Oman Water and Wastewater Services Company SAOC

REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2024

Oman Water and Wastewater Services Company SAOC
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

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STATEMENT OF FINANCIAL POSITION

At 31 December 2024

	Notes	**31 December 2024 RO'000**	31 December 2023 RO'000 (Restated)	1 January 2023 RO'000 (Restated)
ASSETS				
Non-current assets				
Property, plant and equipment	6	**1,220,502**	1,096,482	2,809,456
Right-of-use assets	7	**341,863**	321,748	351,243
Total non-current assets		**1,562,365**	1,418,230	3,160,699
Current assets				
Inventories	8	**9,743**	9,526	10,967
Trade and other receivables	9	**145,894**	143,268	151,841
Receivables from Ministry of Finance	10	**78,449**	23,141	22,946
Cash and cash equivalents	11	**32,449**	13,428	14,250
Total current assets		**266,535**	189,363	200,004
TOTAL ASSETS		**1,828,900**	1,607,593	3,360,703
EQUITY AND LIABILITIES				
Equity				
Share capital	12	**20,000**	20,000	20,000
Additional shareholders' contribution		**643,747**	586,180	2,685,159
Legal reserve	12.2	**5,738**	55	55
Retained earnings / (accumulated losses)		**51,148**	(9,000)	(327,576)
Total equity		**720,633**	597,235	2,377,638
LIABILITIES				
Non-current liabilities				
Deferred revenue	13	**29,171**	48,872	42,224
Deferred tax liabilities	26	**50,587**	50,587	50,587
Lease liabilities	14	**380,347**	348,538	369,129
Employees' end of service benefits	15	**18,260**	19,837	20,277
Retentions payable	16.1	**25,068**	44,083	47,897
Total non-current liabilities		**503,433**	511,917	530,114
Current liabilities				
Deferred revenue	13	**3,051**	3,008	2,814
Lease liabilities	14	**20,113**	24,212	25,778
Trade and other payables	16	**312,670**	283,221	333,231
Short term borrowings	17	**269,000**	188,000	91,128
Total current liabilities		**604,834**	498,441	452,951
Total liabilities		**1,108,267**	1,010,358	983,065
TOTAL EQUITY AND LIABILITIES		**1,828,900**	1,607,593	3,360,703

The financial statements were authorised for issue and approved by the Board of Directors on ____________ 2025 and were signed on their behalf by:

Chairman Board of Directors

Chief Executive Officer

The attached notes 1 to 31 form part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2024

	Notes	***2024*** ***RO'000***	*2023* *RO'000* *(Restated)*
Operating revenue	20	**428,663**	226,395
Operating costs	21	**(260,581)**	(302,930)
Gross profit / (loss)		**168,082**	(76,535)
Employees' costs	22	**(54,359)**	(56,237)
General and administrative expenses	23	**(13,272)**	(11,743)
Allowance for expected credit losses	9	**(6,725)**	(15,804)
Impairment loss on property, plant and equipment	6	**-**	(1,754,807)
Operating profit / (loss)		**93,726**	(1,915,126)
Government subsidy	10.2	**-**	16,267
Other income	24	**2,774**	1,746
Finance costs	25	**(39,669)**	(33,304)
Profit / (loss) before tax		**56,831**	(1,930,417)
Income tax	26	**-**	-
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR		**56,831**	(1,930,417)

The attached notes 1 to 31 form part of these financial statements.

Oman Water and Wastewater Services Company SAOC

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2024

	Share capital RO'000	*Additional shareholders' contribution RO'000*	*Legal reserve RO'000*	*Retained earnings / accumulated losses RO'000*	*Total RO'000*
At 1 January 2023 - (As previously reported)	20,000	2,685,159	55	(311,734)	2,393,480
Restatement (note 1.2)	-	-	-	(15,842)	(15,842)
At 1 January 2023 - (Restated)	20,000	2,685,159	55	(327,576)	2,377,638
Net loss and other comprehensive expense for the year (restated)		-		(1,930,417)	(1,930,417)
Additional contribution from shareholders (note 6.6)	-	71,701	-	-	71,701
Subsidy received from shareholders (note 10)	-	87,313	-	-	87,313
Dividends declared	-	-	-	(9,000)	(9,000)
Transfer of accumulated losses to additional shareholders' contribution*	-	(2,257,993)	-	2,257,993	-
At 31 December 2023 - (Restated)	**20,000**	**586,180**	**55**	**(9,000)**	**597,235**
Net income and other comprehensive income for the year	**-**	**-**	**-**	**56,831**	**56,831**
Reversal of dividend (note 12.3)	**-**	**-**	**-**	**9,000**	**9,000**
Transfer to legal reserve (note 12.2)	**-**	**-**	**5,683**	**(5,683)**	**-**
Additional contribution from shareholders (note 6.6)	**-**	**57,567**	**-**	**-**	**57,567**
At 31 December 2024	**20,000**	**643,747**	**5,738**	**51,148**	**720,633**

*For the year ended 31 December 2023, the shareholder of the Company has resolved to absorb the accumulated losses of RO 2,258 million during 2023 against additional shareholders' contribution.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2024

	Notes	2024 RO'000	2023 RO'000 Restated
Operating activities			
Profit / (loss) before tax		**56,831**	(1,930,417)
Adjustments for:			
Depreciation of property, plant and equipment	6	**34,469**	77,461
Depreciation of right-of-use assets	7	**30,836**	36,744
Provision / (reversal) of provision for inventories obsolescence	8	**961**	(108)
Impairment loss on property, plant and equipment	6	-	1,754,807
Allowance for expected credit losses on trade receivables	9	**6,725**	15,804
Interest on lease liabilities	14	**28,926**	28,694
Accrual for employees' end of service benefits	15	**-**	28
Interest income on call and term deposits	24	**(55)**	(59)
Interest on short term borrowings	25	**10,743**	4,610
		169,436	(12,436)
Working capital changes:			
Inventories		**(1,178)**	1,549
Trade and other receivables		**(9,351)**	(5,279)
Receivables from Ministry of Finance		**(55,308)**	(195)
Deferred revenue		**(19,658)**	6,842
Trade and other payables		**19,434**	(64,776)
Cash generated from / (used in) operating activities		**103,375**	(74,295)
Employees' end of service benefits paid	15	**(1,577)**	(468)
Net cash flows generated from / (used in) operating activities		**101,798**	(74,763)
Investing activities			
Additions of property, plant and equipment	6	**(158,489)**	(119,294)
Interest income received	24	**55**	59
Net cash flows used in investing activities		**(158,434)**	(119,235)
Financing activities			
Additional contribution from a shareholder	6.6 & 10.3	**57,567**	159,014
Proceeds from short term borrowings	17	**346,000**	130,000
Repayments of short term borrowings	17	**(265,000)**	(5,628)
Repayment of shareholder's loan	18.1	**-**	(27,500)
Finance costs paid	25	**(10,743)**	(4,610)
Lease liabilities paid	14	**(52,167)**	(58,100)
Net cash generated from financing activities		**75,657**	193,176
Net increase / (decrease) in cash and cash equivalents		**19,021**	(822)
Cash and cash equivalents at 1 January		**13,428**	14,250
Cash and cash equivalents at 31 December	11	**32,449**	13,428

Significant non-cash transaction:

Following significant non-cash transaction have been excluded from above cash flows, as these do not involve any cash movement.

		2024 RO'000	2023 RO'000
Reversal of dividend	12.3	**9,000**	-

The attached notes 1 to 31 form part of these financial statements.

1 LEGAL STATUS AND PRINCIPAL ACTIVITIES

Oman Water and Waste Water Services Company SAOC (the "Company") is registered in the Sultanate of Oman as a closely held joint stock Company under the Commercial Companies Law of Oman. The Company was established by a Ministerial decision number 31/2002 dated 17 December 2002 and granted the concession right by the Government of Sultanate of Oman to design, develop, construct, manage and operate the water and wastewater system in the Sultanate of Oman, except for Dhofar region, where Dhofar Integrated Services Company SAOC is authorized to design, develop, construct, manage and operate the water and wastewater system. The Company has started commercial its operations from 1 January 2006. The Company is owned 100% is a 99.990% subsidiary of the Electricity Holding Company SAOC (EHC); a company registered in the Sultanate of Oman, whereas, remaining 0.005% is equally held by Numo Institute for Competency Development LLC and Nama Shared Services LLC which are wholly owned by EHC.

1.1 Pricing control regulations

The Company has received a letter from Authority for Public Services Regulation ("APSR") in agreement with the letter received from Ministry of Finance ("MOF") which states that the Price Control Regulation ("PCR") shall be effective only following the issuance of Sector Law which has been issued on 20 June 2023. Therefore, the Company has calculated its subsidy based on PCR mechanism from 1 January 2024. Under PCR, the Company's revenue entitlement is computed based Maximum Allowed Revenue (MAR) formula, where all the operating expenses (OPEX) including depreciation on property, plant and equipment are captured in the formula plus a return based on carrying value of property, plant and equipment, which is termed as Regulated Asset Base (RAB). Any deficit between revenue entitlement and actual revenue collected during a given year, will result into a subsidy entitlement of the Company (K-factor).

1.2 Restatement of an error

1. There were certain assets which were completed in prior years (in 2023 and before) but were not transferred to respective asset class in the current year (2024).

2. Also, the Company had completed construction of various projects and transferred from its capital work-in-progress to the respective asset classes under land and buildings, production assets and network and storage assets in prior years. However, the Company had projects related overheads costs directly related to these completed projects, which were not transferred to the respective asset class in that respective year. These costs amounting to 107.1 million mainly comprise of project team costs including project director, managers, supervisors and direct labor, and third party consultancy costs directly related to the completed projects.

3. Additionally, the management has identified two assets with a total cost of RO 43.0 million that were wrongly capitalized in 2023, which in fact should have been capitalized in earlier years. However, the accumulated depreciation for all the years up to 31 December 2023 was mistakenly charged to 2023 cumulatively.

The management has considered this as an error in the financial statements and has decided to restate the prior years financial statements.

1 LEGAL STATUS AND PRINCIPAL ACTIVITIES (continued)

1.2 Restatement of an error (continued)

This has resulted into:

Impact as at 1 January 2023 as compared to the audited financial statements of 31 December 2023:

-Within property, plant and equipment, assets amounting to RO'000 150,047 were not transferred to respective categories of property, plant and equipment;
-Depreciation of RO '000 15,842 has not been charged to the retained earnings as at 1 January 2023;
-Property, plant and equipment were overstated by RO '000 15,842 as at 1 January 2023;
-No deferred impact has been taken as OWWSC is in deductible temporary differences for property, plant and equipment, resulting into deferred tax assets and the management has taken the position that OWWSC is not expecting any taxable income in near future against which deductible temporary differences can be utilized.
-Accumulated losses were understated by RO '000 15,842 as at 1 January 2023;

Impact as at 31 December 2023 and for the year ended 31 December 2023 as compared to the audited financial statements of 31 December 2023:

-Net reversal of depreciation of RO '000 2,561 has not been charged to the statement of profit or loss and other comprehensive income for the year ended 31 December 2023;
-Property, plant and equipment were overstated by RO '000 13,281 as at 31 December 2023; and
-No deferred impact has been taken as OWWSC is in deductible temporary differences for property, plant and equipment, resulting into deferred tax assets and the management has taken the position that OWWSC is not expecting any taxable income in near future against which deductible temporary differences can be utilized.

The details of restatements as at 1 January 2023 and 31 December 2023 are as follows:

	As previously reported	*Restatement*		*As restated*
	RO'000	*RO'000*	*RO'000*	*RO'000*
At 1 January 2023				
Statement of financial position				
Property, plant and equipment	2,825,298	(15,842)	-	2,809,456
Accumulated losses	311,734	15,842	-	327,576
At 31 December 2023				
Statement of financial position				
Property, plant and equipment	1,109,763	(13,281)	-	1,096,482
Accumulated losses*	9,000	13,281	(13,281)	9,000
Additional shareholders' contribution	(599,461)	-	13,281	(586,180)

*Accumulated losses as at 31 December 2023 were absorbed against additional shareholders' contribution as per shareholders' resolution. Accordingly, additional losses as at 31 December 2023 arose as a result of restatement have also been absorbed against additional shareholders' contribution.

Impact on statement of comprehensive income

	31 December 2023
	RO'000
Net decrease in depreciation on property, plant and equipment	2,561
Total loss and other comprehensive expense	2,561

1 LEGAL STATUS AND PRINCIPAL ACTIVITIES (continued)

1.3 Significant agreements

Concession Agreement

The Company has entered into Concession agreement ("the Agreement") with the Government represented by the Ministry of Finance, for the development and operation of the wastewater system in the Governorate of Muscat for a period of 30 years commencing from 1 January 2006, as per which:

a) The Government requires the development and operation of wastewater system in the concession area and the availability for purchase of treated effluent;
b) The Government desires the Company to develop, design, finance, own, operate, maintain, construct and commission both the existing assets and the new assets for the purpose of providing the services and implementing the works in the concession area in accordance with the master plan;
c) The Company shall be granted certain rights and interests in the existing assets;
d) Conditions permitting, it is the intention of the Government that the Company will be privatised in whole or in part;
e) On expiry or early termination of the Concession period, the Company shall transfer back to the Government the wastewater system and all other rights and interests provided for in this agreement;
f) This Agreement and the rights and obligations are granted and executed by the Government pursuant to the Royal Decree; and
g) The Government and the Company wish to record matters referred to above and do so in the Agreement.

Funding agreement

The Company has entered into a funding agreement with the Government on 18 May 2010 represented by the Ministry of Finance. The funding agreement between the Company and Government specifies the terms of funding of infrastructure development and net operating expenses incurred by the Company. As per funding agreement, the Government is responsible for 100% funding of Concession infrastructure to be developed by the Company and all assets developed under Concession agreement will be owned by the Government, the Company will have access to operate and maintain the Concession assets. Further, as per Funding agreement net operating losses incurred by the Company during each year will be reimbursed by the Government in form of subsidy.

PCR promulgated from 1 January 2024, has superseded the funding agreement from 1 January 2024.

Bulk supply agreement

Public Authority of Water (PAW) (transferred on 1 June 2021 to the Company) has ongoing Bulk Supply Agreement (BSA) with Oman Power and Water Procurement Company SAOC (OPWP) (a related party) in prior years. Under BSA, the entire water produced by identified Independent Water Plants (IWPs) is supplied to the Company, as per the dispatch instructions issued by the Company. The Company is authorized to supply water to its customers in entire Sultanate of Oman, except for Dhofar region, OPWP do not have any substantive substitution rights to bulk supply water to another company. Accordingly this bulk supply of water arrangement, has been recognized as leases as per the guidelines of IFRS 16 'Leases'. These leases have terms ranging 8 to 25 years.

Usufruct agreement

The Usufruct Agreement is with the Government represented by the Ministry of Housing, Electricity and Water. Pursuant to clause 3.3 of the Agreement, the Government and the Company have agreed to execute this usufruct agreement to grant the Company right to benefit, under Royal Decree 5/81 (as amended) (issuing the law regulating the use/benefit of the Sultanate's lands) and Royal Decree 88/82 (as amended) (issuing the implementing regulations for the use/benefit of the Sultanate's lands), in the usufruct area and certain rights of way and easements, so as to enable the Company to construct new facilities and the operation and maintenance of the wastewater system and in general to enjoy its rights and to perform its obligations under the Agreement.

Treated effluent sale and purchase agreement

Under the term of the Agreement, the Company has entered into treated effluent sale and purchase agreement with the Government represented by the Diwan of the Royal Court, Muscat Municipality (the Municipality). Under the agreement, per day 50,000 m3 of treated effluent, at take or pay basis at the agreed rate, is billed on monthly basis to the Municipality.

2 FUNDAMENTAL ACCOUNTING CONCEPT

As at 31 December 2024, the current liabilities of the Company exceeded its current assets by RO 338 million (2023: RO 309 million). This indicates that a material uncertainty exists that may cast significant doubt on the Company to continue as a going concern as the Company will require additional funding and financial support to meet its financial obligations as they fall due and continue its operations for the foreseeable future.

Management believes that it is appropriate to prepare the financial statements on a going concern basis on the strength of continued financial support from the shareholders 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 profits and positive cash flows from its operations pursuant to the promulgation of Water and wastewater sector law and implementation of Price Control Mechanism with effect from 1 January 2024, for which Company believe that this will significantly improve the net current liability position in the future.

The above factors will enable the Company to continue to operate as a going concern for the foreseeable future and to discharge its liabilities to other parties, as they fall due and management has no reason to doubt such support will continue. Accordingly, these financial statements are prepared on a going concern basis and management concluded that a material uncertainty in respect of going concern does not exist.

3 BASIS OF PREPARATION

a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS) Accounting Standards as issued by the International Accounting Standards Board (IASB) accounting standards, and the requirements of the Commercial Companies Law of 2019 of the Sultanate of

b) Basis of measurement

These financial statements are prepared on historical cost basis.

c) Presentation and functional currency

These financial statements are presented in Rial Omani ("RO"), which is the Company's functional as well as presentation currency. All amounts have been rounded to the nearest thousand (RO '000) except where otherwise stated.

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

The Company measures fair values using the following fair value hierarchy based on the inputs used in making the measurements:

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.

3 BASIS OF PREPARATION (CONTINUED)

d) Use of estimates and judgments (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.

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.

Leases – Estimating the incremental borrowing rate

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

Expected credit loss allowance

The Company uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

At the reporting date, gross trade and other receivables were RO'000 215,133 (2023: RO'000 236,153) and the provision for doubtful debts was RO'000 112,623 (2023: RO'000 105,848). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the statement of comprehensive income.

3 BASIS OF PREPARATION (CONTINUED)

Key sources of estimation uncertainties (continued)

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.

Provision for current tax and deferred tax (continued)

The Company has evaluated the available evidence about future taxable income and other possible sources of realization of income tax assets, and the amount recognized has been limited to the amount that, based on management's best estimate, is more likely than not to be realized.

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

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

Determining the leases 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

New and amended standards and interpretations 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.

•Lack of exchangeability – Amendments to IAS 21

The amendments will be effective for annual reporting periods beginning on or after 1 January 2025. Early adoption is permitted but will need to be disclosed. When applying the amendments, an entity cannot restate comparative information. The amendments are not expected to have a material impact on the Company's financial statements.

•IFRS 19 Subsidiaries without Public Accountability: Disclosures

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

•IFRS 18 Presentation and Disclosure in Financial Statements

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

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

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

IFRS 18, and the amendments to the other standards, is effective for reporting periods beginning on or after 1 January 2027, but earlier application is permitted and must be disclosed. IFRS 18 will apply retrospectively. The Company is currently working to identify all impacts the amendments will have on the primary financial statements and notes to the financial statements.

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 2024 (unless otherwise stated). The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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

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

5 MATERIAL ACCOUNTING POLICY INFORMATION

The material accounting policies applied in these financial statements are the same as those applied in the Company's financial statements as at and for the year ended 31 December 2023.

5.1 Leases

The Company leases water plants under bulk supply agreement, buildings and vehicles. Rental contracts are typically made for fixed periods of 2-20 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants except for use for specific purposes, but leased assets may not be used as security for borrowing purposes.

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

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

   i) the Company has the right to operate the asset; or
   ii) the Company designed the asset in a way that predetermines how and for what purpose it will be used.

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

Company as a lessee

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

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

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

5 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

5.1 Leases (continued)

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

i) fixed payments, including in-substance fixed payments;

ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

iii) amounts expected to be payable under a residual value guarantee; and the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

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

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

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

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

Assets	Years
Bulk supply agreements	8 - 20
Usufruct agreement	25 - 50
Building	4 - 10
Vehicles	6

Short-term leases and leases of low-value assets

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

Company as a lessor

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

5.2 Foreign currency transactions

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

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

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

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

5 MATERIAL ACCOUNTING POLICY INFORMATION (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:

1) Trade and other receivables
2) Cash and cash equivalents
3) Amounts due from related parties
4) Receivables from Ministry of Finance
5) Short term borrowings
6) Trade and other payables
7) Amounts due to related parties
8) Lease liabilities

Initial recognition

Financial assets

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

Financial assets at amortised cost

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

i) It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
ii) Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at fair value through 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.

5 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

5.3 Financial instruments (continued)

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

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

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

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

Subsequent measurement of financial assets

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

Financial assets carried at fair value through other comprehensive income (FVTOCI)

i) Debt instruments at FVTOCI
These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in the profit or loss account. Other net gains and losses are recognised in the statement of other comprehensive income. On derecognition, gains and losses accumulated in the statement of other comprehensive income are reclassified to the profit or loss account.

ii) Equity instruments at FVTOCI
These assets are subsequently measured at fair value. Dividends are recognised as income in the profit or loss account unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in the statement of other comprehensive income and are never reclassified to the profit or loss account.

The Company has no equity instruments at FVTOCI.

(iii) Financial assets carried at fair value through profit or loss (FVTPL).
These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in the profit or loss account.

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

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

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

5 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

5.3 Financial instruments (continued)

Subsequent measurement of financial liabilities (continued)
The Company recognises the full amount of change in the fair value in profit or loss only if the presentation of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. That determination is made at initial recognition and is not reassessed.

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

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

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

Financial liabilities of the Company are measured at amortised cost.

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

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

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

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.

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 statement of comprehensive income.

5 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

5.3 Financial Instruments (continued)

Impairment of financial assets

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

For trade receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The Company considers trade receivables in default when contractual payments are 180 days past due for private customers and 360 days past due for Government customers.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

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 Inventories

Inventory comprises of fuel oil and spare items, 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.

5.5 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, net of bank overdrafts, if any.

5.6 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 statement of profit and loss and other comprehensive income.

5 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

5.6 Property, plant and equipment (continued)

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 statement of profit and loss and other comprehensive income on a straight-line basis over the estimated useful lives of the asset less its residual value.

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

	Years
Buildings	50
Production assets	10 - 30
Network and storage assets	10 - 50
Motor vehicles	4
Furniture and fixtures	5 - 10
IT and other equipment	5 - 10

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.

5.7 Borrowing costs

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

5 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

5.8 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 or 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 statement of comprehensive income in the expense category consistent with the function of intangible asset over the estimated useful life of 5 years

5.9 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 statement of comprehensive income over the period of the borrowings on an effective interest basis.

5.10 Employees' end of service 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 or loss and other comprehensive income 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.

5.11 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 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

5.12 Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the statement of profit or 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 Bulk Supply Agreement (BSA) considering the expected future cash flows for the period beyond the term of the BSA 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 or loss over the period necessary to match them with the costs that they are intended to compensate.

Non-monetary Government grants related to inventory received at no cost to the Company and measured at fair value. The grant is recognised as income as and when the related inventory is consumed.

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.

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.

5 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

5.14 Revenue from contracts with customers (continued)

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

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

Contract revenue under service concession agreement
Revenue from construction contracts is recognized as the performance obligation is satisfied over the time based on value of work performed. Revenue relating to construction services under the Concession agreement is consistent with the Company’s accounting policy of recognising revenue on construction.

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

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

Connection fee
Connection fee represents charges billed to the customers, which is amortised as income over the estimated useful life of the related assets on straight line basis. The Company has concluded that in all of its revenue arrangements the Company is principal, since it is the primary obligor in all the revenue arrangements, has pricing latitude and is also exposed to credit risks.

Customers sponsored assets
Customers sponsored assets represents funding received from customers towards certain assets installed on the customers premises, which is not considered as separate performance obligation other than supply of water and wastewater services. Accordingly, this revenue has been deferred and will be recognized throughout the useful life of the relevant assets transferred from customers.

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.

5 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

5.14 Revenue from contracts with customers (continued)

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.

5.15 Income tax

Income tax for the year comprises current and deferred tax, which is computed as per the fiscal regulations of the Sultanate of Oman. Income tax is recognised in the profit and loss except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

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

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

5.16 Directors' sitting fees and remuneration

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

5 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

5.17 Determination of fair value

Derivative financial instruments

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

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

Non derivative financial liabilities

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

5.18 Current versus non-current classification

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

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

All other assets are classified as non-current

A liability is current when:

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

5.19 Dividends

The Board of Directors takes into account appropriate parameters including the requirements of the Commercial Companies Law while recommending the dividend. Dividends on ordinary shares are recognised when the right to receive dividend is established usually when approved by the shareholders.

6 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	*Production assets*	*Network and storage assets*	*Motor vehicles*	*Furniture, fixtures*	*IT and other equipment*	*Capital work-in-progress*	*Total*
	RO'000	*RO'000*	*RO'000*	*RO'000*	*RO'000*	*RO'000*	*RO'000*	*RO'000*
Cost								
At 1 January 2023 (as previously reported)	148,306	743,645	1,827,676	2,437	25,041	14,707	659,502	3,421,314
Restatement (note 1.2)	1,332	16,439	131,349	-	-	-	(150,047)	(927)
At 1 January 2023 (restated)	149,638	760,084	1,959,025	2,437	25,041	14,707	509,455	3,420,387
Additions	95	-	169	141	598	3,692	114,599	119,294
Transfer during the year (restated)	21,915	1,853	107,854	-	9	-	(131,631)	-
At 31 December 2023 (restated)	171,648	761,937	2,067,048	2,578	25,648	18,399	492,423	3,539,681
Additions	**676**	**-**	**4,826**	**1,241**	**161**	**6,941**	**144,644**	**158,489**
Transfer during the year	**240**	**18,375**	**395,184**	**-**	**-**	**66**	**(413,865)**	**-**
At 31 December 2024	**172,564**	**780,312**	**2,467,058**	**3,819**	**25,809**	**25,406**	**223,202**	**3,698,170**
Accumulated depreciation and impairment								
At 1 January 2023 (as previously reported)	32,949	167,926	363,174	2,250	20,206	9,511	-	596,016
Restatement (note 1.2)	276	2,334	12,060	-	75	170	-	14,915
At 1 January 2023 (restated)	33,225	170,260	375,234	2,250	20,281	9,681	-	610,931
Charge for the year (restated)	4,781	25,467	44,411	155	539	2,108	-	77,461
Impairment loss (note 6.7)	81,144	337,600	958,393	106	3,026	4,387	370,151	1,754,807
At 31 December 2023 (restated)	119,150	533,327	1,378,038	2,511	23,846	16,176	370,151	2,443,199
Transfer of impairment from CWIP	**180**	**13,786**	**294,054**	**-**	**-**	**50**	**(308,070)**	**-**
Charge during the year	**2,693**	**19,074**	**10,858**	**21**	**263**	**1,560**	**-**	**34,469**
At 31 December 2024	**122,023**	**566,187**	**1,682,950**	**2,532**	**24,109**	**17,786**	**62,081**	**2,477,668**
Carrying amounts								
At 31 December 2024	**50,541**	**214,125**	**784,108**	**1,287**	**1,700**	**7,620**	**161,121**	**1,220,502**
At 31 December 2023 (restated) (note 1.2)	52,498	228,610	689,010	67	1,802	2,223	122,272	1,096,482
At 1 January 2023 (restated) (note 1.2)	116,413	589,824	1,583,791	187	4,760	5,026	509,455	2,809,456

6 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

6.1 In 2021, the Government has transferred the legal title of certain lands to the Company. The Company has considered these arrangements as non-monetary Government grants inline with IAS-20 "Accounting for Government Grants and Disclosure of Government Assistance". Accordingly, lands has been recognised at nominal amounts in these financial statements.

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

6.3 Pursuant to the Law promulgated by Royal Decree 92/2007, the Company received certain assets from the Ministry of Housing, Electricity and Water on 9 December 2007.

6.4 Capital work-in progress includes works which are in different stages of completion and relates to (a) construction and upgrading of production assets and (b) network and storage assets.

6.5 Certain buildings and production assets with carrying value of RO 10.3 million were transferred during the prior years from Rural Area Electricity Co to the Company as per the directives from Electricity Holding Company (Parent Company). These transfers have been considered as a transaction between entities under common control. Accordingly, the consideration has been classified as additional shareholders' contribution.

6.6 From 1 June 2021 any additional funding from shareholders to the Company to finance the capital expenditures is being treated as additional shareholders' contribution. Additional funding of RO 58 million (2023: RO 72 million) has been received from shareholders during the year.

6.7 During the year ended 31 December 2023, the maximum allowed revenue related to assets in the Water and Wastewater was restricted to 35%, as per the PCR notification received from APSR. Management has identified this as an indicator of potential impairment for the assets. Consequently, an assessment of the recoverable amount of these assets was conducted as of the reporting date. As of 31 December 2024, the recoverable amount of the property, plant, and equipment (cash-generating unit) was not materially different than the carrying value. This amount was calculated based on a value in use approach, utilizing cash flow projections derived from financial budgets approved by the Company's Board of Directors for a fourteen-year period. A pre-tax discount rate of 4.86% (2023: 7.1%) was applied to these cash flow projections, with cash flows beyond the fourteen-year period extrapolated using a growth rate of -1.58% (2023: -2.4%). This growth rate aligns with industry practices and reflects the anticipated trend in demand growth. The analysis concluded that the fair value less costs of disposal did not exceed the value in use. As a result, management recognized an impairment charge of RO Nil in the current year (2023: RO 1,754.8 million) against the assets, which had a carrying amount of RO 1,221.1 million as of 31 December 2024 (2023: RO 2,850.2 million). This impairment charge has been recorded in the statement of comprehensive income.

7 RIGHT-OF-USE ASSETS

	Bulk supply agreements RO'000	*Motor vehicles RO'000*	*Buildings and others RO'000*	*Total RO'000*
Cost				
At 1 January 2023	422,853	3,949	7,849	434,651
Additions (note 14)	-	4,091	3,158	7,249
At 1 January 2024	**422,853**	**8,040**	**11,007**	**441,900**
Reclassification	**(20,140)**	**-**	**20,140**	**-**
Additions (note 14)	**37,549**	**-**	**-**	**37,549**
Modification of right-of-use assets	**13,402**	**-**	**-**	**13,402**
At 31 December 2024	**453,664**	**8,040**	**31,147**	**492,851**
Accumulated depreciation				
At 1 January 2023	73,631	3,557	6,220	83,408
Charge for the year	31,849	810	4,085	36,744
At 1 January 2024	**105,480**	**4,367**	**10,305**	**120,152**
Charge for the year	**26,597**	**1,366**	**2,873**	**30,836**
At 31 December 2024	**132,077**	**5,733**	**13,178**	**150,988**
Carrying amounts				
At 31 December 2024	**321,587**	**2,307**	**17,969**	**341,863**
At 31 December 2023	317,373	3,673	702	321,748
At 31 December 2022	349,222	392	1,629	351,243

8 INVENTORIES

	2024 RO'000	*2023 RO'000*
Spares and consumables	**12,460**	11,282
Provision for inventories obsolescence (note 8.1)	**(2,717)**	(1,756)
	9,743	9,526

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

	2024 RO'000	*2023 RO'000*
At 1 January	**1,756**	1,864
Charge / (reversal) during the year (note 21)	**961**	(108)
At 31 December	**2,717**	1,756

Inventories also include spare items in the amount of RO 737,377 (2023: RO 828,726), received on behalf of the Government from various contractors at the time of completion of Concession Infrastructure projects. These items are recorded as deferred revenue - Government grant and will be charged to statement of comprehensive income as and when consumed (refer note 13.5).

9 TRADE AND OTHER RECEIVABLES

	2024 RO'000	2023 RO'000
Trade receivables	**215,133**	236,153
Allowance for expected credit losses (note 9.1)	**(112,623)**	(105,898)
	102,510	130,255
Advances to contractors (a)	**38,467**	4,095
Prepayments and other receivables	**4,917**	8,918
	145,894	143,268

9.1 The movement in expected credit losses was as follows:

	2024 RO'000	2023 RO'000
At 1 January	**105,898**	90,094
Charge for the year	**9,887**	15,804
Written off during the year	**(3,162)**	-
At 31 December	**112,623**	105,898

Trade receivable represents due from government, commercial and domestic customers, from sale of water and wastewater services.

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.

(a) This represents advances to contractors against construction contracts. All advances have been classified as current assets as these advances will be adjusted within one year against contractor's invoices.

The information about the credit risk exposure as at 31 December 2024 and 2023 on the Company's receivables using a provision matrix is set out in (note 28.2)

10 RECEIVABLES FROM MINISTRY OF FINANCE

	2024 RO'000	2023 RO'000
At 1 January	**23,141**	22,946
VAT receivable on subsidy from MOF (note 10.1)	**12,308**	8,870
Government subsidy receivable	**173,651**	-
K-factor receivable	**20,349**	-
Subsidy against net operating losses for the year (note 10.2)	**-**	16,267
Subsidy against capital expenditure (note 10.3)	**-**	87,813
	229,449	135,896
Total funds received during the year	**(151,000)**	(112,755)
At 31 December	**78,449**	23,141

10.1 Oman Tax Authority has directed the Company 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 calculated VAT from 16 April 2021 (the date of VAT implementation) and recognized VAT payable which is included in accruals and other payables and with same amount booked as receivable from MoF amounting to RO 35.4 million as at 31 December 2024 (2023: RO 23.1 million). The Company has agreed VAT recovery mechanism with MoF during 2022.

Subsequent to the year ended, in January 2025, the Company received VAT on subsidy amounting to RO 8.8 million from the MoF. As per the letter from the MOF, remaining subsidy is scheduled to be received within the year 2025.

10.2 It represented Government subsidy received under the Funding Agreement against net operating expenses incurred for the year related to wastewater operations.

10.3 This represented funds received from Ministry of Finance against Concession Infrastructure cost incurred by the Company for various water and wastewater related projects and has been recognised as additional shareholders' contribution (note 6.6).

11 CASH AND CASH EQUIVALENTS

	2024	2023
	RO'000	RO'000
Call and term deposits	**8**	8
Cash at banks	**32,414**	13,326
Cash in hand	**27**	94
	32,449	13,428

Call and deposits accounts with banks carry interest at the rate of 2.5% to 3.2% per annum during the year (2023: 2.5% to 3.2% per annum). The management believe that any expected credit losses pertaining to call and term deposits and cash at bank are not material to financial statements as a whole.

12 SHARE CAPITAL AND RESERVES

12.1 Share capital

The Company's authorised, issued and paid up share capital consist of 20,000,000 shares of RO 1 each. The details of shareholders are as follows:

	Number of shares '000	***2024 RO '000***	*2023 RO '000*
Electricity Holding Company SAOC	19,998	**19,998**	19,998
Nama Shared Services Company LLC	1	**1**	1
Numo Institute for Competency Development LLC	1	**1**	1
	20,000	**20,000**	20,000

12.2 Legal reserve

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

12.3 Dividends

Shareholders in the annual general meeting held during 2024, have resolved to cancel the dividends of RO 9 million related the year ended 31 December 2022, which were approved during AGM held in 2023.

13 DEFERRED REVENUE

13.1 The break up of deferred revenue is as follows:

	2024	2023
	RO'000	RO'000
Connection fee (note 13.4)	**27,505**	47,515
Non-monetary Government grant (note 13.5)	**737**	829
Customers' sponsored project (note 13.6)	**2,052**	2,248
Government grant (note 13.7)	**1,097**	1,281
Prepaid meter	**831**	7
	32,222	51,880

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

	2024	2023
At 1 January	**51,880**	45,038
Additions during the year	**5,011**	10,363
Reversal of connection fee (note 13.8)	**(25,286)**	-
Recognised as expense / (income) during the year (note 20)	**617**	(3,521)
At 31 December	**32,222**	51,880

13.3 Classification of deferred revenue into current and non-current portion

Current portion	**3,051**	3,008
Non-current portion	**29,171**	48,872
	32,222	51,880

13 DEFERRED REVENUE (continued)

13.4 Connection fee represents charges billed to the customers upon providing new water connections, which is amortised as income over the estimated useful life of 15 years on straight line basis.

13.5 Non-monetary Government grants related to inventory received at no cost to the Company and measured at fair value. The grant is recognised as income as and when the related inventory is consumed.

13.6 These represents customers funding towards the cost of property, plant and equipment. These funding are deferred over the life of the relevant property, plant and equipment.

13.7 Transfer from Rural Area Electricity Co (RAECO) represents government grant received by the RAECO in prior years for construction of assets, those assets have been transferred to the Company during 2021.

13.8 As per APSR directives, the Company has reduced the connection fee from RO 700 to RO 200 for unpaid connections as of 1 February 2024. This resulted in a reversal of deferred revenue, with a corresponding decrease in accounts receivable by RO 500 per connection.

14 LEASE LIABILITIES

Lease liabilities represents Bulk Supply Agreements, motor vehicles, building and water plant. The lease facilities carry an interest of 3.5% to 9.2% (31 December 2023: 3.5% to 9.2%) per annum implicit in the lease on reducing balance method and is repayable in monthly instalments over the respective lease terms. Amounts due within a year from the end of reporting period are disclosed as a current liability.

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

	2024	*2023*
	RO'000	*RO'000*
At 1 January	**372,750**	394,907
Additions during the year	**37,549**	7,249
Modification of lease liabilities (note 7)	**13,402**	-
Interest on lease liabilities (note 25)	**28,926**	28,694
Payment (interest + principal)	**(52,167)**	(58,100)
At 31 December	**400,460**	372,750

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

Current portion	**20,113**	24,212
Non-current portion	**380,347**	348,538
	400,460	372,750

14.3 Amounts recognised in the statement of comprehensive income:

Depreciation on right-to-use assets (note 7)	**30,836**	36,744
Interest on lease liabilities	**28,926**	28,694
	59,762	65,438

The maturity analysis of lease liabilities are disclosed in note 28.

15 EMPLOYEES' END OF SERVICE BENEFITS

	2024	*2023*
	RO'000	*RO'000*
At 1 January	**19,837**	20,277
Charge for the year (note 22)	**-**	28
Payments during the year	**(1,577)**	(468)
At 31 December	**18,260**	19,837

16 TRADE AND OTHER PAYABLES

	2024 RO'000	2023 RO'000
Creditors for capital projects	**149,531**	136,586
Trade payables	**28,237**	29,700
Accruals and other payables	**67,945**	59,315
Dividend payable	**-**	9,000
Amounts due to related parties (note 18.4)	**53,846**	42,040
Retentions payable (note 16.1)	**11,903**	3,707
Provision for early exit scheme (note 16.3)	**1,208**	2,873
	312,670	283,221

16.1 Retentions payable

	2024 RO'000	2023 RO'000
Retentions payable - non-current	**25,068**	44,083
Payable within one year (note 16)	**11,903**	3,707
	36,971	47,790

16.2 Terms and conditions of the above financial liabilities:

i) Creditors for capital projects and trade payables are non-interest bearing liabilities and normally settled on 90 to 120 days term.
ii) Trade payables are non-interest bearing liabilities and normally settled on 30 to 60 days term.
iii) Other payables are non-interest bearing liabilities and normally settled on 30 to 60 days term.
iv) For terms and conditions with related parties, refer note 18.

16.3 On 24 July 2023, the Company announced early exit scheme for certain national employees who fulfil the criteria announced under the scheme. Under this scheme, each eligible employee is entitled to gross salary for 12 months, with maximum cap of RO 30,000 per employee.

For explanation on the Company's liquidity risk management process, refer note 28.

17 SHORT TERM BORROWINGS

	Total Facility RO'000	Facilities utilised 2024 RO'000	Facilities utilised 2023 RO'000
At 1 January		**188,000**	91,128
Proceeds from short term borrowings	**308,000**	**346,000**	130,000
Repayments of short term borrowings	**-**	**(265,000)**	(5,628)
Repayment to Electricity Holding Company SAOC (note 18.1)	**-**	**-**	(27,500)
At 31 December	**308,000**	**269,000**	188,000

a) The Company vide an agreement dated 30 June 2020 entered into a short term borrowing agreement with Bank Muscat SAOG for an amount of RO 60 million. As at 31 December 2024, the outstanding balance under this facility is RO 60 million (31 December 2023: RO 60 million) at an interest rate of 4.25% (31 December 2023: 3.6%). The loan is unsecured and maturing on 30 June 2025.

b) The Company vide an agreement dated 21 December 2022 entered into a short term borrowing agreement with Bank Muscat SAOG for an amount of RO 93 million. As at 31 December 2024, the outstanding balance under this facility is RO 93 million (31 December 2023: RO 93 million) at an interest rate of 5% (31 December 2023: 3.75%). The loan is unsecured and maturing on 31 July

c) The Company vide an agreement dated 24 July 2024 entered into a short term borrowing agreement with Bank Muscat SAOG for an amount of RO 80 million. As at 31 December 2024, the outstanding balance under this facility is RO 80 million (31 December 2023: RO Nil) at an interest rate of 5.5% (31 December 2023: Nil). The loan is unsecured and maturing on 31 July 2025.

d) The Company vide an agreement dated 25 December 2024 entered into a short term borrowing agreement with Bank Dhofar SAOG for an amount of RO 75 million. As at 31 December 2024, the outstanding balance under this facility is RO 36 million (31 December 2023: RO Nil) at an interest rate of 6% (31 December 2023: Nil). The loan is unsecured and maturing on 31 December 2025.

17 SHORT TERM BORROWINGS (CONTINUED)

e) The Company vide an agreement dated 24 July 2023 entered into a short term borrowing agreement with Bank Dhofar SAOG for an amount of RO 65 million. As at 31 December 2024, the outstanding balance under this facility is RO Nil (31 December 2023: RO 35 million) at an interesr rate of Nil (31 December 2023: 6%). The loan is unsecured and repaid on 30 July 2024.

f) The Company vide an agreement dated 01 June 2022 entered into an Intercompany facility agreement with Electricity Holding Company SAOC (parent company) for an amount of R.O 27.5 million at an interest rate of 4.5%. As at 31 December 2024, the outstanding balance under this facility is RO Nil (31 December 2023: RO Nil). The loan is unsecured and repaid on 09 Jan 2023.

18 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.

18.1 Transactions with related parties

	2024	*2023*
	RO'000	*RO'000*
Water purchases		
Oman Power and Water Procurement Company SAOC (note 21)	**80,924**	81,737
Lease payments		
Oman Power and Water Procurement Company SAOC	**18,606**	24,580
Electricity purchases (note 21)		
Nama Electricity Supply Company SAOC	**14,955**	13,215
Nama Electricity Distribution Company SAOC	**-**	2,054
Majan Electricity Company SAOC	**-**	1,020
Rural Areas Electricity Company SAOC	**-**	276
	14,955	16,565
Other transactions		
Training expenses - Numo Institute for Competency Development LLC	**138**	117
Shareholder's loan		
Repayment of loan to Electricity Holding Company SAOC	**-**	(27,500)

18 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

18.2 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:

	2024	*2023*
	RO'000	*RO'000*
Salaries and other short term benefits	**564**	556
Directors' remuneration and sitting fees	**171**	278
	735	834
Number of people included in key management benefits excluding directors	**7**	7

18.3 Government and related entities

The Company has generated revenue of RO 64.3 million (31 December 2023: RO 61.9 million) from sale of water and wastewater services to the Government and related entities during current year.

The Company also received subsidy of RO 174 million (2023: RO 113 million) from Ministry of Finance to fund its net operating costs and capital expenditures. See note 10 for details.

18.4 Amounts due to related parties (note 16)

	2024	*2023*
	RO'000	*RO'000*
Oman Power And Water Procurement Company SAOC	**46,239**	37,737
Nama Electricity Supply Company SAOC	**5,142**	3,740
Nama Electricity Distribution Company SAOC	**739**	169
Electricity Holding Company SAOC	**996**	-
Numo Institute of Competency Development LLC	**53**	117
Nama Shared Services LLC	**677**	277
	53,846	42,040

19 COMMITMENTS AND CONTINGENT LIABILITIES

Legal claims

i) As of 31 December 2024, the Company is subject to significant litigations in the normal course of its business. The claims are around of RO 11.3 million (2023: RO 13.9 million) (not including interest where applicable). The Company believes that it has grounds to nullify the pending litigation disputes / arbitration awards, and has taken the necessary legal steps provided under Oman law in this

Capital commitments

i) Capital commitments includes amounts to be incurred for the construction, extensions and improvement of water transmission networks in various areas of Oman.
ii) The Company had commitments of RO 458.6 million (2023: RO 219.7 million) towards construction of water and wastewater assets as at 31 December 2024.

20 OPERATING REVENUE

	2024 RO'000	2023 RO'000
Point in time		
Metered water sale	**207,084**	190,311
Non-metered mater sales	**4,209**	4,191
Sewage revenue	**10,887**	15,241
Sale of treated effluent	**6,158**	6,745
Tanker offloading revenue	**3,970**	4,314
Government subsidy (note 10)	**173,651**	-
Other wastewater related income	**293**	881
Other water related income	**2,679**	1,191
	408,931	222,874
Revenue short of maximum allowed as per price control formula (note 20.1)	**20,844**	-
	429,775	222,874
Over period of time		
Revenue adjustment for RAB actualization	**(495)**	-
(Reversal) / income of connection fee (note 13.2)	**(617)**	3,521
	428,663	226,395

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

21 OPERATING COSTS

	2024 RO'000	2023 RO'000
Water purchases (note 18.1)	**80,924**	81,737
Repairs and maintenance	**48,866**	35,025
Depreciation on property, plant and equipment (note 6) (restated)	**34,469**	77,461
Depreciation on right-of-use assets (note 7)	**30,836**	36,744
Production electricity expenses (note 18.1)	**14,955**	16,565
Service charges	**13,365**	12,790
Meter, reading, billing & collection fees	**13,096**	13,782
Tanker hire services	**10,612**	15,269
Hired and contracted service	**4,533**	5,470
Utilities	**3,151**	2,596
Chemical and consumables	**3,658**	3,979
Charge / (reversal) of provision for inventories obsolescence (note 8.1)	**961**	(108)
Impairment of CWIP	**-**	-
Other costs	**1,155**	1,620
	260,581	302,930

22 EMPLOYEES' COSTS

	2024 RO'000	2023 RO'000
Salaries and wages	**26,397**	26,277
Allowances and other benefits	**19,278**	17,761
Social security insurance	**4,903**	5,661
Staff insurance	**1,603**	1,265
Recruitment and training costs	**1,344**	938
Provision for employees' end of service benefits (note 15)	**-**	28
Provision for early retirement scheme (note 16.3)	**646**	2,873
Other employees' costs	**188**	1,434
	54,359	56,237

23 GENERAL AND ADMINISTRATIVE EXPENSES

	2024 RO'000	2023 RO'000
Information technology related costs	**3,901**	3,304
Insurance expenses	**2,066**	1,265
Consultancy charges	**1,340**	737
Legal and professional fees	**1,292**	1,085
Receivable written off	**899**	-
Travelling, conferences and seminars	**738**	848
Advertisement and publicity	**653**	917
Cleaning and servicing costs	**700**	902
Communication expenses	**514**	385
Repairs and office maintenance	**221**	73
Directors' remuneration and sitting fees (note 18.2)	**171**	278
Vehicle running expenses	**170**	916
Miscellaneous	**607**	1,033
	13,272	11,743

24 OTHER INCOME

	2024 RO'000	2023 RO'000
Paneities and fines	**1,533**	640
Sale of tender forms	**578**	627
No objection certificate fees	**224**	145
Interest income on call and term deposits	**55**	59
Miscellaneous income	**384**	275
	2,774	1,746

25 FINANCE COSTS

	2024 RO'000	2023 RO'000
Interest on short term borrowings	**10,602**	4,369
Interest on lease liabilities (note 14.1)	**28,926**	28,694
Bank charges	**141**	241
	39,669	33,304

26 TAXATION

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

	2024 RO'000	2023 RO'000
Current tax	**-**	-
Deferred tax charge	**-**	-
	-	-

The Company is subject to income tax at the rate of 15% (2023-15%) 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. No deferred asset has been recognised for the year 2024 based on deductible temporary differences, as the Company is not expecting any taxable profits in near future against which deductible differences can be utilised.

26 TAXATION (CONTINUED)

26.2 *Reconciliation of income tax expense*

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

	2024	*2023*
	RO'000	*RO'000*
Loss before tax	**56,831**	(1,930,417)
Income tax as per applicable tax rate	**8,525**	(289,563)
Prior periods adjustment	**(8,525)**	137
Tax impact on non-deductible expenses and other adjustments	**-**	292,250
Income tax charge for the year	**-**	2,824

No deferred tax has been recognised on tax losses of RO 1,211 million (2023: RO 124 million) which are expected to expire in the years between 2025-2029, 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 2024 was 0% (31 December 2023:

26.3 Movement in current tax and deferred tax liability during the year was as follows

	Current tax		***Deferred tax***	
	2024	*2023*	***2024***	*2023*
	RO'000	*RO'000*	***RO'000***	*RO'000*
At 1 January	**-**	-	**50,587**	50,587
Charge for the year	**-**	-	**-**	-
At 31 December	**-**	-	**50,587**	50,587

26.4 Deferred tax

Deferred income taxes liability is calculated on all temporary differences under the liability method using a principal tax rate of 15% (2023: 15%). Deferred tax asset of RO 133 million (2023: RO 10.7 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 2029 due to higher tax depreciation charge which would result in a lapse of current year carry forward losses. Recognized deferred tax assets, if any and liabilities are attributable to the following items:

	2024	*2023*
	RO'000	*RO'000*
Depreciation differential	**64,068**	64,068
Allowance for expected credit losses	**(6,652)**	(6,652)
Provision for inventories obsolescence	**(279)**	(279)
Lease liabilities, net of right of use assets	**(6,550)**	(6,550)
	50,587	50,587

26.5 Status of assessments

The tax assessments for the years 2011 to 2018 has been completed and there was no additional tax demand as a result of these assessments. The company has received assessments the years 2019 and 2020 with additional liability of RO 136K. The Company has filed an objection with the Oman Tax Authorities against additional liability on 14 December 2024.

Tax assessments for the years 2021 to 2024 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 2024.

27 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 includes within net debt, interest bearing short term borrowings, trade and other payables, less cash and cash equivalents.

	2024	*2023*
	RO'000	*RO'000*
		(Restated)
Net debt		
Trade and other payables including retention payable	**337,738**	325,352
Lease liabilities (note 14)	**400,460**	372,750
Short term borrowings (note 17)	**269,000**	188,000
Less: cash and cash equivalents (note 11)	**(32,449)**	(13,428)
	974,749	872,674
Equity		
Share capital	**20,000**	20,000
Additional shareholders' contribution	**643,747**	586,180
Legal reserve	**5,738**	55
Retained earnings / accumulated losses	**51,148**	(9,000)
	720,633	597,235
Equity and net debt	**1,695,382**	1,469,909
Gearing ratio	**57%**	59%

28 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.

28 FINANCIAL RISK MANAGEMENT (continued)

28.1 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

Interest rate risk is the risk that either the future cash flows of the fair value of financial instruments will fluctuate due to change in interest rates. The Company has only short-term bank deposits and short term borrowings, which are on fixed rates of interest, accordingly the interest rate risk is not deemed to be significant.

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's functional and presentation currency is Rial Omani and the Company's performance is substantially independent of changes in foreign currency rates. Accordingly, the Company is not exposed to any foreign current risk.

28.2 Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and cash balances and short term deposits held with banks.

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

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

	2024	*2023*
	RO'000	*RO'000*
Trade receivables (note 9)	**102,510**	130,255
Receivables from Ministry of Finance (note 10)	**78,449**	23,141
Bank balances (note 11)	**32,422**	13,334
	213,381	166,730

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 Government, commercial and domestic customers. The expected credit loss for trade receivables has been computed under the simplified model of IFRS 9.

28 FINANCIAL RISK MANAGEMENT (continued)

28.2 Credit risk (continued)

Trade receivables (continued)

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

	2024			*2023*		
	Gross carrying value RO'000	***ECL RO'000***	***Net carrying value RO'000***	*Gross carrying value RO'000*	*ECL RO'000*	*Net carrying value RO'000*
Not past due	**16,866**	**(2,489)**	**14,377**	22,326	(1,951)	20,375
Past due:						
1 - 180 days	**54,886**	**(15,363)**	**39,523**	58,505	(10,721)	47,784
181 to 365 days	**25,340**	**(14,242)**	**11,098**	39,546	(13,353)	26,193
1 to 2 years	**38,874**	**(14,826)**	**24,048**	47,216	(27,194)	20,022
2 to 3 years	**24,216**	**(10,752)**	**13,464**	62,497	(46,616)	15,881
Above 3 years	**54,951**	**(54,951)**	**-**	6,063	(6,063)	-
	215,133	**(112,623)**	**102,510**	236,153	(105,898)	130,255

Credit quality disclosure

	ECL Model	***12 months or Lifetime ECL***	***Gross amounts RO'000***	***ECL RO'000***	***Net carrying amounts RO'000***
31 December 2024					
Trade and other receivables	**Provision matrix**	**Lifetime**	**215,133**	**(112,623)**	**102,510**
Cash and cash equivalents	**External rating**	**12 month**	**32,422**	**-**	**32,422**
31 December 2023					
Trade and other receivables	Provision matrix	Lifetime	236,153	(105,898)	130,255
Cash and cash equivalents	External rating	12 month	13,334	-	13,334

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.

28 FINANCIAL RISK MANAGEMENT (continued)

28.2 Credit risk (continued)

Bank balances and call and term deposits

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

	Rating	2024 RO'000	2023 RO'000
Bank balances:			
Bank Muscat SAOG	Ba1	**-**	8,812
Bank Dhofar SAOG	Ba1	**36,680**	4,512
Al Ahli Bank Oman	A2	**-**	1
First Abu Dhabi Bank	Aa3	**8**	8
Oman Arab Bank	Ba1	**-**	1
		36,688	13,334

28.3 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company limits its liquidity risk by ensuring that a working capital facility is available, when required.

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

31 December 2024	*Carrying amount RO'000*	*Contractual cash flow RO'000*	*Less than 1 Year RO'000*	*1 year to 5 year RO'000*	*More than 5 years RO'000*
Non-interest bearing					
Trade and other payables	**246,921**	**246,921**	**246,921**	**-**	**-**
Amounts due to related parties	**53,846**	**53,846**	**-**	**-**	**-**
Retentions payable	**36,971**	**36,971**	**11,903**	**25,068**	**-**
Interest bearing					
Lease liabilities	**400,460**	**667,860**	**50,353**	**194,583**	**422,923**
Short term borrowings	**269,000**	**282,775**	**282,775**	**-**	**-**
	1,007,198	**1,288,373**	**591,952**	**219,651**	**422,923**
31 December 2023					
Non-interest bearing					
Trade and other payables	237,474	260,616	260,616	-	-
Amounts due to related parties	42,040	16,946	16,946	-	-
Retentions payable	47,790	47,790	3,707	44,083	-
Interest bearing					
Lease liabilities	372,750	583,620	50,667	229,928	303,025
Short term borrowings	188,000	195,988	195,988	-	-
	888,054	1,104,960	527,924	274,011	303,025

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

28 FINANCIAL RISK MANAGEMENT (continued)

Fair value hierarchy:
Financial instruments comprise of financial assets and financial liabilities.

The Company's financial assets comprise of cash and cash equivalents, trade and other receivables, and receivable from Ministry of Finance. Its financial liabilities comprise of trade and other payables, retentions payable, short term borrowings and lease liabilities.

The management believes that the fair value of the financial assets and liabilities are not significantly different from their carrying amounts as shown in the financial statements at the reporting date.

29 CLIMATE RELATED RISKS

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

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

30 SEASONALITY OF BUSINESS

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

31 COMPARATIVE AMOUNTS

In addition to the restatement of comparative information as disclosed in note 1.2, certain corresponding figures for year ended 31 December 2023 have been reclassified in order to conform to the presentation for the current year. Such reclassifications do not affect previously reported profit / loss or shareholder’s equity except for account restated as per note 1.2.