, the company participates in the social campaigns and voluntary activities, such as support of Oman Charitable Organization (OCO) and authorizing employees to dedicate one day per year for voluntary work.

Wayyakom Program

“Wayyakom” Program is a key initiative of social responsibility. It was added in 2014 and recently completed its seventh edition. The program includes an initiative for voluntary work to enhance and consolidate the culture of voluntary work among the Omani youth and group employees on the level of local community to enhance awareness and responsibility.

Within the program activities during 2022, a special competition was organized for employees to present creative ideas in the field of sustainability. Winners were announced and “Al Oul” team was supported to implement their own project “Cycling and mountain walk” that aims at enhancing the life of local community in sustainable and healthy manner. The event is scheduled to be organized in the first quarter of 2023 in Al Ansab Area, Wilayat Baushar.



Donation to Oman Charitable Organization

By compliance with support of the social projects and initiatives that aim at helping the neediest social categories. As a part of this obligation, the company provided its support to OCO to help it in fulfillment of its liabilities and to enhance the sustainable contributions. This initiative was dedicated to support to OCO's social responsibility program that includes seven charitable projects.

Support of Howarat Al Taqa (Energy debates) Event 2022

MZEC has participated in the event that get the involvement of energy system generation, transmission and distribution, in addition to the sustainable energy applications, such as hydrogen, wind power and solar power. The event brought together stakeholders of the sector and partners, CEOs and young professionals from the Sultanate of Oman and the area for exchange of knowledge, experience and innovations.

National Campaign on Rationalization of Electricity

In line with the sustainability goals represented in conservation of national resources and their role in supplying safe and sustainable electricity, national campaign for rationalization of electricity has been implemented. Comprehensive media campaign throughout the year was launched to enhance and consolidate awareness on rationalization of electricity and encouragement of participants to minimize electricity and water consumption.

As MZEC has contributed with Nama in this campaign which included 12 media video footings that showcased the realistic experiences of participants, along with 50 media publications that were shared

vial all subscriber service channels and social media platforms. By presenting practical advice and solutions, the campaign aims at helping participates to take proper decisions and undertake some actions to reduce the electricity and water bills. In addition, awareness workshops will be organized in schools, which will help to each the students the importance of energy conservation and sustainability.

Oman Sustainability Week (OSW) 2022 and 2023

MZEC has contributed in Oman Sustainability Week (OSW) which is a national event that reviews the Sultanate of Oman's Compliance with achievement of leadership in sustainability through innovated strategies that are in line with UN Sustainability Development Goals (SDGs) and Oman Vision 2040. As a leading company in the field of sustainability, the company actively participated in sustainability week in its first edition in 2022, and focused on development projects and sustainability initiatives.



National Initiative for Planting 10 Million Trees

In 2022, the company continued with provision of support to the initiatives of Environment Authority for the second year in row and within its development program "National Initiative for planting of 10 Million trees", the project was completed on the level of agriculture in the Sultanate of Oman.

Supply of Solar Energy Panels to Social Buildings «Masjid»

In line with the Group's national sustainability policy and objectives, sponsorship was provided to Nafaz Renewable Energy Company for installation of solar panels in social buildings in the Sultanate of Oman. Nafaz Renewable Energy Company is one of the small and medium enterprises. It works in the field of consults, project management and conclusion of contracts for renewable energy and energy efficiency solutions. This cooperation includes design, supply and operation of independent solar energy systems with capacity of 10 kilowatt and 20 kilowatt on the roofs of masjids to reduce the high cost of electricity bills and export the excess solar power which is generated to the network.

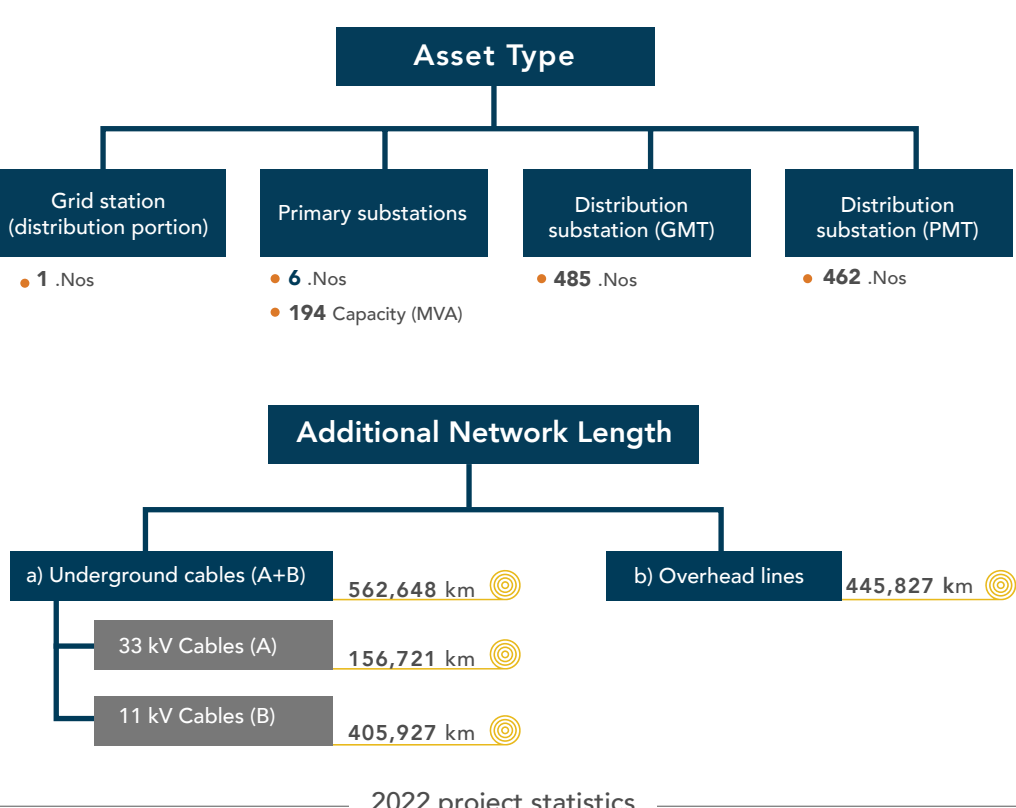




MAJOR PROJECTS ACHIEVEMENTS

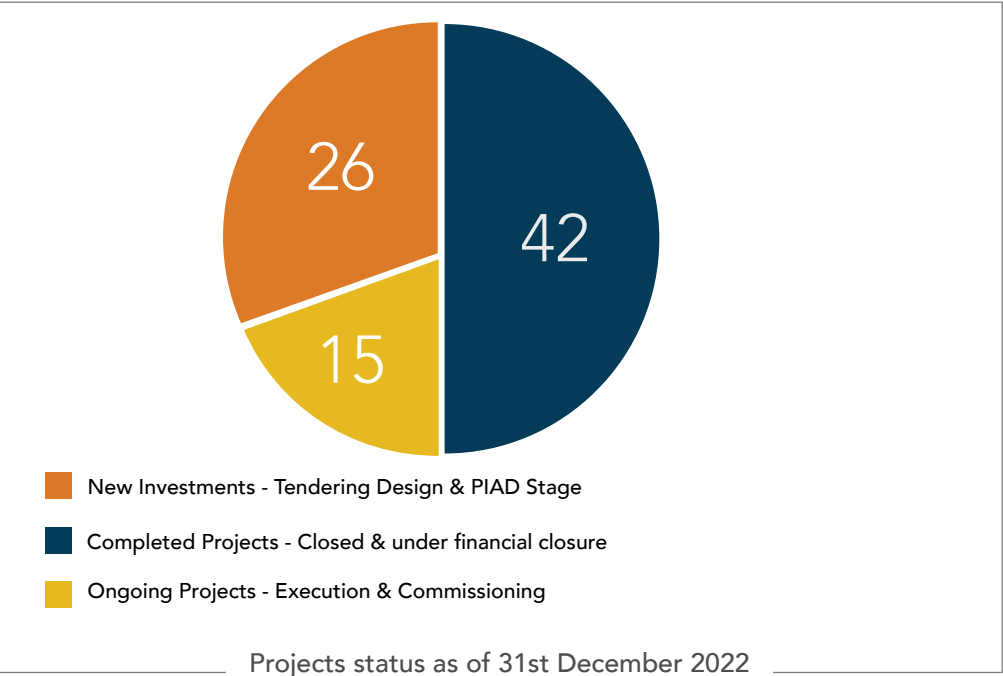
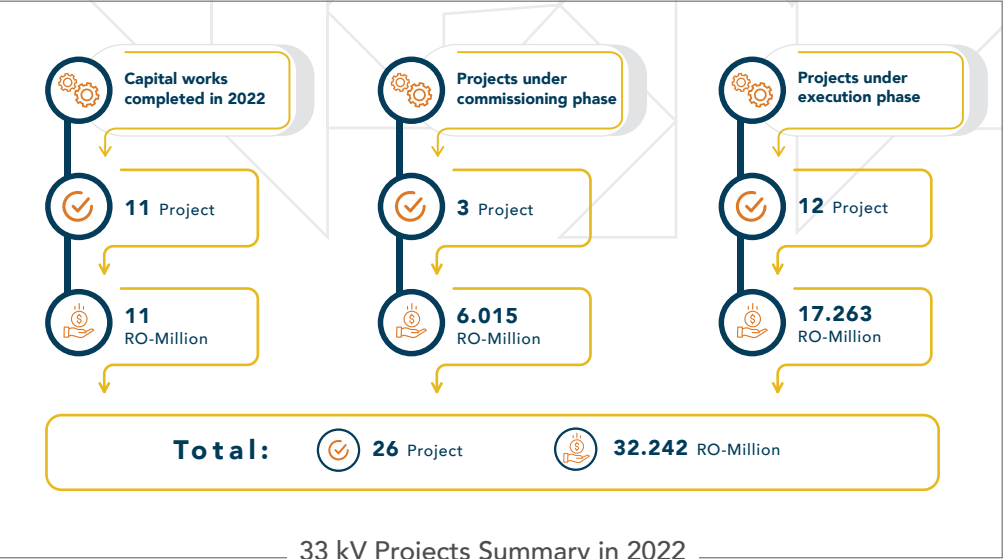
MAJOR PROJECTS ACHIEVEMENTS

In 2022, Mazoon Electricity invested in the construction and upgrade of several primary substations as per the approved specifications. The additional installed capacity is 194 MVA with four new primary substations and upgrading of two existing PSS's as of 31 December 2022, dispersed among all Company licensed areas.



Network System Development

MZEC continues to execute the projects planned in 2022 without compromising safety and quality measures, and according to the proposed plan. The value of the project works done during 2022 is approximately RO 63.4 Million.



List of major primary substation projects energised in 2022

Project Name	Project Purpose
Construction of 2x20 MVA Saih Al Nama Primary Substation	Control Increasing Load Demand
Construction of 2 x 20MVA Primary Substation (FANJA-2)	
Construction of 2X20 MVA PSS (Nizwa Academy ROP) with 33kV feeders from Jibreen Grid at Nizwa	
Construction of 2x20MVA PSS (Jibreen) at Bahla	
Construction of 33kV & 11kV Feeders of Jibreen Primary Substation at Bahla	
Construction of 33 & 11kV Feeders of Al Afiyah Primary Substation	
Construction of 33 kV & 11 kV feeders for Izz & Hay Al Turath Primary Substation	
Construction of 33 kV & 11 kV Feeders of (Fanja-2) Primary Substation	
Construction of 33 kV Feeders from Wadi Bani Awf Grid Station	
Upgrading of Al Humaidhah primary substation from 2X6MVA to 3X6MVA with 33 kV Feeders of Hay Al Ain, Izki Heights & Al Humaidhah PSS	
Upgrading of Wadi Tayeen Primary Substation to 2X20MVA with 33 kV & 11 kV feeders at Dima Wa Al Tayeen	

List of Major Projects Energised in 2022



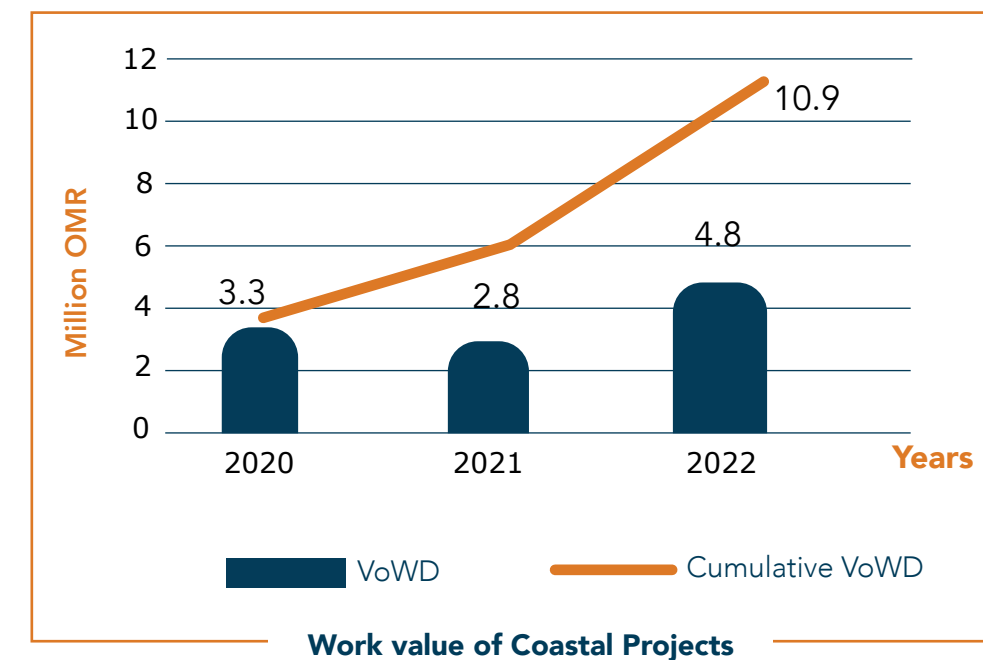
Coastal Area Network Projects

The rehabilitation of the distribution network in the coastal area of South Al-Sharqiyah is one of MZEC's substantial projects. Due to the rough climate of coastal shores, multiple overhead lines and distribution equipment have been affected, causing frequent outages and power instability in the network. Such power instability contradicts MZEC's vision of enriching the life of its customers by providing reliable and sustainable electricity. However, since the cause of the outages is an external factor which disrupted conductors, corroded external steel and damaged LV cabinets, transformer conservators, radiators, and support steel work, MZEC has overcome this challenge by changing its design measures.

Naturally, this project is a top priority of MZEC in ensuring commitment to its vision, adhering to all safety procedures while carrying out extensive measures in the area to regenerate the network. The project commenced execution through multiple phases at a budget of over RO 15 Million, with a cumulative value of work of RO 10.9 Million by the end of 2022. These projects are in line with expectation of Oman Vision 2040, which lays down the foundations to build national capabilities and achieve economic growth and social well-being.



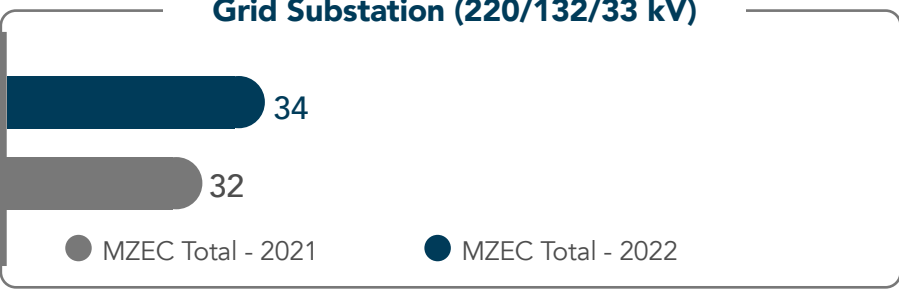
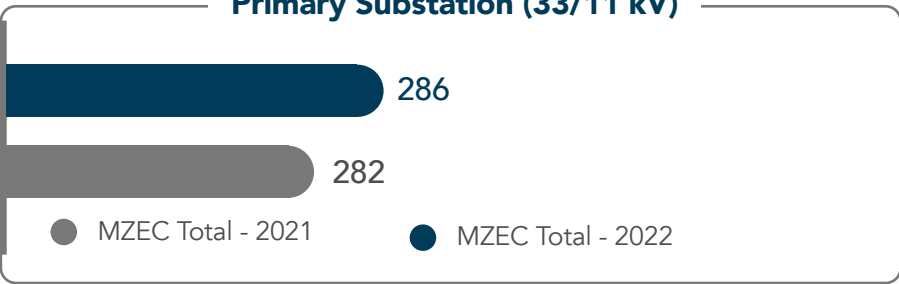
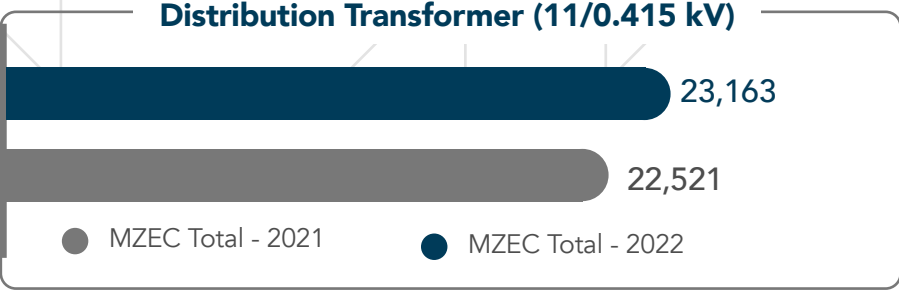
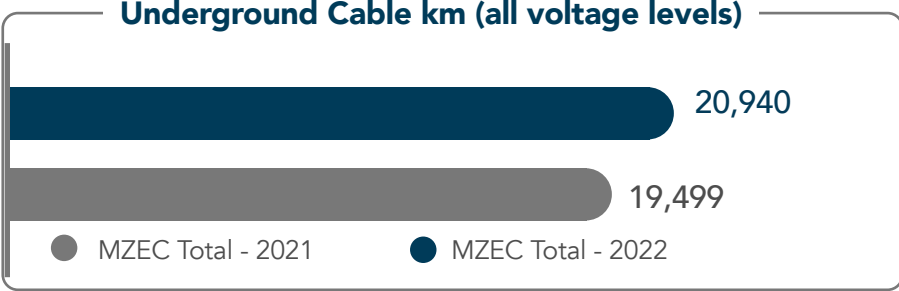
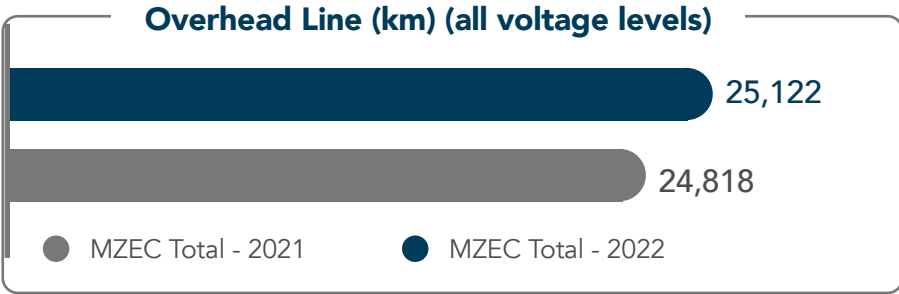
The graph below shows the value for coastal projects from 2020 to 2022.



MZEC KEY STATISTICAL DATA

The key statistical data related to the existing electricity distribution network in 2021 and 2022 are enumerated in the below figures.

MZEC key statistical data 2021 VS 2022



DEMAND FORECAST

MZEC's annual peak demand forecast is the essential first input value for development plans. Annual peak demand is the highest rate of energy demand across the course of a year. MZEC ensures that the distribution networks can provide a reliable supply under the most strenuous load demand conditions by monitoring and planning for peak demand. MZEC monitors and reviews the peak demand annually to:

- Identify changes in load trends.
- Look for the impact of increasing load to customers, primarily industrial and commercial.
- Develop efficient network expansion plans to match the demand forecast and support economic growth.



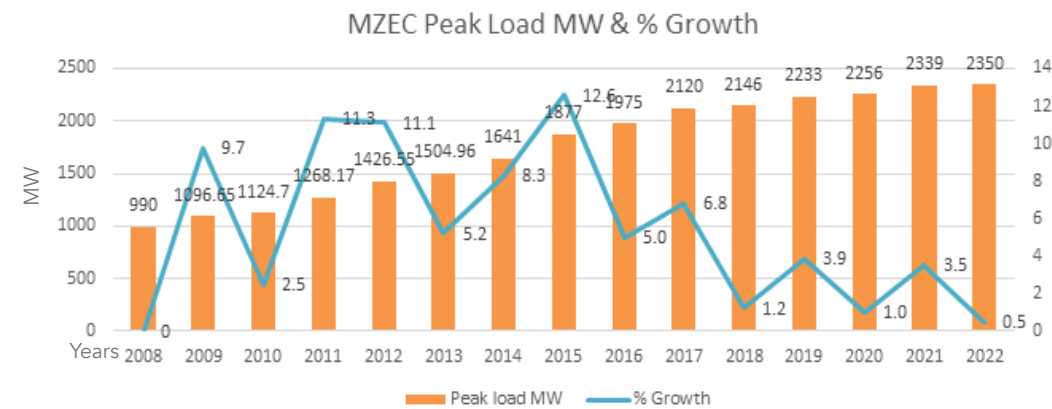
Observation of the annual peak load ensures that the most recent information and developments within the country are considered when forecasting the expected impact on each substation and the total system peak for the main interconnected system. For each substation, various measures are used to determine the substation peak load and the substation load at the time of the total system peak load, as each of these peak loads may not occur simultaneously or have the same drive. Moreover, the detailed geographical level of the substations allows distribution planning to identify demand growth in the area. MZEC is one of the areas rapidly developing in Oman. Because the Government provides the essential infrastructure in these areas, the people are encouraged to invest and build in MZEC areas, especially in South Al Batinah Governorate, the most densely populated Governorate in the Sultanate.



MZEC peak load

The peak load of MZEC increases gradually, but the growth changes from year to year. Below figure shows the percentage growth from 2008 to 2022. Obviously, the growth percentage increased rapidly in 2011 and 2012, and the sharp drop in load growth in 2010 was due to adverse weather conditions. In 2018, the load dropped sharply to 1.2% from 6.8% in 2017 because of the economic crisis which began in 2014.

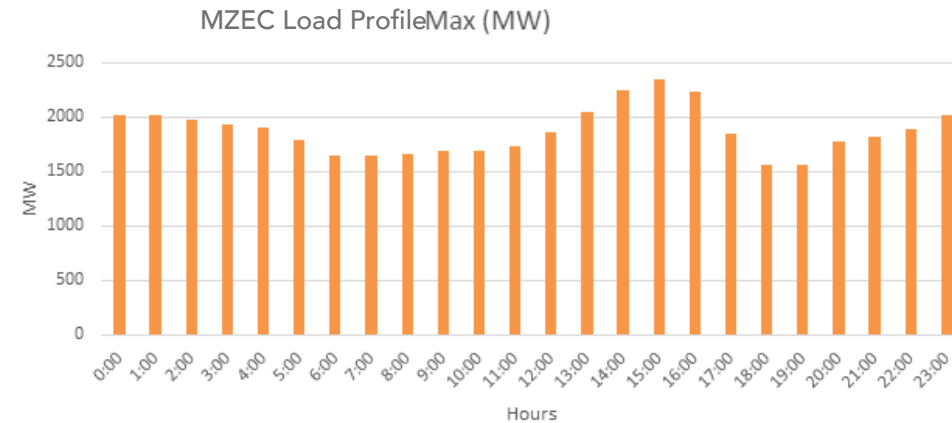
The load growth increased by 1% in 2020 compared to 3.9% in 2019. In 2021, the peak load increased by 3.5%, impacted by the relaxation of precautionary measures from COVID-19. Last summer, starting from the end of June, the MZEC area was exposed to rain and temperature drops which continued for weeks, leading to a decrease in the percentage of the peak growth, which was 0.5% in 2022.



The above figure shows that the average growth for the last five years is approximately 2% for all MZEC areas. The load is expected to increase in the coming years, because MZEC recognises expected growth driven by a considerable number of governmental investments in tourism projects, infrastructure projects, industrial projects, and private sector investments accompanying them.

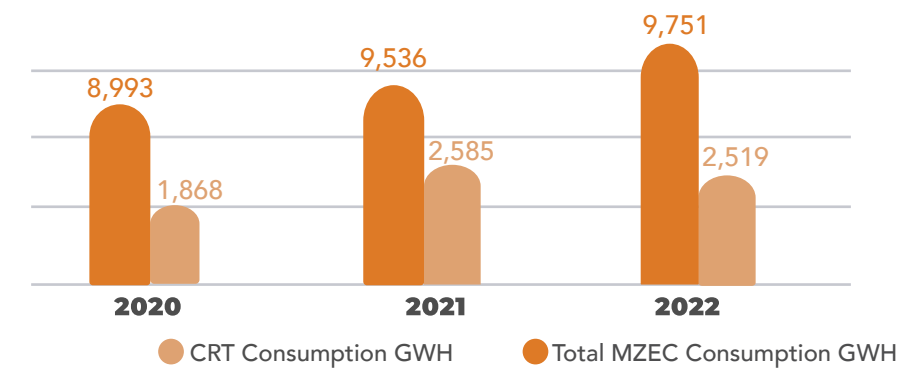
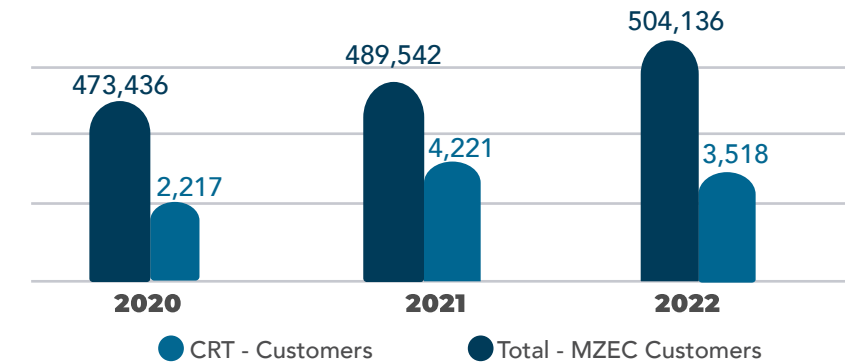
Daily Load Profile of MZEC

The load profiles for MZEC taken on Saturday, 11th June 2022, the day of MZEC peak, were plotted and presented in below figure. The highest load was reached at 15:00 hours because, at this hour, most of the people returned to their houses to rest after duty time; on this day, the load recorded was 2,364 MW (14 MW from Al Rusail Grid station under the MEDC network).



CRT Customers Statistics

In addition, the Government has applied a cost reflect tariff (CRT) since January 2017, which directly affects the load behaviour of large customers. CRT is one of the main components of the permitted tariff revenue. Below figure shows a drop in the number of high-value customers (CRT) from 2021 to 2022. There were 3,518 high-value customers (CRT) registered in 2022. The CRT contributed 26% of the total consumption in 2022, including industrial, commercial, government, and large customers whose annual consumption exceeds 100 thousand KWH.



The CRT customers are in multiple areas and fed from several individual primary substations. However, most CRT customers are in industrial areas like Nizwa Industrial, Suqsuq, and Sumail Industrial, which are fed by a separate primary substation. In general, until now, the effect of the CRT mechanism is palpable on the MZEC peak load.



SCADA CYBER SECURITY

APSR introduced the SCADA cybersecurity regulations in 2016 as a license condition and after this, Mazoon Electricity initiated the SCADA cybersecurity project.

The Company completed all the activities within the predefined timelines in 2019. Additionally, based on the findings of the internal assessments, the corrective action plan was developed, and actions were initiated as per the timeline allocated. The Company was also subjected to an APSR Cybersecurity Audit in February 2019 and received a report from APSR on the same in July 2019. The APSR report stated that Mazoon Electricity secured a compliance of 80%. Mazoon Electricity also submitted an action plan to APSR for addressing the findings as identified.

The action plan covers Mazoon's plan with a timeline to close the opened observations. These observations will be closed in the SCADA system replacement project which started at the beginning of 2022 and is planned to be completed in 2023. The main objective of this project is to incorporate the SCADA cyber security requirements as the authoritative standard, and to ensure that the system is protected from any cyber threats/attacks. Moreover, MZEC will erect a new emergency/backup control centre in a location separate to the main control centre, which will increase the redundancy and allow MZEC to be well prepared for any disaster recovery.

New projects are taken through a change management process to assess and mitigate the risk arising out of the same.

In PC6, Mazoon Electricity also concluded a project to strengthen its network segmentation by implementing state-of-the-art, next-generation firewalls and new switches in the master system to remove known vulnerabilities, and established an SLA with the relevant vendors.

Governance initiatives are fully implemented, and the technical controls are rolled down to all assets in a phased and time-bound manner. Mazoon Electricity has also taken up the initiative of upgrading the SCADA system to improve all technical controls implementation requirements in order to meet the APSR requirements. This is also an action plan as per APSR findings.

Mazoon Electricity is working on improving the SCADA communication network by utilising the fibre optic of OETC as the backbone of the MZEC communication network and connecting all 33 grids and 53 primary substations through it to the MCC (main control centre). This will reduce the interruption in SCADA communications and increase availability, reliability, and security.





FINANCIAL REPORT

31 DECEMBER 2022



شركة كهرباء مازون س.أ.ع.
MAZOUN ELECTRICITY COMPANY S.A.O.C.

أحدى شركات مجموعة نماء
Member of Nama Group

Directors' Report

The Directors submit their report and the separate financial statements for the year ended 31 December 2022

Principal activities

The Company is primarily undertaking regulated distribution and supply of electricity in the South Batina, Dakhiliyah, North Sharqiyah and South Sharqiyah governorates of Oman under a licence issued by the Authority for Public Services Regulation, Oman

Basis of preparation of separate financial statements

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

Results and appropriation

The results of the Company for the year ended 31 December 2022 are set out on pages 3 and 4 of the separate financial statements.

Auditors

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

On behalf of Board of Directors


Ibrahim Said Al Suleimani
Chairman


Faisal Khamis Al Daoudi
Director


Salim Said Al Kamyani
Chief Executive Officer



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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF MAZOUN ELECTRICITY COMPANY SAOC Report on the audit of the separate financial statements

Opinion

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

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the International 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 the Sultanate of Oman, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Those charged with governance and management is responsible for the other information. The other information comprises the Board of Directors' report.

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

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



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

Responsibilities of management for the separate financial statements

Those charged with governance are responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs and the relevant requirements of the Commercial Companies Law of 2019 of the Sultanate of Oman, and for such internal control as those charged with governance 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, those charged with governance are 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 those charged with governance either intends to liquidate the Company or to cease operations or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the separate financial statements

Our objectives are to obtain reasonable assurance about whether the separate 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 separate financial statements.

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

- Identify and assess the risks of material misstatement of the separate 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 separate 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.

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

Report on the audit of the financial statements (continued)

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

- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on other legal and regulatory requirements

In our opinion, the separate financial statements comply, in all material respects, with the relevant requirements of the Commercial Companies Law of 2019 of the Sultanate of Oman.

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

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

Ernst & Young LLC

Mohamed Al Qurashi

21 March 2023
Muscat



MAZOOON ELECTRICITY COMPANY SAOC

STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	Notes	2022 RO'000	2021 RO'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	940,619	889,452
Right-of-use assets	7	4,583	4,925
Intangible assets	8	233	433
Investment in a subsidiary	9	500	500
Fair value of derivative financial instruments	16	2,877	-
Total non-current assets		948,812	895,310
Current assets			
Store and spares	10	1,174	1,144
Trade and other receivables	11	124,997	109,783
Government subsidy receivable		30,754	4,940
Cash and cash equivalents	12	3,299	7,668
Total current assets		180,224	123,735
TOTAL ASSETS		1,109,036	1,019,045
EQUITY AND LIABILITIES			
Equity			
Share capital	13	150,000	150,000
Legal reserve	14	50,000	50,000
General reserve	15	21,525	19,717
Retained earnings		22,171	26,134
		243,696	245,851
Cash flow hedge reserve	16	2,446	(1,932)
Total equity		246,142	243,920
LIABILITIES			
Non-current liabilities			
Term loans	17	94,998	113,735
Long term borrowings - sukuks	18	191,952	191,838
Shareholder loan	24	84,625	84,625
Deferred revenue	19	63,425	62,007
Deferred tax liability	34	56,965	51,172
Lease liabilities	20	4,453	4,905
Fair value of derivative financial instruments	16	-	2,273
Employees' end of service benefits	21	757	847
Total non-current liabilities		497,175	511,402
Current liabilities			
Trade and other payables	22	161,203	88,901
Short term borrowings	23	179,750	151,675
Term loans	17	18,737	18,718
Tax payable	34	-	-
Deferred revenue	19	3,377	3,203
Lease liabilities	20	774	774
Bank overdrafts	25	1,878	452
Total current liabilities		365,719	263,723
Total liabilities		862,894	775,125
TOTAL EQUITY AND LIABILITIES		1,109,036	1,019,045

The financial statements were authorised for issue and approved by the Board of Directors on 26 February 2023 and were signed on their behalf by:

Ibrahim Saleh Al-Salemani

Faisal Khamis Al-Daoudi
Director

Salim Salih Al-Kamrani
Chief Executive Officer

MAZOOON ELECTRICITY COMPANY SAOC

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes	2022 RO'000	2021 RO'000
Revenue	29	377,505	369,934
Operating costs	30	(305,985)	(299,213)
Gross profit		71,520	70,721
General and administrative expenses	31	(30,205)	(28,330)
Allowance for expected credit losses	11	(459)	(169)
Other income	32	2,479	2,454
Operating profit		43,335	44,676
Finance income		67	47
Finance costs	33	(30,036)	(26,469)
Profit before tax		13,366	18,254
Tax expense	34	(5,021)	(4,714)
PROFIT FOR THE YEAR		8,345	13,540
Other comprehensive income			
<i>Items to be classified to profit or loss in subsequent period:</i>			
Net movement in fair value of cash flow hedge	16	5,150	3,194
Tax effect	34	(772)	(479)
Other comprehensive income for the year		4,378	2,715
TOTAL PROFIT AND COMPREHENSIVE INCOME FOR THE YEAR		12,723	16,255
Earnings per share			
Basic earnings per share (Baizas)	38	0.08	0.11

MAZOOON ELECTRICITY COMPANY SAOC

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Share capital RO'000	Legal reserve RO'000	General reserve RO'000	Retained earnings RO'000	Cash flow hedge reserve RO'000	Total RO'000
At 1 January 2021	150,000	50,000	17,009	28,802	(4,647)	241,165
Net profit for the year	-	-	-	13,540	-	13,540
Other comprehensive income, net of income tax	-	-	-	-	2,715	2,715
Total comprehensive income for the year	-	-	-	13,540	2,715	16,255
Transfer to general reserve (note 15)	-	-	2,708	(2,708)	-	-
Dividend (note 27)	-	-	-	(13,500)	-	(13,500)
At 1 January 2022	150,000	50,000	19,717	26,134	(1,932)	243,920
Net profit for the year	-	-	-	8,345	-	8,345
Other comprehensive income, net of income tax	-	-	-	-	4,378	4,378
Total comprehensive income for the year	-	-	-	8,345	4,378	12,723
Transfer to general reserve (note 15)	-	-	1,808	(1,808)	-	-
Dividend (note 27)	-	-	-	(10,500)	-	(10,500)
At 31 December 2022	150,000	50,000	21,525	22,171	2,446	246,142

MAZOOON ELECTRICITY COMPANY SAOC**STATEMENT OF CASH FLOWS**

For the year ended 31 December 2022

	<i>Notes</i>	2022 RO'000	<i>2021 RO'000</i>
Operating activities		13,366	18,254
Profit before tax			
<i>Adjustments for:</i>			
Depreciation of property, plant and equipment	6	40,970	36,905
Depreciation of right to use assets	7	450	489
Gain on disposal of property, plant and equipment	32	(49)	-
Amortisation of intangible assets	8	211	323
(Reversal)/provision for inventories obsolescence	10	(56)	120
Accruals for employees' end of service benefits	21	14	21
Allowance for expected credit losses	11	459	169
Finance costs	33	30,036	26,469
Finance income		(67)	(47)
		85,334	82,703
Working capital changes:			
Stores and spares		30	268
Trade and other receivables		(15,673)	(45,628)
Government subsidy receivable		(25,814)	3,060
Trade and other payables		72,301	(7,685)
Deferred revenue		1,592	4,062
Cash generated from operating activities		117,770	36,781
Employees' end of service benefits paid	21	(104)	(271)
Net cash flows generated from operating activities		117,666	36,510
Investing activities			
Acquisition of property, plant and equipment	6	(92,447)	(62,104)
Addition to intangible assets	8	(11)	(146)
Proceeds from disposal of property, plant and equipment		359	-
Net cash flows used in investing activities		(92,099)	(62,250)
Financing activities			
Repayment of term loans	17	(19,216)	(19,455)
Proceeds from short term borrowings	23	99,275	142,475
Repayment of short term borrowings	23	(71,200)	(82,000)
Proceeds from shareholder's loans	24	-	74,625
Repayment of shareholder's loans	24	-	(40,000)
Finance cost paid		(29,119)	(25,837)
Finance income		67	47
Lease liabilities paid (principal and interest)	20	(868)	(711)
Dividends paid	27	(10,500)	(13,500)
Net cash (used in) / from financing activities		(31,561)	35,644
Net changes in cash and cash equivalents		(5,994)	9,904
Cash and cash equivalents at 1 January	12	7,416	(2,488)
Cash and cash equivalents at 31 December	12	1,421	7,416

MAZOOON ELECTRICITY COMPANY SAOC**NOTES TO THE FINANCIAL STATEMENTS**

At 31 December 2022

1.1 LEGAL STATUS AND PRINCIPAL ACTIVITIES

Mazoon Electricity Company SAOC (the "Company") is a closely held Omani joint stock Company registered under the Commercial Companies Law of Oman. The establishment and operations of the Company are governed by the provisions of the Law for the Regulation and Privatisation of the Electricity and Related Water Sector (the Sector Law) promulgated by Royal Decree 78/2004. The registered office of the Company is in Saih Al Ahmer, Bid Bid, Sultanate of Oman.

The Company is primarily undertaking regulated distribution and supply of electricity in the South Batinah, Dakhliyah, North Sharqiyah and South Sharqiyah governorates of Oman under a license issued by the Authority for Public Services Regulation (APSR), Oman. The Company commenced its operations on 1 May 2005 (the "Transfer Date") following the implementation of a decision of the Ministry of National Economy (the "Transfer Scheme") issued pursuant to Royal Decree 78/2004.

Mazoon Electricity Company SAOC is a 99.99% subsidiary of the Electricity Holding Company SAOC (EHC or the "Holding Company"); a Company registered in the Sultanate of Oman, whereas, remaining 0.01% is equally held by Numo Institute for Competency Development LLC and Nama Shared Services LLC which are wholly owned by EHC. The Ultimate Parent is the Government of Sultanate of Oman, as it holds 100% shareholding in the Holding Company through the Oman Investment Authority (OIA) which was formed during the period pursuant to the Royal Decree 61/2020 under which all the shareholdings owned by Ministry of Finance (MoF) in the Holding Company have been transferred to OIA.

In 2017, the Company has established a SPV, (Special Purpose Vehicle) Mazoon Assets Company SAOC, which is 99.99% owned by the Company.

1.2 RESTRUCTURING OF BUSINESS

The Oman Investment Authority (OIA), has received a letter from H.E. Mohammed Al Rumhi, Minister of Energy and Minerals and Chairman of the Authority for Public Services Regulation relating to initiatives aimed at reducing the operational costs and increasing efficiency in the electricity sector (the Notification). The Notification sets out, in very broad terms, plans to reorganise the distribution and supply companies in Oman, with the exception of the Dhofar Governorate and in this regard stipulates: "combining the distribution and supply companies into two companies (a supply company and another distribution in all governorates of the Sultanate except for the Governorate of Dhofar) to enhance efficiency and reduce operational and administrative costs" (DISCO Reorganisation). The legal formalities associated with the restructuring is under process as at 31 December 2022.

2 BASIS OF ACCOUNTING**Fundamental Accounting Concept**

As at 31 December 2022, the current liabilities of the Company exceeded its current assets by RO 205 million (31 December 2021: RO 140 million), which may indicate the existence of a material uncertainty relating to going concern as the Company will require additional funding and financial support to meet its financial obligations as they fall due and continue its operations for the foreseeable future.

Management believes that it is appropriate to prepare the financial statements on a going concern basis 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. Further, the Company has generated an operating cash flows of RO 118 million (31 December 2021: RO 37 million) during current year, and unutilized short term borrowings of RO 28 million as at 31 December 2022.

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.

MAZOOON ELECTRICITY COMPANY SAOC**NOTES TO THE FINANCIAL STATEMENTS**

At 31 December 2022

3 BASIS OF PREPARATION*a) Statement of compliance*

These separate 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, as amended.

As allowed by IAS 27 - Separate Financial Statements, have been prepared on a stand-alone basis and represents the results of operations, financial position and cash flows of the Parent Company only and do not include the financial statements of its subsidiary (as listed in note 9). Mazoon Electricity Company SAOC is the parent company of Mazoon Assets Company SAOC ("the Group") and that consolidated financial statements of the Group are prepared in accordance with International Financial Reporting Standards have been issued separately.

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 separate 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 and USD '000) except where otherwise stated.

d) Use of estimates and judgments

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

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in impairment of property, plant and equipment, financial valuation of derivative financial instruments and impairment of financial assets.

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.

MAZOOON ELECTRICITY COMPANY SAOC**NOTES TO THE FINANCIAL STATEMENTS**

At 31 December 2022

3 BASIS OF PREPARATION (continued)**Key sources of estimation uncertainties**

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

Revenue recognition

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. The impairment provision is assessed based on the "Expected Credit Loss" model under IFRS 9, the impairment impact is considered to be immaterial. At the reporting date, trade and other receivable were RO'000 125,003 (2021: RO'000 109,790) with allowance for expected credit loss of RO'000 3,640 (2021: RO'000 3,212). Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the consolidated statement of profit or loss and comprehensive income.

Provision for inventory obsolescence

Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on anticipated selling prices. At the reporting date, spares and consumables were RO'000 1,428 (2021: RO'000 1,454) with provisions for old and obsolete inventories of RO'000 254 (2021: RO'000 310). 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.

Provision for current tax and deferred tax

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

MAZOOON ELECTRICITY COMPANY SAOC

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2022

3 BASIS OF PREPARATION (continued)

Key sources of estimation uncertainties (continued)

Leases – Estimating the incremental borrowing rate

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

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 and interpretations, if applicable, when they become effective.

- IFRS 17 Insurance Contracts
- Definition of Accounting Estimates - Amendments to IAS 8
- Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12
- Lease Liability in a Sale and Leaseback - Amendments to IFRS 16
- Classification of Liabilities as Current or Non-current - Amendments to IAS 1
- IFRS 9 Financial Instruments - Fees in the '10 per cent' test for derecognition of financial liabilities
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28

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

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 2022

- *Reference to the Conceptual Framework – Amendments to IFRS 3*
- *Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16*
- IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter
- Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37
- IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities
- IAS 41 Agriculture – Taxation in fair value measurements

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

MAZOOON ELECTRICITY COMPANY SAOC

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2022

5 SIGNIFICANT ACCOUNTING POLICIES

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

- 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;
- the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- 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:
 - the Company has the right to operate the asset; or
 - 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.

MAZOOON ELECTRICITY COMPANY SAOC

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2022

5 SIGNIFICANT ACCOUNTING POLICIES (continued)

5.1 Leases (continued)

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

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- 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
Usufruct agreement	25 - 50
Building rent	4 - 5
Vehicles	6

Short-term leases and leases of low-value assets

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

Company as a lessor

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

5.2 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 recognized 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 recognized initially in profit or loss and other comprehensive income to the extent that the hedge is effective.

MAZOOON ELECTRICITY COMPANY SAOC

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2022

5 SIGNIFICANT 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, from which financial instrument risk arises, are as follows:

- Trade and other receivables
- Cash and cash equivalents
- Amounts due from related parties
- Government subsidy receivable
- Term loans
- Long term borrowings - sukuks
- Short term borrowings
- Bank overdrafts
- Trade and other payables
- Lease liabilities
- 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; fair value through other comprehensive income – equity instruments; or fair value through profit or loss account.

Financial assets at amortised cost

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

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

Equity instruments which are not held for trading or issued as contingent consideration in business combination, and for which the Company has made an irrevocable election at initial recognition to recognise changes in fair value through other comprehensive income rather than profit or loss. This election is made on an investment-by-investment basis.

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.

MAZOOON ELECTRICITY COMPANY SAOC

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2022

5 SIGNIFICANT 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. 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 followin criteria are met:

- i) The designation eliminates or significantly reduces the inconsistent treatment that would otherwis 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 performanc 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 separate recorded.

Financial liabilities at fair value through profit or loss account are measured at fair value and net gains an 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. Th amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses an impairment are recognised in the profit or loss account. Any gain or loss on derecognition is recognised in th profit or loss account.

Subsequent measurement of financial liabilities

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

The Company designates a financial liability as measured at FVTPL when it meets the definition of held fr 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 fa value attributable to changes in credit risk of the liability, presented in other comprehensive income, and th 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 i changes in the liabilities credit risk in other comprehensive income would create or enlarge an accountin 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 with equity.

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

The Company's financial liabilities include accounts payable. due to related parties, fair value of derivative: short term borrowings and term loans.

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

MAZOOON ELECTRICITY COMPANY SAOC

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2022

5 SIGNIFICANT 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 derecognized) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in the statement of other comprehensive income is recognised in the profit or loss account.

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

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

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 assesses whether there is objective evidence that financial assets carried at amortised cost are impaired. A financial asset or a group of financial assets is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s), and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

Objective evidence that financial assets are impaired can include significant financial difficulty of the issuer, default or delinquency by an issuer, indications that an issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a Company of assets such as adverse changes in the payment status of issuers. or economic conditions that correlate with defaults in the Company.

IFRS 9 defines expected credit losses as the weighted average of credit losses with the respective risks of a default occurring as the weightings.

MAZOOON ELECTRICITY COMPANY SAOC

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2022

5 SIGNIFICANT ACCOUNTING POLICIES (continued)

5.3 Financial Instruments (continued)

At each reporting date the Company provides for expected losses on all of the following using reasonable and supportable information about past events, current conditions and reasonable and supportable forecasts of future economic conditions when measuring expected credit losses:

- i) Financial assets measured at amortised cost,
- ii) Financial assets mandatorily measured at FVTOCI, and
- iii) Loan commitments when there is a present obligation to extend credit.

The Company measures expected credit losses through a loss allowance at an amount equal to:

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

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

The Company determines the amount of expected credit losses by evaluating the range of possible outcomes as well as incorporating the time value of money. These expected losses are discounted to the reporting date using the effective interest rate of the asset (or an approximation thereof) that was determined at initial recognition.

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

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

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

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

MAZOOON ELECTRICITY COMPANY SAOC

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2022

5 SIGNIFICANT ACCOUNTING POLICIES (continued)

5.3 Financial Instruments (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 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.

MAZOOON ELECTRICITY COMPANY SAOC

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2022

5 SIGNIFICANT ACCOUNTING POLICIES (continued)

5.4 Property, plant and equipment (continued)

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

	Years
Buildings on leasehold land	30
Electricity distribution works	20 - 40
Lines and cables	20 - 40
Substations assets	20 - 40
Other plant and machinery	12 - 60
Furniture, fixtures and vehicles	5 - 7
Plant spares	20

Capital work in progress

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

Capital spares

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

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

5.5 Intangible assets

Recognition and measurement

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

Amortisation

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

5.6 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.

5.7 Cash and cash equivalents

Cash and cash equivalents comprise cash at hand, bank balances and short term deposits with an original maturity of three months or less.

MAZOOON ELECTRICITY COMPANY SAOC

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2022

5 SIGNIFICANT ACCOUNTING POLICIES (continued)

5.8 Trade and other payables

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

Interest-bearing liabilities are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing liabilities are stated at amortised cost with any difference between cost and redemption value being recognised in the profit and loss and other comprehensive income over the period of the borrowings on an effective interest basis.

5.9 Employee terminal benefits

Obligations for contributions to a defined contribution retirement plan for Omani employees, in accordance with the Oman Social Insurance Scheme, are recognised as an expense in the statement of profit and loss as incurred. The Company's obligation in respect of terminal benefits of non-Omani employees is accrued as per the requirements of Omani Labour Laws or in accordance with the terms and conditions of the employment contract, whichever is higher. This is the amount of future benefit that such employees have earned in return for their service in the current and prior periods.

5.10 Provisions

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

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

5.11 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.

5.12 Impairment

Non-derivative financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognised in the income statement. An impairment loss is reversed if reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in the profit and loss and other comprehensive income.

MAZOOON ELECTRICITY COMPANY SAOC

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2022

5 SIGNIFICANT ACCOUNTING POLICIES (continued)

5.12 Impairment (continued)

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 on an annual basis 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 the term of the PPA considering the expected future cash flows for the period beyond the term of the PPA and also a suitable discount rate in order to calculate the present value of those cash flows.

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 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.

5.14 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.

MAZOOON ELECTRICITY COMPANY SAOC

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2022

5 SIGNIFICANT ACCOUNTING POLICIES (continued)

5.14 Revenue from contracts with customers (continued)

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

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

Step 5 Recognise revenue

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

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

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

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

Revenue from 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.

Deferred revenue

- i) Installation and connection revenue

Before application of IFRS 15, the Company was recognizing the revenue from installation, connection and metering charges at point of time. Upon application of IFRS 15, it has been 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 recognized throughout the useful life of the related assets (i.e. 25 years).

- ii) Assets transfer from customers

Previously recorded revenue under IFRIC 18 - 'Assets transferred from customers', has now been covered under IFRS 15, and recognition of revenue at point of time i.e. when asset is received from customer, is no longer applicable. Under IFRS 15, it has been 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 recognized as and when electricity is provided to the customer in future.

Accordingly, this revenue has been deferred and will be recognized throughout the useful life of the relevant assets transferred from customers.

MAZOOON ELECTRICITY COMPANY SAOC
NOTES TO THE FINANCIAL STATEMENTS
At 31 December 2022

5 SIGNIFICANT ACCOUNTING POLICIES (continued)

5.14 Revenue from contracts with customers (continued)

The Company has estimated the average assets life to be 25 years based on the useful life of the Installation and connection asset. Following the adoption of IFRS 15 the Company recognizes the fee over 25 years.

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

Variable consideration

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

Significant financing component

The 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 of obtainment and fulfilment

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; and
- 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.

MAZOOON ELECTRICITY COMPANY SAOC
NOTES TO THE FINANCIAL STATEMENTS
At 31 December 2022

5 SIGNIFICANT ACCOUNTING POLICIES (continued)

5.15 Government subsidy

The Company's revenue 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.

5.16 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.

5.17 Dividends

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

5.18 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 income.

5.19 Earnings per share

The Company presents basic earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

5.20 Cash and cash equivalents

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

5.21 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.

MAZOOON ELECTRICITY COMPANY SAOC
NOTES TO THE FINANCIAL STATEMENTS
At 31 December 2022

6 PROPERTY, PLANT AND EQUIPMENT

	Buildings on leasehold land RO'000	Electricity distribution networks RO'000	Lines and cables RO'000	Substation assets RO'000	Other plant and machinery RO'000	Furniture, fixtures and vehicles RO'000	Plants spares RO'000	Assets under finance lease RO'000	Capital work-in- progress RO'000	Total RO'000
Cost										
1 January 2021	48,474	547,787	247,859	121,414	48,312	10,627	4,137	740	98,805	1,128,155
Additions	-	-	-	-	-	571	114	-	61,419	62,104
Disposals	-	-	-	-	-	(70)	-	-	-	(70)
Transfers	5,974	47,329	13,126	(1,149)	4,860	-	-	-	(70,140)	-
1 January 2022	54,448	595,116	260,985	120,265	53,172	11,128	4,251	740	90,084	1,190,189
Additions	-	-	-	-	-	86	348	-	92,013	92,447
Disposals	-	(730)	-	(301)	(11)	(2)	-	-	-	(1,044)
Transfers	5,546	63,730	13,241	2,937	9,052	-	(123)	-	(94,383)	-
31 December 2022	59,994	658,116	274,226	122,901	62,213	11,212	4,478	740	87,714	1,281,592
Accumulated depreciation										
1 January 2021	9,820	159,252	42,076	28,186	14,886	8,542	864	476	-	263,901
Charge for the year	1,653	21,966	6,174	3,018	2,494	1,008	209	53	-	36,905
Related to disposals	-	-	-	-	-	(69)	-	-	-	(69)
1 January 2022	11,773	181,248	48,250	31,204	17,179	9,481	1,073	529	-	300,737
Charge for the year	2,174	24,762	6,732	3,010	3,107	834	245	106	-	40,970
Related to disposals	-	(461)	-	(266)	(5)	(2)	-	-	-	(734)
Transfers	-	-	-	-	14	-	(14)	-	-	-
31 December 2022	13,947	205,549	54,982	33,948	20,295	10,313	1,304	635	-	340,973
Carrying amounts										
31 December 2022	46,047	452,567	219,244	88,953	41,918	898	3,172	105	87,714	940,619
31 December 2021	42,675	413,868	212,735	89,061	35,993	1,647	3,178	211	90,084	889,452

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MAZOOON ELECTRICITY COMPANY SAOC
NOTES TO THE FINANCIAL STATEMENTS
At 31 December 2022

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.

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 Assets with Net book Value of RO 192.7 Million (2021: RO 192.7 Million) identified and described in the transaction documents and agreements between the Company and its 99.99 percent owned subsidiary Mazoon Assets Company SAOC, for the 10 Year US\$ 500 Million Sukuk Certificate as on the date of the transaction, are continued to be shown under the respective assets categories, while recognizing the receipt of the proceeds from Mazoon Assets Co. SAOC as a long term borrowing. By virtue of the license issued by the Authority for Public Services Regulation (APSR), Oman, only the Company is authorized to operate and maintain the assets which forms part of the distribution network of the Company within the authorised area. The risk and rewards associated with the assets continue to be with the Company as per the transaction documents executed.

6.4 Depreciation charge for the year is allocated as follows:

	2022 RO'000	2021 RO'000
Operating costs (note 30)	39,822	35,633
General and administration expenses (note 31)	1,148	1,272
	40,970	36,905

7 RIGHT-OF-USE ASSETS

	2022 RO'000	2021 RO'000
Cost		
1 January	6,276	6,174
Additions	108	102
31 December	6,384	6,276

Accumulated depreciation		
1 January	1,351	862
Charge for the year	450	489
31 December	1,801	1,351
Carrying amounts	4,583	4,925

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

	2022 RO'000	2021 RO'000
Operating costs (note 30)	109	109
General and administration expenses (note 31)	341	380
	450	489

MAZOOON ELECTRICITY COMPANY SAOC

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2022

8 INTANGIBLE ASSETS - SOFTWARE

	2022 RO'000	2021 RO'000
Cost		
At 1 January	5,445	5,299
Additions	11	146
At 31 December	5,456	5,445
Accumulated amortisation		
At 1 January	5,012	4,689
Charge for the year	211	323
At 31 December	5,223	5,012
Carrying amounts	233	433

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

9 INVESTMENT IN A SUBSIDIARY

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

	Number of shares	2022 RO	2021 RO
Mazoon Electricity Company SAOC	499,950	499,950	499,950
Nama Shared Services LLC	25	25	25
Numo Institute for Competency Development LLC	25	25	25
	500,000	500,000	500,000

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

10 STORES AND SPARES

	2022 RO'000	2021 RO'000
Spares and consumables	1,428	1,454
Provision for inventories obsolescence (note 10.1)	(254)	(310)
	1,174	1,144

10.1 The movement in provision for inventories obsolescence is as follows

	2022 RO'000	2021 RO'000
At 1 January	310	190
(Reversal) / provision of inventories obsolescence	(56)	120
At 31 December	254	310

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

MAZOOON ELECTRICITY COMPANY SAOC

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2022

11 TRADE AND OTHER RECEIVABLES

	2022 RO'000	2021 RO'000
Amounts due from domestic customers	29,522	34,767
Amounts due from commercial customers	10,373	12,342
Amounts due from Government customers	26,228	21,816
Amount due from related parties (note 26.3)	3,315	10,998
VAT input tax receivable (note 11.2)	19,443	14,977
Receivable on account of maximum allowed revenue	11,539	4,330
Receivable from Government	24,851	9,962
Other receivables	3,366	3,803
	128,637	112,995
Allowance for expected credit losses (note 11.1)	(3,640)	(3,212)
	124,997	109,783

11.1 The movement in expected credit losses was as follows:

At 1 January	3,212	3,043
Allowance for expected credit losses	459	169
Receivables written-off	(31)	-
At 31 December	3,640	3,212

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.

11.2 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 recognized VAT payable and with same amount booked as receivable from Ministry of Finance amounting to RO 23.65 million (2021: RO 8.8 million) as disclosed under note 22.

The information about the credit risk exposure as at 31 December 2022 and 2021 (on adoption of IFRS 9) on the Company's receivables using a provision matrix is set out in (note 36.2).

12 CASH AND CASH EQUIVALENTS

	2022 RO'000	2021 RO'000
Cash at banks	3,274	7,843
Cash in hand	25	25
Cash and cash equivalents for the purpose of statement of financial position	3,299	7,868
Bank overdraft (note 25)	(1,878)	(452)
Cash and cash equivalents for the purpose of cash flows	1,421	7,416

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

13 SHARE CAPITAL

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

	Number of shares	2022 RO	2021 RO
Electricity Holding Company SAOC	149,985,000	149,985,000	149,985,000
Nama Shared Services Company LLC	7,500	7,500	7,500
Numo Institute for Competency Development LLC	7,500	7,500	7,500
	150,000,000	150,000,000	150,000,000

MAZOOON ELECTRICITY COMPANY SAOC

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2022

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 appropriation from the profit has been made during the current period as the Company has already achieved its minimum amount required in the legal reserve. This reserve is not available for distribution.

15 GENERAL RESERVE

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

16 CASH FLOW HEDGING RESERVE

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

	2022 RO'000	2021 RO'000
At 1 January	2,273	5,467
Change in fair value during the year	(5,150)	(3,194)
	(2,877)	2,273
Less: Related deferred tax assets (note 34)	(431)	341
At 31 December	(2,446)	1,932

At the reporting date, the Company has Interest Rates Swap (IRS) agreements covering 100% of the term loans with a fixed interest rate of 2.265% per annum. The fair value of the interest rate swaps is based on market value of instruments on the reporting date. The interest rate swaps are designated as cash flow hedges and the fair value thereof has been dealt within equity.

The fair value of the interest rate swaps is based on market value of equivalent instruments of the reporting date and the fair value thereof has been dealt with in equity.

	Fair value RO'000	Notional amount RO'000	Notional by term to maturity more than		
		Total	1 - 12 months RO'000	1 upto 5 years RO'000	Over 5 years RO'000
31 December 2022					
Interest rate swaps	(2,877)	59,136	9,856	39,424	9,856
31 December 2021					
Interest rate swaps	2,273	68,992	9,856	39,424	19,712

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.

MAZOOON ELECTRICITY COMPANY SAOC

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2022

16 CASH FLOW HEDGING RESERVE (continued)

Type	Valuation techniques
Other financial liabilities	Discounted cash flows: The valuation model considers the present value of expected payments, discounted using a risk-adjusted discount rate.
Interest rate swaps	Swap models: The fair value is calculated as the present value of the estimated future cash flows. Estimates of future floating-rate cash flows are based on quoted swap rates, futures prices and LIBOR rates. Estimated cash flows are discounted using a yield curve constructed from similar sources and which reflects the relevant benchmark interbank rate used by market participants for this purpose when pricing interest rate swaps. The fair value estimate is subject to a credit risk adjustment that reflects the credit risk of the Company and of the counterparty; this is calculated based on credit spreads derived from current credit default swap or bond prices. The interest rate swaps have been valued as the difference in Net Present Values of Fixed and Floating legs of the swaps. Floating rates are based on LIBOR rates with biannual coupon payments. The forward rates have been determined from the zero curve rates. These rates have been used to compute the cash flows for the swaps.

17 TERM LOANS

In 2015, the Company entered into a Dual Currency Term Loan Facility Agreement with a consortium of Lenders, with Ahli Bank acting as Facility Agent and Account bank, for an amount of RO 240 million. The loans are unsecured and are for a period of 11 years as follows:

- a) RO 117 million, at a fixed interest rate for a period of 5 years from the date of first utilization of the tranche of the Term Loan, thereafter interest to be reviewed annually. At the reporting date, the balance of the facility availed amounted to RO 56.1 million (31 December 2021: RO 65.5 million).
- b) USD 320 million (equivalent to RO 123 million), for a period of 11 years from the date of first utilization. At the reporting date, the balance of the facility availed amounted to RO 59.1 million (31 December 2021: RO 68.9 million).

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

	2022 RO'000	2021 RO'000
At 1 January	134,513	153,968
Less: repayments	(19,216)	(19,455)
	115,297	134,513
Less: unamortised transaction costs (note 17.2)	(1,562)	(2,060)
At 31 December	113,735	132,453

17.2 Unamortised transaction costs

	2022 RO'000	2021 RO'000
At 1 January	2,060	2,578
Less: amortised during the year	(498)	(518)
At 31 December	1,562	2,060

MAZOOON ELECTRICITY COMPANY SAOC**NOTES TO THE FINANCIAL STATEMENTS**

At 31 December 2022

17 TERM LOANS (continued)

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

	2022 RO'000	2021 RO'000
Term loans-current portion	19,216	19,216
Unamortised costs - current portion	(479)	(498)
	18,737	18,718
Term loans - non-current portion	96,081	115,297
Unamortised costs - non-current portion	(1,083)	(1,562)
	94,998	113,735
	113,735	132,453

17.4 Compliance with covenants

The term loan facilities contain certain covenants pertaining to, amongst other things, liquidation and merger, entering into material new agreements, negative pledge, disposal of asset, granting of loan and guarantee, acquisition of capital assets, debt service coverage ratio, change of business, loan and guarantee, hedging agreement, etc., which the Company is required to comply. At 31 December 2022, the Company was in compliance with these covenants.

18 LONG TERM BORROWINGS - SUKUKS

During the year 2017, the Company raised long term finance to meet the capital expenditure needs through assets backed Sukuk route. In order to facilitate the funding the Company formed Mazoon Assets Company SAOC, a Special Purpose Vehicle (SPV) purely for the purpose of raising the Sukuk finance. On 1 November, 2017, Mazoon Assets Company SAOC successfully priced its debut Reg S/144A US\$ 500 million (RO 192,500 million) 10-year Sukuk offering following the Shari'a compliant Ijara Structure. The profit rate payments are due on 8 May and 8 November every year during the tenure of the Sukuk certificate and the certificates are due for repayment in full on 8 November 2027.

The Certificates are listed on the Irish Stock Exchange and the issuance was managed by Mazoon Electricity Company SAOC and the Holding Company along with J.P. Morgan Securities plc, Bank Muscat SAOG, KFH Capital Investment Company KSCC, and First Abu Dhabi Bank PJSC acting as Joint Lead Managers and Noor Bank PJSC and Warba Bank (K.S.C.) acting as co-managers.

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

- Sale by Mazoon Electricity Company SAOC and purchase by Mazoon Assets Company SAOC of PPE assets.
- Lease back of these assets by Mazoon Electricity Company SAOC from Mazoon Assets Company SAOC under a Lease Agreement and Servicing Agency Agreement.
- Subscription agreement.
- Declaration of trust agreement.
- Purchase undertaking agreement and sale and substitution agreement.

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

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

MAZOOON ELECTRICITY COMPANY SAOC**NOTES TO THE FINANCIAL STATEMENTS**

At 31 December 2022

18 LONG TERM BORROWINGS - SUKUKS (continued)

	2022 RO'000	2021 RO'000
Long term borrowings - Sukuks	192,500	192,500
Less: unamortised transaction cost (note 18.1)	(548)	(662)
	191,952	191,838
18.1 Unamortised transaction cost		
	2022 RO'000	2021 RO'000
At 1 January	662	776
Amortised during the year	(114)	(114)
At 31 December	548	662

19 DEFERRED REVENUE

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

	Installation and connection charges RO'000 (Note 19.2)	Government sponsored projects RO'000 (Note 19.3)	Customer contributed assets RO'000 (Note 19.3)	Regulatory base asset adjustment RO'000 (Note 19.4)	Total RO'000
31 December 2022					
At the beginning of the year	28,450	30,511	3,440	2,809	65,210
Additions during the year	2,592	1,336	1,041	-	4,969
Amortised during the year (note 29)	(1,659)	(628)	(388)	(702)	(3,377)
At the end of the year	29,383	31,219	4,092	2,107	66,802
31 December 2021					
At the beginning of the year	27,206	30,210	3,733	-	61,149
Additions during the year	2,798	955	-	2,809	6,562
Amortised during the year (note 29)	(1,554)	(654)	(293)	-	(2,501)
At the end of the year	28,450	30,511	3,440	2,809	65,210

19.2 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. Following the adoption of IFRS 15 the Company recognizes the installation and connection fee over 25 years.

19.3 Government sponsored projects/customers contributed assets:

The Government provide funding towards the cost of property, plant and equipment and customer contributed assets. These funding/contributions are deferred over the life of the relevant property, plant and equipment.

19.4 Regulatory asset base adjustment:

Regulatory asset base adjustment relates to excess of maximum allowed revenue arising from the difference in price control allowed capex and actual capex outturn that will be adjusted while setting the future price control.

MAZOOON ELECTRICITY COMPANY SAOC**NOTES TO THE FINANCIAL STATEMENTS**

At 31 December 2022

19 DEFERRED REVENUE (continued)

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

The following table includes revenue to be expected to be recognised in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at 31 December 2022.

	2022 RO'000	2021 RO'000
Current portion		
Installation and connection charges	1,659	1,554
Government sponsored projects	628	742
Customer contributed assets	388	205
Regulatory base adjustment	702	702
	3,377	3,203
Non-current portion		
Installation and connection charges	27,724	26,896
Government sponsored projects	25,344	24,718
Customer contributed assets	8,952	8,286
Regulatory base adjustment	1,405	2,107
	63,425	62,007
	66,802	65,210

20 LEASE LIABILITIES

Lease liabilities represents leasehold land (right to use assets) acquired under the usufruct agreements with the Government of the Sultanate of Oman. The lease facilities carry an interest of 3.5% (31 December 2021: 3.5%) per annum implicit in the lease on reducing balance method and is repayable in monthly installments over 6 years. Amounts due within a year from the end of reporting period are disclosed as a current liability.

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

	2022 RO'000	2021 RO'000
At 1 January	5,679	5,963
Interest on lease liabilities (note 33)	308	325
Additions (note 7)	108	102
Payment (interest and principal)	(868)	(711)
At 31 December	5,227	5,679

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

	2022 RO'000	2021 RO'000
Current portion	774	774
Non-current portion	4,453	4,905
	5,227	5,679

20.3 Amounts recognised in the statement of profit and loss and other comprehensive income:

	2022 RO'000	2021 RO'000
Depreciation on right of use assets (note 7.1)	450	489
Interest on lease liabilities (note 33)	308	325
	758	814

The maturity analysis of lease liabilities are disclosed in note 36.3.

MAZOOON ELECTRICITY COMPANY SAOC**NOTES TO THE FINANCIAL STATEMENTS**

At 31 December 2022

21 EMPLOYEES' END OF SERVICE BENEFITS

	2022 RO'000	2021 RO'000
At 1 January	847	1,097
Charge for the year	14	21
Payments during the year	(104)	(271)
At 31 December	757	847

22 TRADE AND OTHER PAYABLES

	2022 RO'000	2021 RO'000
Amount due to related parties (note 26.4)	71,587	21,364
Creditors for capital projects	30,952	25,850
Accruals and other payables	22,523	11,083
Trade payables	12,486	21,837
VAT payable on government subsidy (note 11.2)	23,655	8,767
	161,203	88,901

22.1 Terms and conditions of the above financial liabilities:

- Creditors for capital projects and trade payables are non-interest bearing liabilities and normally settled on 30 to 60 days term.
- Trade payables are non-interest bearing liabilities and normally settled on 30 to 60 days term.
- Other payables are non-interest bearing liabilities and normally settled on 30 to 60 days term.
- For terms and conditions with related parties, refer note 26.

For explanation on the Company's liquidity risk management process, refer note 36.3.

23 SHORT TERM BORROWINGS

	2022 RO'000	2021 RO'000
23.1 The Break up of short term borrowings is as follows:		
Working capital facilities (note 23.3)	10,000	61,200
Bridge loan facilities (note 23.4)	169,750	90,475
	179,750	151,675

23.2 The movement in short term borrowings:

	2022 RO'000	2021 RO'000
At 1 January	151,675	91,200
Addition during the year	99,275	142,475
Less: repayments during the year	(71,200)	(82,000)
At 31 December	179,750	151,675

23.3 Working capital facilities

- The Company has entered into a revolving loan facility agreement dated 8 December 2016 with a consortium of banks with Arab Banking Corporation acting as the Agent Bank, for an amount of USD 120 million. The facility was renewed for a period of 12 months vide amendment agreement dated 3rd December 2017. The facility was further renewed vide amendment agreement dated 28 November 2018 for another 12 month period with an enhanced limit of USD 175 million (RO 67.4 million). During 2019 the Company renewed the facility for another 12 month period with a reduced limit of USD 120 million (RO 46.2 million) which was further renewed, amended and restated on 3rd December 2020. During 2021 this facility was further renewed and restated on 28 November 2021. This facility was repaid and closed during the year upon maturity.

MAZOOON ELECTRICITY COMPANY SAOC

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2022

23 SHORT TERM BORROWINGS (continued)

- b) During the year 2019 the Company entered into a short term working capital facility with Bank Muscat for an amount of Rial Omani 40 million vide an agreement dated 11 November 2019. The facility was renewed during the year 2020, 2021 and 2022 and as at 31 Dec 2022, the availed facility is RO 10 million (31 December 2021: RO 15 million)

23.4 Bridge loan facilities

- a) During the year 2021 the Company raised a bridge loan of USD 235 million (RO 91 million) to meet the capital expenditure needs through an asset backed Ijara Loan. The agreement was executed on 16 March 2021 and amended and extended for another 12 month period during the year. Further during the year the company exercised the Accordion option and enhanced the facility by an amount of USD 115 million (RO 44,275 million) and availed the same thereby making the total facility USD 350 million(RO 135 million). The legal form of contracts entered into for the purpose of raising, servicing and repayment of the Ijara Loan finance includes;
- i) Sale by Mazoon Electricity Company SAOC and purchase by Bank Muscat SAOG (Investment Agent) of PPE assets.
- ii) Lease back of these assets by Mazoon Electricity Company SAOC from Investment Agent under a Lease Agreement and Servicing Agency Agreement.
- iii) Declaration of trust agreement.
- iv) Purchase undertaking agreement and sale undertaking agreement.

At 31 December 2022, the availed balance under this facility is RO 135 million (31 December 2021: RO 90 million).

- b) During the year the Company vide an agreement dated 27th July 2022 entered into a Wakala Bridge facility agreement with Alizz Islamic Bank SAOC for an amount of RO 35 million. As at 31 December 2022, the availed and balance under this facility is RO 35 million.

24 SHAREHOLDERS' LOANS

- 24.1 The Break up of shareholder loan is as follows:

	2022 RO'000	2021 RO'000
Working capital facilities (note 24.3)	29,625	29,625
Bridge loan facilities (note 24.4)	55,000	55,000
	84,625	84,625

- 24.2 The movement in short term borrowings:

	2022 RO'000	2021 RO'000
At 1 January	84,625	50,000
Addition during the year	-	74,625
Less: repayments during the year	-	(40,000)
At 31 December	84,625	84,625

24.3 Working capital facilities

- a) During the year 2020 the Company vide an agreement dated 2nd April 2020 entered into a intercompany working capital facility with Electricity Holding Company SAOC for an amount of RO 17.6 million. During the year 2021, this facility was amended and renewed. During the year this facility was subordinated and as at 31 December 2022 the same is classified as non-current liability. The balance under this facility as at 31 December 2022 is RO 17.6 million (31 December 2021 : RO 17.6 million). This facility carry interest at fixed rate of 5%.

MAZOOON ELECTRICITY COMPANY SAOC

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2022

24 SHAREHOLDERS' LOANS (continued)

- b) During the year 2020 the Company vide an agreement dated 2nd September 2020 entered into a intercompany working capital facility with Electricity Holding Company SAOC for an amount of RO 12 million. During the year 2021, this facility was amended and renewed. During the year this facility was subordinated and as at 31 December 2022 the same is classified as non-current liability. The balance under this facility as at 31 December 2022 is RO 12 million (31 December 2021 : RO 12 million). This facility is non-interest bearing facility.

24.4 Bridge loan facilities

- a) During the year 2020 the Company vide an agreement dated 2nd April 2020 entered into a intercompany bridge loan facility with Electricity Holding Company SAOC for an amount of RO 30 million which was renewed and was subordinated during the year and as at 31 December 2022 the same is classified as non-current liability. The balance under this facility as at 31 December 2022 is RO 30 million (31 December 2021 : RO 30 million). This facility carry interest at fixed rate of 5%.
- b) During the year 2021 the Company vide an agreement dated 2nd December 2021 entered into a intercompany bridge loan facility with Electricity Holding Company SAOC for an amount of RO 25 million. During the year this facility was subordinated and as at 31 December 2022 the same is classified as non-current liability. The balance under this facility as at 31 December 2022 is RO 25 million (31 December 2021 : RO 25 million).This facility carry interest at fixed rate of 5%.

25 BANK OVERDRAFTS

	2022 RO'000	2021 RO'000
Bank overdrafts	1,878	452

The Company has availed a working capital facility (overdraft and revolving short term loan) and bank guarantee from Ahli Bank SAOG for an amount of RO 15 million. The overdraft limit of RO 10 million is interchangeable between overdraft and revolving short term loan upon a condition that the combined utilisation of both the facilities not to exceed RO 15 million at any point of time. The facilities are unsecured, payable on demand and carry interest rate at the rate of 3.5% to 4 % (31 December 2021: 3.5% to 4%) per annum.

26 RELATED PARTY TRANSACTIONS AND BALANCES

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

MAZOOON ELECTRICITY COMPANY SAOC

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2022

26 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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

	2022 RO'000	2021 RO'000
Other related parties:		
Oman Power and Water Procurement Company SAOC		
Purchase of electricity (note 30)	211,283	210,738
Oman Electricity Transmission Company		
Transmission connection charges (note 30)	8,490	8,538
Transmission use of system charges (note 30)	35,885	36,375
Mazoon Assets Company SAOC		
Interest in long term loan - sukuk	10,010	10,010
Shareholders:		
Electricity Holding Company SAOC		
Short term loan	-	84,625
Interest on shareholder's loans (note 33)	4,399	2,872
Shareholders service charges	39	45
Dhofar Integrated Services Company SAOC		
Secondment of staff	7	-
Numo Institute for Competency Development LLC		
Training expenses	129	5
Nama Shared Services LLC		
IT Support service charges	474	401

- 26.2 Key Management benefits

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

	2022 RO'000	2021 RO'000
Salaries and other short term benefits	542	526
End of service benefits	42	44
Directors' remuneration and sitting fees (note 31)	36	16
	620	586
Number of persons in key management	8	8

- 26.3 Amounts due from related parties

	2022 RO'000	2021 RO'000
Oman Power and Water Procurement Company SAOC	-	10,757
Muscat Electricity Distribution Company SAOC	22	199
Oman Electricity Transmission Company SAOC	5	5
Dhofar Integrated Services Company SAOC	2	-
Ghubra Power & Desalination Company SAOC	3	3
Rural Areas Electricity Company SAOC	2,721	1
Electricity Holding Company SAOC	561	34
	3,315	10,998

MAZOOON ELECTRICITY COMPANY SAOC

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2022

26 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

- 26.4 Amounts due to related parties

	2022 RO'000	2021 RO'000
Oman Power and Water Procurement Company	53,466	532
Oman Electricity Transmission Company SAOC	6,168	12,756
Electricity Holding Company SAOC	9,435	5,682
Mazoon Assets Company SAOC	1,506	1,506
Muscat Electricity Distribution Company	5	5
Majan Electricity Company SAOC	6	6
Rural Areas Electricity Company	282	218
Numo Institute for Competency Development LLC	134	96
Nama Shared Services LLC	585	563
	71,587	21,364

27 DIVIDENDS

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

28 COMMITMENTS AND CONTINGENT LIABILITIES

	RO'000	RO'000
Capital commitments	26,372	24,222
Letter of guarantee	741	741
	27,113	24,963

Significant capital expenditure contracted for at the end of the reporting period but not provided are RO 26.4 million (2021: RO 24.2 million).

29 REVENUE

Point in time

Disaggregation of revenue

	2022 RO'000	2021 RO'000
Commercial customers	69,109	73,032
Private customers	78,058	64,690
Government customers	39,572	35,372
Government subsidy	180,179	204,922
	366,918	378,016
Revenue short / (excess) of maximum allowed as per price control formula	7,814	(3,606)
Add: System and security penalties	(604)	(4,168)
	374,128	370,242

MAZOOON ELECTRICITY COMPANY SAOC**NOTES TO THE FINANCIAL STATEMENTS**

At 31 December 2022

29 REVENUE (continued)

	2022	2021
	RO'000	RO'000
Over period of time		
Installation and connection charges (note 19.1)	1,659	1,554
Funds for Government sponsored projects (note 19.1)	628	654
Customer contributed assets (note 19.1)	388	293
Regulatory base asset adjustment	702	(2,809)
	3,377	(308)
	377,505	369,934

30 OPERATING COSTS

	2022	2021
	RO'000	RO'000
Electricity purchases (note 26.1)	211,283	210,738
Depreciation on property, plant and equipment (note 6.4)	39,822	35,633
Transmission use of system charges (note 26.1)	35,885	36,375
Maintenance and repairs expenses	9,488	6,906
Transmission connection charges (note 26.1)	8,490	8,538
Spares and consumable expenses	895	906
Depreciation on right of use assets (note 7.1)	109	109
Other direct costs	13	8
	305,985	299,213

31 GENERAL AND ADMINISTRATIVE EXPENSES

	2022	2021
	RO'000	RO'000
Employees' costs (note 30.1)	15,242	12,942
Meter reading, billing and collection charges	6,017	7,507
Services expenses	5,466	4,865
Depreciation on property, plant and equipment (note 6.4)	1,148	1,272
Depreciation on right of use assets (note 7.1)	341	380
Amortisation on intangible assets (note 8)	211	323
Directors' remuneration and sitting fees (note 26.2)	36	16
(Reversal) / provision for Inventories obsolescence	(56)	120
Other expenses	1,800	905
	30,205	28,330

31.1 Employees' costs

Wages and salaries	11,624	10,923
Other allowances and benefits	3,580	1,997
Accruals for end of service benefits	38	22
	15,242	12,942

32 OTHER INCOME

	2022	2021
	RO'000	RO'000
Penalties and fines	1,237	1,851
Gain on sale of scrap sales	-	1
Gain / (loss) on disposal of property, plant and equipment	49	-
Miscellaneous income	1,023	487
Sale of Government contracts forms & tenders	170	115
	2,479	2,454

MAZOOON ELECTRICITY COMPANY SAOC**NOTES TO THE FINANCIAL STATEMENTS**

At 31 December 2022

33 FINANCE COSTS

	2022	2021
	RO'000	RO'000
Interest on long-term loans - sukuks	10,010	10,010
Interest on short-term borrowings	8,241	5,353
Interest on term loans	6,430	7,092
Interest on loan from a shareholder (note 26.1)	4,399	2,872
Amortized transaction cost - term loans (note 17.2)	498	518
Interest on lease liabilities (note 20.3)	308	325
Amortized transaction cost - long term loans - sukuks (18.1)	114	114
Interest on bank overdrafts	20	146
Bank charges	16	39
	30,036	26,469

34 TAXATION

34.1 Tax expense recognised in the statement of profit and loss and other comprehensive income.

	2022	2021
	RO'000	RO'000
<i>i) Statement of profit and loss</i>		
Current tax	-	(81)
Deferred tax	5,021	4,795
	5,021	4,714

ii) Statement of other comprehensive income

Deferred tax	772	479
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The Company is subject to income tax at the rate of 15% (2021-15%) 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.

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

	Current tax		Deferred tax	
	2022	2021	2022	2021
	RO'000	RO'000	RO'000	RO'000
At 1 January	-	81	51,172	45,899
Charge/ (Reversal) for the year	-	(81)	5,793	5,274
At 31 December	-	-	56,965	51,172

34.3 Reconciliation of income tax expense

The following is a reconciliation of income tax on the accounting profit with the tax expenses at the applicable tax of 15% (2021:15%):

	2022	2021
	RO'000	RO'000
Profit before tax	13,366	18,254
Income tax as per applicable tax rate	2,005	2,738
Prior years adjustments - deferred tax	367	(226)
Other temporary differences	2,649	2,283
Tax charge for the year	5,021	4,795

MAZOOON ELECTRICITY COMPANY SAOC**NOTES TO THE FINANCIAL STATEMENTS**

At 31 December 2022

34 TAXATION (continued)

No deferred tax has been recognised on tax losses of RO 66 million (2021: RO 60 million) which are expected to expire in the years between 2023 - 2027 (2021: years between 2022 - 2026), as it is probable that future taxable profits will not be available against which the Company can use the benefits there from.

The Company's effective tax rate for the year ended 31 December 2022 was 15% (31 December 2021: 15%).

34.4 Deferred tax

Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 15% (2021: 15%). Deferred tax asset of RO 4.4 million (2021: RO 5.2 million) on carry forward tax losses for the current period has not been recognized as management foresee remote chances of having taxable income until year 2026 due to higher tax depreciation charge which would result in a lapse of current year carry forward losses. Recognized deferred tax assets and liabilities are attributable to the following:

	2022	2021
	RO'000	RO'000
Deferred tax assets		
Allowance for expected credit losses	(546)	(482)
IFRS 15 restatement	(3,422)	(3,955)
Provision for stores and spares obsolescence	(38)	(47)
Lease liabilities (including usufruct charges)	(358)	(356)
Fair value adjustment of cash flow hedge (note 16)	-	(341)
	(4,364)	(5,182)

Deferred tax liabilities

Transaction cost - term loans	242	309
Transaction costs - long term loans - sukuks	84	99
Fair value adjustment of cash flow hedge (note 16)	431	-
Accelerated depreciation	60,572	55,946
	61,329	56,354
	56,965	51,172

34.5 Status of assessments

Tax assessments for the years 2019 to 2021 have not yet been assessed by tax authorities. The management of the Company believes that additional taxes, if any, related to the open tax year would not be significant to the Company's financial position as at 31 December 2022.

MAZOOON ELECTRICITY COMPANY SAOC**NOTES TO THE FINANCIAL STATEMENTS**

At 31 December 2022

35 CAPITAL MANAGEMENT

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

The Company manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Company may adjust the dividends payment to the shareholders, return capital to the shareholders or issue new share capital. The Company monitors capital using a gearing ratio which is 'net debt' divided by total capital plus net debt. The Company's policy is to keep the gearing ratio not exceeding 233% for debt. The Company includes within net debt, interest bearing term loans and short term borrowings, lease liabilities, bank guarantee less cash and cash equivalents.

	2022	2021
	RO'000	RO'000
Net debt		
Term loans	113,735	132,453
Long term borrowings - sukuks	191,952	191,838
Lease liabilities	5,227	5,679
Shareholder's loans	84,625	84,625
Short term borrowings	179,750	151,675
Bank overdrafts	1,878	452
Less: cash and cash equivalents	(3,299)	(7,868)
	573,868	558,854

Equity (excluding cash flow hedge reserve)

Share capital	150,000	150,000
Legal reserve	50,000	50,000
General reserve	21,525	19,717
Retained earnings	22,171	26,134
	243,696	245,851

Equity and net debt

Gearing ratio	70.2%	69.4%
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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 have been no breaches of the financial covenants of any interest bearing term loans and short term borrowings at current year end.

36 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.

MAZOOON ELECTRICITY COMPANY SAOC

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2022

36 FINANCIAL RISK MANAGEMENT (continued)

36.1 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. Therefore a change in interest rate at the reporting date would not affect the profit and loss and other comprehensive income.

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

	2022 RO'000	2021 RO'000
Financial liabilities		
Term loans	113,735	132,453
Long term borrowings - sukuks	191,952	191,838
Lease liabilities	5,227	5,679
Share holders loan	84,625	84,625
Short term borrowings	179,750	151,675
Bank overdrafts	1,878	452
	577,167	566,722

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in the variable interest rates at the reporting date would have increased/(decreased), on an annual basis, equity and statement of profit or loss and other comprehensive income by the amounts of RO 3 M (2021: RO 2.9 M). This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

Foreign currency risk

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

36.2 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.

MAZOOON ELECTRICITY COMPANY SAOC

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2022

36 FINANCIAL RISK MANAGEMENT (continued)

36.1 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. Therefore a change in interest rate at the reporting date would not affect the profit and loss and other comprehensive income.

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

	2022 RO'000	2021 RO'000
Financial liabilities		
Term loans	113,735	132,453
Long term borrowings - sukuks	191,952	191,838
Lease liabilities	5,227	5,679
Share holders loan	84,625	84,625
Short term borrowings	179,750	151,675
Bank overdrafts	1,878	452
	577,167	566,722

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in the variable interest rates at the reporting date would have increased/(decreased), on an annual basis, equity and statement of profit or loss and other comprehensive income by the amounts of RO 3 M (2021: RO 2.9 M). This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

Foreign currency risk

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

36.2 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.

MAZOOON ELECTRICITY COMPANY SAOC

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2022

36 FINANCIAL RISK MANAGEMENT (continued)

36.2 Credit risk (continued)

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

	2022 RO'000	2021 RO'000
Amounts due from domestic customers	29,522	34,767
Amounts due from commercial customers	10,373	12,342
Amounts due from government customers	26,228	21,816
Amounts due from related parties	3,315	10,998
Other receivables	3,366	3,803
Government subsidy receivable	30,754	4,940
Cash and cash equivalents	3,274	7,843
	106,832	96,509

The management believes that the impact of ECL (if any) on financial assets other than trade receivables is immaterial. Accordingly no provision has been made in these separate financial statements.

Trade receivables

The Company's exposure to credit risk on trade receivables is influenced mainly by the individual characteristics of each customer. The Company has established credit policies and procedures that are considered appropriate and commensurate with the nature and size of the receivables. Trade receivables primarily represent amounts due from domestic, commercial and government customers. The expected credit loss for trade receivables has been computed under the simplified model of IFRS 9. The Company has a significant concentration of credit risk as follows:

	2022 RO'000	2021 RO'000
Amounts due from domestic customers	29,522	34,767
Amounts due from commercial customers	10,373	12,342
Amounts due from government customers	26,228	21,816
	66,123	68,925

The age of trade receivables and related impairment loss at the reporting date is:

	2022			2021		
	Gross RO'000	Impairment RO'000	Past due but not impaired RO'000	Gross RO'000	Impairment RO'000	Past due but not impaired RO'000
Not past due	10,072	(122)	9,950	10,331	(79)	10,252
Past due:						
Less than one month	9,202	(86)	9,116	7,458	(55)	7,403
31 to 90 days	16,643	(328)	16,315	16,879	(273)	16,607
91 to 365 days	20,897	(896)	20,001	27,113	(1,146)	25,967
Above one year	9,309	(2,208)	7,101	7,144	(1,659)	5,484
	66,123	3,640	62,483	68,925	(3,212)	65,712

MAZOOON ELECTRICITY COMPANY SAOC

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2022

36 FINANCIAL RISK MANAGEMENT (continued)

36.2 Credit risk (continued)

Credit quality disclosure

	ECL Model	12 months or Lifetime ECL	Gross amounts RO'000	ECL RO'000	Net carrying amounts RO'000
31 December 2022					
Trade and other receivables	Provision matrix External rating	Lifetime	66,123	3,640	62,483
Cash and cash equivalents	Provision matrix External rating	12 month	3,274	-	3,274
31 December 2021					
Trade and other receivables	Provision matrix External rating	Lifetime	68,925	(3,212)	65,712
Cash and cash equivalents		12 month	7,843	-	7,843

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.

The Company always measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

Bank balances and short term bank deposits

The Company limits its credit risk with respect to bank deposits by only dealing with banks with high credit rating. The Company's bank accounts are placed with reputed financial institutions with a minimum credit rating of Ba3 (2021: Ba3) Moody's Investors Service ratings. The table below shows the balances with banks categorised by short term credit ratings as published by Moody's Service at the reporting date.

	2022 RO'000	2021 RO'000
Bank balances:		
Bank Muscat SAOG	3,043	6,920
Ahli Bank	174	464
National Bank of Oman	57	459
	3,274	7,843

36.3 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.

MAZOOON ELECTRICITY COMPANY SAOC**NOTES TO THE FINANCIAL STATEMENTS**

At 31 December 2022

36 FINANCIAL RISK MANAGEMENT (continued)**36.3 Liquidity risk (continued)**

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:

	<i>Carrying amount RO'000</i>	<i>Contractual cash flow RO'000</i>	<i>Less than 3 months RO'000</i>	<i>3 months to 1 year RO'000</i>	<i>More than 1 year RO'000</i>
31 December 2022					
Non-interest bearing					
Trade and other payables	89,616	89,616	89,616	-	-
Amounts due to related parties	71,587	71,587	71,587	-	-
	<u>161,203</u>	<u>161,203</u>	<u>161,203</u>	<u>-</u>	<u>-</u>
Interest bearing					
Term loan	115,297	129,759	6,221	18,308	105,230
Long term loans - sukuks	192,500	242,550	-	10,010	232,540
Shareholder loan	84,625	93,146	-	-	93,146
Short term borrowings	179,750	182,829	146,980	35,849	-
Lease liabilities	5,227	12,282	150	500	11,632
Bank overdrafts	1,874	1,878	1,878	-	-
	<u>579,273</u>	<u>662,444</u>	<u>155,229</u>	<u>64,667</u>	<u>442,548</u>
	<u>740,476</u>	<u>823,647</u>	<u>316,432</u>	<u>64,667</u>	<u>442,548</u>
31 December 2021					
Non-interest bearing					
Trade and other payables	67,537	67,537	67,537	-	-
Amounts due to related parties	21,364	21,364	21,364	-	-
	<u>88,901</u>	<u>88,901</u>	<u>88,901</u>	<u>-</u>	<u>-</u>
Interest bearing					
Term loan	134,513	153,276	-	25,504	127,772
Long term loans - sukuks	192,500	252,560	-	10,010	242,550
Shareholder loan	84,625	88,856	-	88,856	-
Short term borrowing	151,675	155,265	-	155,265	-
Lease liabilities	5,679	13,467	150	500	12,817
Bank overdrafts	452	598	598	-	-
	<u>569,444</u>	<u>664,022</u>	<u>748</u>	<u>280,135</u>	<u>383,139</u>
	<u>658,345</u>	<u>752,923</u>	<u>89,649</u>	<u>280,135</u>	<u>383,139</u>

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 carrying amounts of financial liabilities with a maturity of less than one year are assumed to approximate to their fair values. As at 31 December 2022, the Company held interest rate swap derivatives instruments measured at fair value. The fair values of the interest rate swaps arrangements is classified under level 2 and the Company uses the derivative counterparties valuation statement to obtain fair values of the derivatives. Further, details are included in note 16.

MAZOOON ELECTRICITY COMPANY SAOC**NOTES TO THE FINANCIAL STATEMENTS**

At 31 December 2022

36 FINANCIAL RISK MANAGEMENT (continued)**36.3 Liquidity risk (continued)**

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

Measurement of fair values

<i>Type</i>	<i>Valuation technique</i>	<i>Significant un-observable inputs</i>
Derivative instrument (level 2)	Market comparison technique: fair value is calculated by the respective financial institutions	Not applicable
Other financial liabilities (level 2)	Discounted cash flows	Not applicable

37 NET ASSET PER SHARE

Net assets per share is calculated by dividing the net assets attributable to the ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

	<i>2022 RO'000</i>	<i>2021 RO'000</i>
Net assets - shareholder funds	243,696	245,851
Weighted average number of shares outstanding during the year (number of shares in thousands)	150,000	150,000
Net assets per share	1.62	1.64

38 EARNINGS PER SHARE

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

	<i>2022 RO'000</i>	<i>2021 RO'000</i>
Total profit and comprehensive income for the year	12,723	16,255
Weighted average number of shares outstanding during the year (number of shares in thousands)	150,000	150,000
Basic earnings per share (Baizas)	0.08	0.11

39 SEGMENT REPORTING

The CEO and executive management team are the Company's Chief Operating Decision-Makers (CODM). The principal activities of the Company are distribution and supply of electricity in the South Batinah, Dakhliyah, North Sharqiyah and South Sharqiyah governorates of Oman. Substantially all of the Company's revenue and profit are derived from 'electricity sales'. There are no other economic characteristics within the Company that will lead to determination of other operating segments. Accordingly, CODM has determined that the Company has only one operating segment, which is consistent with the internal reporting and performance measurement.

MAZOOON ELECTRICITY COMPANY SAOC**NOTES TO THE FINANCIAL STATEMENTS**

At 31 December 2022

40 GEOPOLITICAL UNCERTAINTY

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

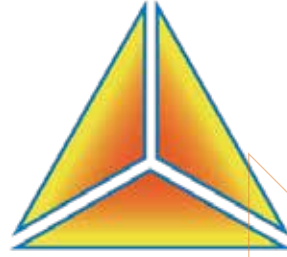
Though the Company's direct exposure to countries directly involved in the recent international disputes is non-existent, the Company's operations are partially concentrated in economies that are relatively dependent on the price of crude oil and accordingly, the Company has considered any potential 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.

41 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.

42 COMPARATIVE AMOUNTS

Certain corresponding figures for the year ended 31 December 2021 pertains to the classification of shareholder loans and other income have been reclassified in order to conform to the presentation for the current year. Such reclassification do no affect previously reported profit or shareholder's equity.



شركة كهرباء مزون ش.م.ع.م
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