

RURAL AREAS ELECTRICITY COMPANY SAOC

FINANCIAL STATEMENTS

31 DECEMBER 2025

Registered address:

P.O Box 1166
Building no. 686, Way no. 1308
P.C: 133
Al Khuwair North, Bowsher
Muscat, Sultanate of Oman

Principal place of business

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Al Seeb,
Muscat
Sultanate of Oman

RURAL AREAS ELECTRICITY COMPANY SAOC

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DEC 2025

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Dear Shareholders,

I am pleased to present our Board Annual Report for Nama Electricity Generation Company (Rural Areas Electricity Company) for the financial year ending 31 December 2025.

Principal Activities

The Company primarily undertakes electricity generation activities in the rural areas of Musandam Governorate, Al Wusta Governorate, Masirah Island, Khuweima and Qroon areas in Al Sharqiyah Governorate, Aswad area in Ad Dahirah Governorate, Thumrait, Shaleem, Almazunah in Dhofar Governorate, and some areas in Ad Dakhiliyah Governorate under a license to operate issued by the Authority for Public Service Regulation of Oman.

Quality, Health, Safety & Environment

QHSE remains the cornerstone of operations and a key part of the business strategy. In 2025, this focus delivered strong performance, supported by the collective efforts of management, employees, contractors, and outsourced service providers. NEGC staff and contractors achieved over 2 million man-hours from January to December 2025, without any Lost Time Injury (LTI) or fatal incidents, while maintaining compliance with environmental regulations, bringing the cumulative record to 5,233,532.5 LTI Free man-hours over 914 consecutive days. No major incidents occurred during the year, and all operational safety procedures were thoroughly reviewed and approved, taking into account learning points from operational incidents, alongside continued staff training and procedural updates to further strengthen the protection of people, assets, and the environment.

Operational Highlights

- Total power generated from NEGC power plants in 2025 increased by 6.77%, from 570.52 GWh in 2024 to 609.13 GWh, primarily driven by output from Khasab and Khuwaima power stations.
- The power purchased increased by approximately 1.29%, from 121,052 MWh in 2024 to 122,540 MWh in 2025, to maintain reliable supply.
- Al Mazyunah Solar Plant generated 592.415 MWh, marking an increase compared to the previous year and demonstrating improved solar performance.

- The power generated from the Dhofar Wind Farm decreased to 129,209 MWh, compared with 133,700 MWh in 2024, representing a decrease of approximately 3.36%, which was mainly attributed to the impact of wind conditions, which are inherently variable and often beyond operational control.
- The company has strengthened the security of supply of its power stations by adding rental power generation to the majority of its power stations, following the consent of the Authority for Public Services Regulation (APSR) and in line with the rental power plan.

Financial Performance

Building on the high level of corporate performance in 2024, NEGC continued to align its strategic direction with national plans aimed at reducing dependence on diesel fuels for electricity generation and transitioning towards renewable energy sources. The financial performance of NEGC in 2025 showed a decrease in revenue from 73.620 million Omani Rials in 2024 to 68.089 million Omani Rials in 2025, considering the Correction Factor payable adjustment. Additionally, expenditure increased by 2.68%, from 69.879 million RO in 2024 to 71.750 million RO in 2025, largely due to higher fuel costs associated with fuel consumption, mainly because of the continued operation of Khasab power station engines. Also, higher rental charges were incurred due to the additional need to hire more rental diesel engines after approval from APSR. Spare parts also increased mainly due to the request from Nama Power & Water Procurement (NPWP) to re-energize Saih Al Khairat Power Station.

Strategic Decommissioning Plan for Power Stations

The strategic vision ensures NEGC maintains strong alignment with the Interlinking Plan, which involves decommissioning more than 20 of its power stations in line with national objectives and the Company's direction. The decommissioning aims to address dispersed, outdated infrastructure and limited interconnectivity. To date, 18 power stations have been decommissioned while the rest are underway. Through the decommissioning of these facilities, the company has significantly reduced the emissions of pollutants such as CO₂ and lowered both ambient and stack temperatures, along with noise pollution.

At the same time, NEGC remains focused on sustainable energy, as reflected in the Al Mazyunah Solar Plant project, which began operations in 2015. The plant utilizes both polycrystalline and thin-film photovoltaic (PV) technologies, comprising 1,617 modules and 31 inverters across an area of 8,000 m². Also, the Dhofar Wind Farm which consists of 13 wind turbines, each with an electricity generation capacity of 3.8 MW, provides a renewable option within NEGC's energy mix.



Regulation & Compliance

The Company strives to improve and reinforce compliance with regulatory and license conditions, in cooperation with the Authority for Public Service Regulation and the Electricity Holding Company (Nama Holding). NEGC received APSR approval for the Power Purchase Agreement (PPA), which contains NEGC allowances for 2025. NEGC has also defined and updated the PPA allowances and determined the 2026 generation capital projects along with their operational cost projections.

Acknowledgements

On behalf of NEGC and the Board of Directors, I extend our deepest gratitude and appreciation to His Majesty Sultan Haitham bin Tarik for his wise leadership in guiding the Sultanate toward prosperity. I would also like to extend my gratitude to our shareholders, the APSR for their continuous support, and to the executive management and all employees for their continued efforts and dedication.



Said bin Mohammed Al Maktumi

Chairman of the Board of Directors



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PR No. HMH/15/2015; HMA/9/2015

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF RURAL AREAS ELECTRICITY COMPANY SAOC

Report on the audit of the financial statements

Opinion

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

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

Basis for opinion

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

Material uncertainty related to going concern

We draw attention to Note 2 in the financial statements. As set out therein, As at 31 December 2025, the current liabilities of the Company exceeded its current assets by RO 30.1 million (31 December 2024: RO 28.4 million). As disclosed in Note 2, these conditions, together with other matters described therein, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

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

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



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**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
RURAL AREAS ELECTRICITY COMPANY SAOC**

Report on the audit of the financial statements (continued)

Other information (continued)

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

Responsibilities of management and audit committee for the financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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



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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
RURAL AREAS ELECTRICITY COMPANYSAOC

Report on the audit of the financial statements (continued)

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

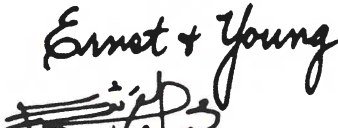
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material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

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

Report on other legal and regulatory requirements

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

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


Mohamed Al Qurashi
9 March 2026
Muscat



RURAL AREAS ELECTRICITY COMPANY SAOC

STATEMENT OF FINANCIAL POSITION


As at 31 Dec 2025

	Notes	2025 S'000	2024 S'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	99,058	112,318
Right-of-use assets	14	633	740
Total non-current assets		99,691	113,058
Current assets			
Inventories	7	3,220	2,757
Trade and other receivables	8	17,508	42,525
Cash and bank balances	9	15,666	607
Total current assets		36,394	45,889
TOTAL ASSETS		136,085	158,947
EQUITY AND LIABILITIES			
Equity			
Share capital	10	500	500
Legal reserve	11	167	167
General reserve	12	250	250
Shareholders' funds	10	(18,125)	(12,692)
Retained earnings		38,832	43,355
Total equity		21,624	31,580
LIABILITIES			
Non-current liabilities			
Deferred revenue	13	38,013	41,970
Lease liabilities	14	713	757
Employees' end of service benefits	15	169	100
Deferred tax liability	25	9,034	10,298
Total non-current liabilities		47,929	53,125
Current liabilities			
Deferred revenue	13	3,497	3,037
Lease liabilities	14	54	57
Trade and other payables	16	38,112	34,033
Short term borrowings	17	13,565	25,640
Tax payable	25	11,304	11,475
Total current liabilities		66,532	74,242
Total liabilities		114,461	127,367
TOTAL EQUITY AND LIABILITIES		136,085	158,947

The financial statements were authorised for issue and approved by the Board of Directors on 02-03-2026 and were signed on their behalf by:



Said Mohammed Salim Al Maktumi
Chairman



Hassan Ali Saleh
Deputy Chairman



Ahmed Said Al Harthy
CEO

RURAL AREAS ELECTRICITY COMPANY SAOC

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

As at 31 Dec 2025

	<i>Notes</i>	2025 ₹'000	2024 ₹'000
Revenue	20	69,125	73,620
Operating Costs	21	(68,196)	(66,571)
Gross profit		929	7,049
Other income	22	178	66
General and administrative expenses	23	(4,214)	(3,308)
Reversal of expected credit loss	8.1	88	-
Loss on disposal of property, plant and equipment		(740)	(120)
Operating profit		(3,759)	3,687
Finance costs	24	(1,074)	(2,203)
(Loss) / profit before tax		(4,833)	1,484
Income tax	25	310	90
(Loss) / profit for the year		(4,523)	1,574

The attached notes from 1 to 29 form integral part of these financial statements

RURAL AREAS ELECTRICITY COMPANY SAOC

STATEMENT OF CHANGES IN EQUITY

As at 31 Dec 2025

	<i>Share capital</i> <i>₹'000</i>	<i>Legal reserve</i> <i>₹'000</i>	<i>General reserve</i> <i>₹'000</i>	<i>Shareholder's funds</i> <i>₹'000</i>	<i>Retained earnings</i> <i>₹'000</i>	<i>Total</i> <i>₹'000</i>
At 1 January 2024	500	167	250	(12,692)	41,781	30,006
Total profit and comprehensive income for the year	-	-	-	-	1,574	1,574
At 1 January 2025	500	167	250	(12,692)	43,355	31,580
Total profit/(loss) for the year	-	-	-	-	(4,523)	(4,523)
Net assets distributed to shareholders (note 6.1)				(5,433)		(5,433)
As at 31 Dec 2025	500	167	250	(18,125)	38,832	21,624

The attached notes 1 to 29 form integral part of these financial statements

RURAL AREAS ELECTRICITY COMPANY SAOC

STATEMENT OF CASHFLOWS

As at 31 Dec 2025

		2025	2024
	Notes	₹'000	₹'000
Operating activities			
Profit before tax from continuing operations		(4,833)	1,484
<i>Adjustments for:</i>			
Depreciation of property, plant and equipment	6	7,392	7,351
Depreciation of right to use assets	14	64	74
Loss on reassessment of lease liability	14	43	-
Loss on disposal of property, plant and equipment		740	120
(Reversal) / provision for inventories obsolescence	7.1	(187)	71
Write off of inventory	7.1	(945)	-
Reversal for expected credit losses	8.1	(88)	-
Accruals for employees' end of service benefits	15	69	-
Finance costs		1,074	2,203
Dividends declared and provided		(1,990)	(60)
		<u>1,339</u>	<u>11,243</u>
Working capital changes:			
Inventories		669	311
Trade and other receivables		25,105	36,370
Trade and other payables		6,069	(24,353)
Deferred revenue		(3,497)	3,037
Cash from operating activities		<u>29,685</u>	<u>26,608</u>
Income Tax paid	27.3	(1,125)	(1,668)
Net cash flows generated from operating activities		<u>28,560</u>	<u>24,940</u>
Investing activities			
Purchase of property, plant and equipment		(1,247)	(852)
Proceeds from disposal of net assets		942	447
Net cash flows used in investing activities		<u>(305)</u>	<u>(405)</u>
Financing activities			
Proceeds from short term borrowings	17	10,000	20,000
Repayments of short term borrowings	17	(22,075)	(49,000)
Payment of lease liabilities (principal + interest)	14.2	(115)	(109)
Finance cost paid	24	(1,006)	(2,203)
Net cash used in financing activities		<u>(13,196)</u>	<u>(31,312)</u>
Net changes in cash and cash equivalents		<u>15,059</u>	<u>(6,777)</u>
Cash and cash equivalents at 1 January	9	607	7,384
Cash and cash equivalents at 31 December	9	<u>15,666</u>	<u>607</u>

The attached notes 1 to 29 form integral part of these financial statements.

RURAL AREAS ELECTRICITY COMPANY SAOC

NOTES TO THE FINANCIAL STATEMENTS

As at 31 Dec 2025

1 LEGAL STATUS AND PRINCIPAL ACTIVITIES

Rural Areas Electricity Company SAOC (the "Company") is a closely held Omani joint stock Company registered under the Commercial Companies Law of Oman. The establishment and operations of the Company are governed by the provisions of the Law for the Regulation and Privatisation of the Electricity and Related Water Sector (the Sector Law) promulgated by Royal Decree 78/2004. The registered office of the Company is in Al Hamriya, Sultanate of Oman. The Company is primarily undertaking electricity generation, water desalination and electricity distribution activities in the Musandam Governorate, Alwusta region, Masirah Island, Khuweima and Qroon areas in Sharqiya region, Aswad area in Dahirah region, Dhofar Governate (the area outside Dhofar Power Company SAOC's authorised area) and in Dakhliya region (the area outside Mazoon Electricity Company SAOC's authorised area) under a license issued by the Authority for Public Utilities Regulations, Oman. ("the regulator").

Rural Areas Electricity Company SAOC is a 99.99% subsidiary of Electricity Holding Company SAOC ("the Holding company"), a company registered in the Sultanate of Oman and 0.005% is held by the Nama Shared Services LLC and 0.005% by Numo Institute of Competence Development LLC.

2 FUNDAMENTAL ACCOUNTING CONCEPT

As at 31 December 2025, the current liabilities of the Company exceeded its current assets by RO 30.1 million (31 December 2024: RO 28.4 million), which may indicate the existence of a material uncertainty relating to going concern as the Company will require additional funding and financial support to meet its financial obligations as they fall due and continue its operations for the foreseeable future.

Management believes that it is appropriate to prepare the financial statements on a going concern basis on the strength of continued financial support from the Holding Company including the undertaking from the Government, under the Sector Laws, to secure the availability of the necessary finance for the Company to undertake its activities and achieve its objectives as long as its capital is wholly owned by the Government.

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

3 BASIS OF PREPARATION

a) *Statement of compliance*

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

b) *Basis of measurement*

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

c) *Presentation and functional currency*

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

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.

RURAL AREAS ELECTRICITY COMPANY SAOC

NOTES TO THE FINANCIAL STATEMENTS

As at 31 Dec 2025

3 BASIS OF PREPARATION (continued)

e) *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

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

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

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

The amendments to IAS 1 specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- a) What is meant by a right to defer settlement
- b) That a right to defer must exist at the end of the reporting period
- c) That classification is unaffected by the likelihood that an entity will exercise its deferral right
- d) That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

In addition, an entity is required to disclose when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months.

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

Amendments to IAS 7 and IFRS 7 - Supplier Finance Arrangements -

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

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

f) *Standards issued but not yet effective*

Lack of exchangeability – Amendments to IAS 21

In August 2023, the IASB issued amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates to specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments also require disclosure of information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows.

The 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.

RURAL AREAS ELECTRICITY COMPANY SAOC

NOTES TO THE FINANCIAL STATEMENTS

As at 31 Dec 2025

3 BASIS OF PREPARATION (continued)

f) *Standards issued but not yet effective (continued)*

IFRS 18 Presentation and Disclosure in Financial Statement

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 A102 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.

4 CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

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

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 amortized cost

The impairment provisions for financial assets are based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. The impairment provision is assessed based on the "Expected Credit Loss" model under IFRS 9, the impairment impact is considered to be immaterial.

Provision for inventory obsolescence

Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on anticipated selling prices.

RURAL AREAS ELECTRICITY COMPANY SAOC

NOTES TO THE FINANCIAL STATEMENTS

As at 31 Dec 2025

4 CRITICAL ACCOUNTING ESTIMATES (CONTINUED)

At the reporting date, spares and consumables were RO'6,746 (2023: RO'000 6,798) with provisions for old and obsolete inventories of RO'6,142 (2023: RO'000 6,071). Any difference between the amounts actually realised in future periods and the amounts expected will be recognized in the statement of profit or loss and comprehensive income.

Useful lives of property, plant and equipment

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

Income taxes

Uncertainties exist with respect to the interpretation of tax regulations and the amount and timing of future taxable income. Given the wide range of business relationships and nature of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Company reviews the provision for tax on a regular basis. In determining the provision for tax, laws of particular jurisdictions (where applicable entity is registered) are taken into account. The management considers the provision for tax to be a reasonable estimate of potential tax liability after considering the applicable laws and past experience.

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

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 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.

Determining the lease terms

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

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

RURAL AREAS ELECTRICITY COMPANY SAOC

NOTES TO THE FINANCIAL STATEMENTS

As at 31 Dec 2025

5 SUMMARY OF MATERIAL ACCOUNTING POLICIES

The accounting policies applied in these financial statements are the same as those applied in the Company's financial statements as at and for the year ended 31 December 2024.

5.1 Leases

The Company leases various properties, offices and vehicles. Rental contracts are typically made for fixed periods of 2-50 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants except for use for specific purposes, but leased assets may not be used as security for borrowing purposes.

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

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

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

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.

RURAL AREAS ELECTRICITY COMPANY SAOC

NOTES TO THE FINANCIAL STATEMENTS

As at 31 Dec 2025

5 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

5.1 Leases (continued)

Company as a lessee (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
Building Rent	1 - 5
Usufruct land	1 - 9
Leased vehicles	1 - 5

Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable (if any). The lease payments also include the payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments.

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.

RURAL AREAS ELECTRICITY COMPANY SAOC

NOTES TO THE FINANCIAL STATEMENTS

As at 31 Dec 2025

5 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

5.2 Foreign currency

Items included in the Company's financial statements are measured using Rials Omani which is the currency of the Sultanate of Oman, being the economic environment in which the Company operates (the functional currency). The financial statements are prepared in Rials Omani, rounded to the nearest thousand.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the transaction date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at reporting date, exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are retranslated at the rates prevailing at that date.

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) Short term borrowings
- 5) Trade and other payables
- 6) Lease Legalities

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;
- 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.

RURAL AREAS ELECTRICITY COMPANY SAOC

NOTES TO THE FINANCIAL STATEMENTS

As at 31 Dec 2025

5 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

5.3 *Financial Instruments (continued)*

Financial assets at fair value through profit or loss account

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

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

Financial liabilities

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

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

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

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

Subsequent measurement of financial assets

Financial assets

Financial assets carried at amortised cost

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

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.

RURAL AREAS ELECTRICITY COMPANY SAOC

NOTES TO THE FINANCIAL STATEMENTS

As at 31 Dec 2025

5 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

5.3 Financial Instruments (continued)

Subsequent measurement of financial liabilities

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

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

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

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

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

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

The Company's financial liabilities include accounts payable, due to related parties, fair value of derivatives, short term borrowings and term loans. Except for fair value of derivatives which is measured at fair value, all other financial liabilities of the Company are measured at amortised cost.

Reclassification

Financial assets

The Company only reclassifies financial assets if, and only if, the objective of the business model for managing those financial assets is changed. Such changes are expected to be very infrequent as these changes must be significant to the Company's operations and demonstrable to external parties.

If the Company determines that its business model has changed in a way that is significant to its operations, then it reclassifies all affected assets prospectively from the first day of the next reporting period (the reclassification date). Prior periods are not restated.

Financial liabilities

The Company determines the classification of financial liabilities on initial recognition. Subsequent reclassification is not allowed.

Modification

Financial assets

If the terms of a financial asset are modified, the Company evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised, and a new financial asset is recognised at fair value.

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Company recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in the profit or loss account.

Financial liabilities

If the terms of a financial liability are modified and the cash flows of the modified liability are substantially different then, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in the profit or loss account.

RURAL AREAS ELECTRICITY COMPANY SAOC

NOTES TO THE FINANCIAL STATEMENTS

As at 31 Dec 2025

5 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

5.3 Financial Instruments (continued)

Derecognition of financial assets.

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

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

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

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

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

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

Derecognition of financial liabilities

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

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

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking "expected credit loss" ("ECL") model. This requires considerable judgement about how changes in economic factors affect expected credit losses, which will be determined on a probability-weighted basis.

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

The Company recognizes loss allowances for ECLs on the following instruments that are not measured at fair value through profit or loss:

- i) Financial assets measured at amortised cost,
- ii) Debt instruments measured at fair value through other comprehensive income;
- iii) Lease receivables in the scope of IFRS 16;
- iv) Financial guarantee contracts and loan commitments in the scope of IFRS 9;
- iii) Contract assets (as defined in IFRS 15)

RURAL AREAS ELECTRICITY COMPANY SAOC

NOTES TO THE FINANCIAL STATEMENTS

As at 31 Dec 2025

5 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

5.3 Financial Instruments (continued)

Impairment of financial assets (continued)

The financial assets at amortized cost consist of trade receivables and cash and cash equivalents. Under IFRS 9, loss allowances are measured on either of the following bases:

- i) 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- ii) Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Company has elected to measure loss allowances for trade receivables at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since the initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

The Company assumes that the credit risk on a financial asset has significantly increased since initial recognition and while estimating expected credit loss, when there is objective evidence or indicator for the financial assets. Examples of such indicators include:

- i) Significant financial difficulty of the borrower or issuer;
- ii) Delinquency by borrower;
- iii) Restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a borrower or issuer will enter bankruptcy;
- iv) The disappearance of an active market for a security; or
- v) If it past due for more than 30 days.

Loss allowances for trade and other receivables, contract assets and lease receivable without significant financing are always measured at an amount equal to lifetime expected credit loss.

IFRS 9 does not define the term 'default', but instead requires each entity to do so. The definition has to be consistent with that used for internal credit risk management purposes for the relevant financial instrument, and has to consider qualitative indicators – e.g. breaches of covenants – when appropriate

The Company considers a financial asset to be in default when the counter party is unlikely to pay its credit obligations to the Company in full (based on indicator above), without recourse by the Company to actions such as realizing security (if any is held); or the financial asset is more than the days past due.

Lifetime expected credit losses

These losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument, if there is significant increase in credit risk or under simplified approach 12-month expected credit losses: These losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Company is exposed to credit risk. An asset is credit-impaired if one or more events have actually occurred and have a detrimental impact on the estimated future cash flows of the asset.

The term 'significant increase in credit risk' is not defined in IFRS 9. An entity decides how to define it in the context of its specific types of instruments. An entity assesses at each reporting date whether the credit risk on a financial instrument has increased significantly since initial recognition. To make the assessment, an entity considers changes in the risk of default instead of changes in the amount of expected credit losses.

RURAL AREAS ELECTRICITY COMPANY SAOC

NOTES TO THE FINANCIAL STATEMENTS

As at 31 Dec 2025

5 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

5.3 Financial Instruments (continued)

Impairment of financial assets (continued)

An entity assesses whether there has been a significant increase in credit risk at each reporting date. The impairment model in IFRS 9 is symmetrical, and assets can move into and out of the lifetime expected credit losses category.

To be 'significant', a larger absolute increase in the risk of default is required for an asset with a higher risk of default on initial recognition than for an asset with a lower risk of default on initial recognition.

Expected credit losses are a probability-weighted estimate of credit losses.

Financial assets that are not credit-impaired at the reporting date

Measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive).

Financial assets that are credit-impaired at the reporting date

Measured as the difference between the gross carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. Any adjustment is recognised in the profit or loss account as an impairment gain or loss.

Presentation of expected credit losses

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets and is charged to the statement of profit or loss or the statement of other comprehensive income as applicable.

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.

Derivative financial instruments and hedge accounting

The Company uses derivative financial instruments as trading investments to hedge its risks associated with interest rate, foreign currency, commodity price fluctuations and also to satisfy the requirements of its customers. Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

For the purpose of hedge accounting, hedges are classified as:

- Hedges of the exposure to changes in fair value of recognised assets or liabilities or firm commitments (fair value hedge); or
- Hedges of highly probable future cash flows attributable to a recognised asset or liability, or a forecasted transaction (cash flow hedge).

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the entity will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined).

RURAL AREAS ELECTRICITY COMPANY SAOC

NOTES TO THE FINANCIAL STATEMENTS

As at 31 Dec 2025

5 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

5.3 Financial Instruments (continued)

Derivative financial instruments and hedge accounting (continued)

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

- There is 'an economic relationship' between the hedged item and the hedging instrument.
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship; and
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of hedged item that the entity actually hedges and the quantity of hedged item.

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

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

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

Effectiveness testing, rebalancing and discontinuation

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

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

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

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

RURAL AREAS ELECTRICITY COMPANY SAOC

NOTES TO THE FINANCIAL STATEMENTS

As at 31 Dec 2025

5 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

5.4 Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the asset.

The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Cost also may include transfers from profit or loss and other comprehensive income of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

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

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

Subsequent expenditure

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

Depreciation

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

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

	Years
Buildings on leasehold land	30
Diesel generators	15 - 30
Renewable generators	25
Other plant and machinery	20 - 40
Furniture, fixtures and vehicles	5 – 7
Plant spares	20

Capital work in progress

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

Capital spares

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

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

RURAL AREAS ELECTRICITY COMPANY SAOC

NOTES TO THE FINANCIAL STATEMENTS

As at 31 Dec 2025

5 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

5.5 Intangible assets

Recognition and measurement

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

Amortisation

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

5.6 Inventories

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

5.7 Cash and cash equivalents

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

5.8 Trade and other payables

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

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

5.9 Employee terminal benefits

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

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

In accordance with the provisions of IAS 19, Employee Benefits, management carries out an exercise to assess the present value of the Company's obligations as of the reporting date, in respect of employees' end of service benefits payable to determine whether it is not materially different from the provision made. Under this method, an assessment is made of an employee's expected service period with the Company and the expected basic salary at the date of leaving the service, discounted over the period of remaining expected period using the country's risk-free rate.

RURAL AREAS ELECTRICITY COMPANY SAOC

NOTES TO THE FINANCIAL STATEMENTS

As at 31 Dec 2025

5 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

5.10 Provisions

Provisions are recognized in the statement of financial position when the Company has a legal or constructive obligation as a result of a past event and it is probable that it will result in an outflow of economic benefit that can be reliably estimated.

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

5.11 Borrowing costs

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

5.12 Impairment

Non-derivative financial assets

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

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

Non-financial assets

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

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

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

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.

RURAL AREAS ELECTRICITY COMPANY SAOC

NOTES TO THE FINANCIAL STATEMENTS

As at 31 Dec 2025

5 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

5.13 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, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

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, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

5.14 Government grants

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

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

5.15 Revenue from contracts with customers

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

Step 1 Identify the contract(s) with a customer

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

Step 2 Identify the performance obligations in the contract

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

Step 3 Determine the transaction price

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

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

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

Step 5 Recognise revenue

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

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

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

RURAL AREAS ELECTRICITY COMPANY SAOC

NOTES TO THE FINANCIAL STATEMENTS

As at 31 Dec 2025

5 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

5.15 Revenue from contracts with customers (continued)

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

Revenue from supply of electricity

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

Revenue from sale of electricity

Revenue represents fair value of income receivable in the ordinary course of business from the sale of electricity to a related party.

Total revenue in excess / (deficit) of the maximum allowed by the regulatory formula in accordance with the licensing requirements is deferred / recognised and is shown as other payables / other receivables.

Government sponsored projects

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

Variable consideration

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

Significant financing component

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

Contract modification

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

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

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

RURAL AREAS ELECTRICITY COMPANY SAOC

NOTES TO THE FINANCIAL STATEMENTS

As at 31 Dec 2025

5 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

5.15 Revenue from contracts with customers (continued)

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.

5.16 Income tax

Income tax on the profit or loss for the year comprises current and deferred taxation. Income tax is recognised in the profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax is calculated on the basis of the tax rates that are expected to apply to the year when the asset is realised, or the liability is settled based on tax rates (and tax laws) that have been enacted or substantially enacted by the reporting date. The tax effects on the temporary differences are disclosed under non-current liabilities as deferred tax.

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.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different taxable entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

In determining the amount of current and deferred tax the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Company believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Parent Company to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is

5.17 Dividends

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

RURAL AREAS ELECTRICITY COMPANY SAOC

NOTES TO THE FINANCIAL STATEMENTS

As at 31 Dec 2025

5 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

5.18 Directors' sitting fees and remuneration

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

5.19 Measurement of fair values

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

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

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2: Valuation techniques based on observable inputs. This category includes instruments valued using quoted market prices in the active market for similar instruments, quoted market prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes instruments that are valued based on quoted prices of similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments. "

RURAL AREAS ELECTRICITY COMPANY SAOC

NOTES TO THE FINANCIAL STATEMENTS

As at 31 Dec 2025

6 PROPERTY, PLANT AND EQUIPMENT

	<i>Buildings on lease hold land</i>	<i>Diesel generators</i>	<i>Renewable generators</i>	<i>Other plant and machinery</i>	<i>Furniture, fixtures and vehicles</i>	<i>Plant spares</i>	<i>Capital Work-in- progress</i>	<i>Total</i>
	<i>₹'000</i>	<i>₹'000</i>	<i>₹'000</i>	<i>₹'000</i>	<i>₹'000</i>	<i>₹'000</i>	<i>₹'000</i>	<i>₹'000</i>
Cost								
At 1 January 2024	16,459	115,888	26,427	35,633	1,756	1,944	-	198,107
Additions	540	-	-	-	312	-	-	852
Disposals	(547)	(1,019)	-	(278)	-	-	-	(1,844)
At 1 January 2025	16,452	114,869	26,427	35,355	2,068	1,944	-	197,115
Disposal	(2,079)	(2,817)	-	(223)	(14)	-	-	(5,133)
Additions	-	166	-	-	3	-	1,078	1,247
Transfer to related party (Note 6.1)				(8,130)				(8,130)
At 31 December 2025	14,373	112,218	26,427	27,002	2,057	1,944	1,078	185,099
Depreciation								
At 1 January 2024	6,973	51,367	4,280	12,904	1,739	1,461	-	78,724
Charge for the year	543	4,805	1,057	711	55	180	-	7,351
Disposals	(349)	(822)	-	(107)	-	-	-	(1,278)
At 1 January 2025	7,167	55,350	5,337	13,508	1,794	1,641	-	84,797
Charge for the year	486	5,158	1,057	595	32	64	-	7,392
Related to Disposal	(1,079)	(2,250)	-	(108)	(14)	-	-	(3,451)
Transfer to related party (Note 6.1)				(2,697)				(2,697)
At 31 December 2025	6,574	58,258	6,394	11,298	1,812	1,705	-	86,041
Carrying amounts								
At 31 December 2025	7,799	53,960	20,033	15,704	245	239	1,078	99,058
At 31 December 2024	9,285	59,519	21,090	21,847	274	303	-	112,318

RURAL AREAS ELECTRICITY COMPANY SAOC

NOTES TO THE FINANCIAL STATEMENTS

As at 31 Dec 2025

6 PROPERTY, PLANT AND EQUIPMENT (continued)

- 6.1 In 2025, the Company transferred property, plant, and equipment with a carrying amount of OMR 5.43 million to Nama Electricity Distribution Company SAOC, a fellow subsidiary under common control of Electricity Holding Company SAOC ("Nama Holding"). The transfer was formalized through the execution of an addendum agreement dated 31 December 2025 to the original Business Transfer Agreement ("BTA") and the related Amendment Agreement dated 10 October 2023. No consideration was paid for the transfer. The transaction represents a transfer between entities under common control and, accordingly, has been accounted for using the predecessor book value method. The assets were recognized at the carrying amounts reflected in the books of the transferor as at the effective date of transfer (i.e., 1 January 2025). The carrying amount of OMR 5.43 million has been recognized directly in equity as an adjustment to Shareholders' Funds. No gain or loss has been recognized in profit or loss in respect of this transaction.
- 6.2 The Company's building and assets are constructed on lands leased from the Ministry of Housing,
- 6.3 Depreciation charge for the year is allocated as follows

	2025	2024
	OMR'000	OMR'000
Operating costs (note 21)	7,362	7,296
General and administration expenses (note 23)	30	55
	<u>7,392</u>	<u>7,351</u>

7 INVENTORIES

	2025	2024
	OMR'000	OMR'000
Spares	5,654	6,746
Fuel	2,576	2,153
	<u>8,230</u>	<u>8,899</u>
Provision for inventories obsolescence (7.1)	(5,010)	(6,142)
	<u>3,220</u>	<u>2,757</u>

- 7.1 Movement in provision for inventories obsolescence



	2025	2024
	OMR'000	OMR'000
At 1 January	6,142	6,071
Write off of provision	(945)	-
(Reversal) / charge during the year	(187)	71
At 31 December	<u>5,010</u>	<u>6,142</u>

RURAL AREAS ELECTRICITY COMPANY SAOC

NOTES TO THE FINANCIAL STATEMENTS

As at 31 Dec 2025

8 TRADE AND OTHER RECEIVABLES

	2025  '000	2024  '000
Amount due from related parties (note 19.3)	9,421	15,805
Other receivables	24	24
VAT receivable	7,878	4,667
K-Factor receivable / (payable)	-	21,950
Prepayments	195	177
	<u>17,518</u>	<u>42,623</u>
Provision for expected credit loss	(10)	(98)
	<u><u>17,508</u></u>	<u><u>42,525</u></u>

8.1 The movement in expected credit losses was as follows

	2025  '000	2024  '000
At 1 January	98	98
Reversal for the year	(88)	-
At 31 December	<u><u>10</u></u>	<u><u>98</u></u>

9 CASH AND BANK BALANCES

	2025  '000	2024  '000
Call deposits	6,727	39
Cash at banks	8,939	568
	<u><u>15,666</u></u>	<u><u>607</u></u>

Bank call deposits carry an interest rate of 0.75% per annum (2024: 0.75%). Cash at banks are with commercial banks in the Sultanate of Oman and are denominated in Riyal Omani. Bank balances are placed with reputed financial institutions. Hence, the management believes that the ECL is immaterial to the financial statements as a whole.

RURAL AREAS ELECTRICITY COMPANY SAOC

NOTES TO THE FINANCIAL STATEMENTS

As at 31 Dec 2025

10 SHARE CAPITAL

	<i>Number of shares</i>	2025 RO	2024 RO
Electricity Holding Company SAOC	495,000	495,000	495,000
Nama Shared Services Company LLC	2,500	2,500	2,500
Numo Institute for Competency Development LLC	2,500	2,500	2,500
	500,000	500,000	500,000

The shareholders in their meeting held on 7 May 2023, have resolved to reduce the share capital of the Company by RO 99.5 million, and also to reduce the legal reserve by RO 4.6 million to keep the reserve at one third of the new reduced share capital. Further, the management has also reduced the general reserve by RO 8.3 million to keep it at one half of the new reduced share capital in accordance with Article 133 of the Commercial Companies Law of 2019 and Company's policy. The corresponding impact of reduction in share capital has been taken to shareholder funds under equity.

11 LEGAL RESERVE

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

12 GENERAL RESERVE

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

13 DEFERRED REVENUE

13.1 The Break up of deferred revenue is as follows

	<i>Current '000</i>	<i>Non-current '000</i>	<i>Total '000</i>
31 Dec 2025			
Government sponsored projects	3,497	38,013	41,510
	3,497	38,013	41,510
31 December 2024			
Government sponsored projects	3,037	41,970	45,007
	3,037	41,970	45,007

13.2 Movement in deferred revenue

	2025 '000	2024 '000
At 1 January	45,007	48,044
Amortisation	(3,497)	(3,037)
At 31 December	41,510	45,007

Government sponsored projects represents funding towards the cost of property, plant and equipment for the projects started before 1 January 2009. These contributions are deferred and amortised over the life of the relevant property, plant and equipment.

RURAL AREAS ELECTRICITY COMPANY SAOC

NOTES TO THE FINANCIAL STATEMENTS

As at 31 Dec 2025

14 RIGHT OF USE ASSETS AND LEASE LIABILITIES

The Company has lease contracts for power plant, usufruct charges, building rent and vehicles used in its operations. Set out below, are the carrying amounts of the Company's right-of-use assets and lease liabilities and the movements during the year:

14.1 Right-of-use assets

	<i>Land</i> <i>⚡'000</i>	<i>Building</i> <i>⚡'000</i>	<i>Vehicles</i> <i>⚡'000</i>	<i>Total</i> <i>⚡'000</i>
At 1 January 2024	662	7	145	814
Depreciation (note 14.4)	(30)	(1)	(43)	(74)
At 1 January 2025	<u>632</u>	<u>6</u>	<u>102</u>	<u>740</u>
Depreciation (note 14.4)	(56)	(1)	(7)	(64)
Impact on lease reassessment	(43)	-	-	(43)
As at 31 Dec 2025	<u><u>533</u></u>	<u><u>5</u></u>	<u><u>95</u></u>	<u><u>633</u></u>

14.2 Lease Liabilities

The movement in lease liabilities during the years is as follows:

	<i>2025</i> <i>⚡'000</i>	<i>2024</i> <i>⚡'000</i>
At 1 January	814	885
Interest on lease liabilities (note 24)	68	38
Lease liabilities paid (interest and principal)	(115)	(109)
At 31 December	<u><u>767</u></u>	<u><u>814</u></u>

14.3 Lease liabilities included in the statement of financial position

	<i>2025</i> <i>⚡'000</i>	<i>2024</i> <i>⚡'000</i>
Current portion	54	57
Non-current portion	713	757
	<u><u>767</u></u>	<u><u>814</u></u>

14.4 Amounts recognised in the statement of profit and loss and other comprehensive income.

	<i>2025</i> <i>⚡'000</i>	<i>2024</i> <i>⚡'000</i>
Interest on lease liabilities (note 24)	68	38
Depreciation of right of use assets (note 23)	64	74
	<u><u>132</u></u>	<u><u>112</u></u>

15 EMPLOYEE BENEFITS

	<i>Employees' end of service</i>	
	<i>2025</i> <i>⚡'000</i>	<i>2024</i> <i>⚡'000</i>
At 1 January	100	110
Charge for the year	69	-
Payments during the year	-	(10)
At 31 December	<u><u>169</u></u>	<u><u>100</u></u>

RURAL AREAS ELECTRICITY COMPANY SAOC

NOTES TO THE FINANCIAL STATEMENTS

As at 31 Dec 2025

16 TRADE AND OTHER PAYABLES

	2025	2024
	<u>RO'000</u>	<u>RO'000</u>
Accruals and other payables	14,700	22,632
Trade payables	1,115	1,170
Amount due to related parties (note 19.4)	1,710	1,889
Dividend payable	-	1,990
VAT payable	10,816	6,352
K-Factor payable	9,771	-
	<u>38,112</u>	<u>34,033</u>

17 SHORT TERM BORROWINGS

	2025	2024
	<u>RO'000</u>	<u>RO'000</u>
At 1 January	25,640	54,640
Additions during the year	10,000	20,000
Repayment during the year	(22,075)	(49,000)
At 31 December	<u>13,565</u>	<u>25,640</u>

The Company has availed a total facility amount of RO' 000 54,600 from local banks at interest rate ranging from 3.5% to 4.75% per annum (2024: 3.5% to 6% per annum). At 31 December 2025, the Company has utilized this Short-term loan to the extent of RO 25.640 million (31 December 2024: RO 000'

18 DIVIDENDS

No dividend were declared during the year 2025.

RURAL AREAS ELECTRICITY COMPANY SAOC

NOTES TO THE FINANCIAL STATEMENTS

As at 31 Dec 2025

19 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.

19.1 The Company had the following transactions in the statement of profit or loss with related parties

	2025 S'000	2024 S'000
Other related parties		
Oman Power and Water Procurement Company SAOC:		
Sales of electricity	97,350	86,919
Shareholders		
Electricity Holding Company SAOC:		
Dividends	-	1,990
Support service charges	848	143
Nama Shared Services LLC:		
IT Support service charges	174	223

19.2 Key management benefits

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

	2025 S'000	2024 S'000
Directors' remuneration and sitting fees	127	81
	<u>127</u>	<u>81</u>
No. of staff included in key management compensation	<u>5</u>	<u>5</u>

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19 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

19.3	Amounts due from related parties (note 8)	2025	2024
		﷋'000	﷋'000
	Entities under common control		
	Oman Power and Water Procurement Company SAOC	8,246	14,683
	Nama Electricity Supply Company (NESC)	1,122	1,122
	Nama Electricity Distribution Company (NEDC)	53	-
		9,421	15,805
		﷋'000	﷋'000
19.4	Amounts due to related parties (note 16)	2025	2024
		﷋'000	﷋'000
	Shareholders:		
	Electricity Holding Company SAOC	52	729
	Nama Shared Services (NSS)	304	-
	Nama Electricity Distribution Company (NEDC)	190	-
	Numo Institute for Competency Development (NICD)	4	4
	entities under common control		
	Nama Electricity Supply Company (NESC)	1,160	1,156
		1,710	1,889
		﷋'000	﷋'000

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20 REVENUE

	2025	2024
	<u>₹'000</u>	<u>₹'000</u>
Point in time		
Electricity generation revenue	92,610	82,031
Harweel windplant revenue	4,740	4,888
(Less)/add: revenue (in excess of)/shortfall in Maximum Allowed Revenue as per the Price Control Formula	<u>(31,722)</u>	<u>(16,336)</u>
	65,628	70,583
Over the period of time:		
Government sponsored projects	<u>3,497</u>	<u>3,037</u>
	69,125	73,620

21 OPERATING COSTS

	2025	2024
	<u>₹'000</u>	<u>₹'000</u>
Fuel consumption	38,986	36,536
Electricity purchases	10,503	12,345
Depreciation on property, plant and equipment (note 6.2)	7,362	7,296
Operation and maintenance contract fee	5,309	6,657
Maintenance and repairs expenses	422	571
Depreciation on right of use asset	63	74
Spares and consumable expenses	2,088	740
Other direct costs	<u>3,463</u>	<u>2,352</u>
	68,196	66,571

22 OTHER INCOME

	2025	2024
	<u>₹'000</u>	<u>₹'000</u>
Miscellaneous income	129	8
Sale of forms and tenders	27	58
Sale of scrap	22	-
	<u>178</u>	<u>66</u>

23 GENERAL AND ADMINISTRATIVE EXPENSES

	2025	2024
	<u>₹'000</u>	<u>₹'000</u>
Employees' costs (note 23.1)	1,788	1,470
Service expenses	2,196	1,376
Depreciation on property, plant and equipment (note 6.2)	30	55
Directors' remuneration and sitting fees (note 19.2)	127	81
(Reversal)/charge of inventory provision (note 7)	(187)	71
Other expenses	<u>260</u>	<u>255</u>
	4,214	3,308
23.1 Employees' costs		
Wages and salaries	1,318	1,069
Allowances and benefits	<u>470</u>	<u>401</u>
	1,788	1,470

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24 FINANCE COSTS

	2025	2024
	<u>OMR'000</u>	<u>OMR'000</u>
Interest on borrowings	1,006	2,165
Interest on lease liabilities (note 14)	68	38
	<u>1,074</u>	<u>2,203</u>

25 TAXATION

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

	2025	2024
	<u>OMR'000</u>	<u>OMR'000</u>
Current tax	954	1,140
Deferred tax - charged to profit & loss	(1,264)	(1,230)
	<u>(310)</u>	<u>(90)</u>

The Company is subject to income tax at the rate of 15% (2024:15%) of taxable income in accordance with the Income Tax Law of the Sultanate of Oman. The deferred tax on all temporary differences have been calculated and dealt with in the statement of profit and loss and other comprehensive income.

25.2 Reconciliation of income tax expense

The following is a reconciliation of income tax on the accounting profit with the tax expenses at the

	2025	2024
	<u>OMR'000</u>	<u>OMR'000</u>
Profit before tax	(4,833)	1,484
Income tax as per applicable tax rate	(725)	223
Tax impact on permanent difference	63	-
Deferred tax relating to prior year	352	(313)
Tax charge for the year - Profit and loss	<u>(310)</u>	<u>(90)</u>

The Company's effective tax rate for the year ended 31 December 2025 is 0.0% (31 December 2024: 6.9%).

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25 TAXATION (CONTINUED)

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

	Current tax		Deferred tax	
	2025 S'000	2024 S'000	2025 S'000	2024 S'000
At 1 January	11,475	12,003	10,298	11,528
Charge to profit and loss	954	1,140	(1,264)	(1,230)
Paid during the year	(1,125)	(1,668)	-	
At 31 December	<u>11,304</u>	<u>11,475</u>	<u>9,034</u>	<u>10,298</u>

25.4 Base Erosion and Profit Shifting Pillar Two

On 31 December 2024, Oman issued Royal Decree Number 70/2024, enacting new global minimum tax rules to align with the Organization for Economic Co-operation and Development (OECD) Base Erosion and Profit Shifting (BEPS) Pillar Two rules (GloBE Rules). The enacted law introduces a domestic minimum top-up tax (DMTT) and an Income Inclusion Rule (IIR), effective from 1 January 2025. This tax applies to entities that are part of an MNE Group with annual revenues amounting to or exceeding the Rial Omani equivalent of EUR 750 million or more in two of the last four financial years. The taxable income and effective tax rate will be calculated in accordance with the Executive Regulations to the Royal Decree, which are expected to be issued during 2026. For the year ended 31 December 2025, the GloBE Rules are not expected to have a significant impact on income tax expense for the Company as the Holding Company is currently in the process of assessing the impact. The Company will continue to monitor the legislation and accrue any potential top-up tax in the year 2026, in accordance with the IAS 12 Amendments and consider the Transitional Country-by-Country (CbC)

Safe Harbour relief. In the absence of Executive Regulations to the Royal Decree, the potential exposure, if any, for Pillar Two income taxes is currently not known or could not be reasonably estimated.

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26 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. Management is confident of improving the current level of profitability by enhancing top line growth and prudent cost management.

The Company manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Company may adjust the dividends payment to the shareholders, return capital to the shareholders or issue new share capital. The Company monitors capital using a gearing ratio which is 'net debt' divided by total capital plus net debt. The Company's policy is to keep the gearing ratio between 50% to 70%. The Company includes within net debt, interest bearing term loans and short-term borrowings, trade and other payables, less cash and cash equivalents.

	2025 ₹'000	2024 ₹'000
Lease liabilities	767	814
Short term borrowings	13,565	25,640
Trade and other payables	38,112	34,033
Less: cash and bank balances	(15,666)	(607)
	<u>36,778</u>	<u>59,880</u>
Equity		
Share capital	500	500
Legal reserve	167	167
General reserve	250	250
Retained earnings	38,832	43,355
Shareholders' fund	<u>(18,125)</u>	<u>(12,692)</u>
	<u>21,624</u>	<u>31,580</u>
Equity and net debt	<u>58,402</u>	<u>91,460</u>
Gearing ratio	<u>63%</u>	<u>65%</u>

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

27 FINANCIAL RISK MANAGEMENT

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

- Market risk
- Credit risk
- Liquidity risk

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

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

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27 FINANCIAL RISK MANAGEMENT (CONTINUED)

27.1 Market risk

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

Price risk

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

Interest rate risk

The Company has borrowings which are interest bearing and exposed to changes in underlying interest rates. The Company has entered into interest rate swaps to hedge its interest rate risk exposure on its term loans and short-term borrowings.

The Company does not account for any fixed rate financial liabilities at fair value through profit or loss and the Company does not designate hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rate at the reporting date would not affect the profit and loss and other comprehensive income. At the reporting date, the interest rate profile of the Company's interest-bearing financial liabilities was:

	2025	2024
	 '000	 '000
Lease liabilities	767	814
Short term borrowings	<u>13,565</u>	<u>25,640</u>
	<u>14,332</u>	<u>26,454</u>

Cash flow sensitivity analysis for variable rate instruments

Lease liabilities and short term borrowings are carried at fixed exchange rate, accordingly the company is not exposed to any interest rate risk.

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.

27.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's exposure to credit risk is indicated by the carrying amount of its assets, which consist principally of trade accounts receivable, amounts due from related parties, deposits, other receivable and bank balances.

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27 FINANCIAL RISK MANAGEMENT (CONTINUED)

27.2 Credit risk (continued)

With respect to credit risk arising from the financial assets of the Company, the exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments as follows:

	2025 S'000	2024 S'000
Amounts due from related parties	9,421	15,805
Other receivables	24	24
Cash at bank	8,939	568
	<u>18,384</u>	<u>16,397</u>

As of 1st of June 2023, the company only sells its products to related party, with the majority of the balance being to Oman Power and Water Procurement Company. The exposure to credit risk for trade and other receivables at the reporting date by the type of customer is as follows:

	2025 S'000	2024 S'000
Amounts due from related parties	9,421	15,805

The Company reduces the exposure of credit risk arising from other financial assets by maintaining bank accounts with reputed banks and providing services only to the creditworthy counter parties. Set out below is the information about the credit risk exposure on the Company's due from customers using a provision matrix:

Amounts due from related parties

	2025			2024		
	Gross S'000	ECL S'000	Past due but not impaired S'000	Gross S'000	ECL S'000	Past due but not impaired S'000
Ba 1	9,421	10	9,431	15,805	98	15,903
	<u>9,421</u>	<u>10</u>	<u>9,431</u>	<u>15,805</u>	<u>98</u>	<u>15,903</u>

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27 FINANCIAL RISK MANAGEMENT (CONTINUED)

27.2 Credit risk (continued)

The Company accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, based on Moody's ratings the Company considers historical loss rates for each category of debtor and adjusts for forward looking macroeconomic data. Credit risk from balances with banks and financial institutions is managed by the treasury department in accordance with the Company's policy. The limits are set to minimize the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments.

27.3 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:

	<i>Carrying amount</i>	<i>Contractual cash flow</i>	<i>Less than 3 Months</i>	<i>3 months to 1 year</i>	<i>More than 1 years</i>
	<i>₹'000</i>	<i>₹'000</i>	<i>₹'000</i>	<i>₹'000</i>	<i>₹'000</i>
31 December 2025					
Non-interest bearing					
Trade and other payables	27,296	27,296	18,015	9,281	-
Interest bearing					
Short term borrowing	13,565	13,565	4,612	8,953	-
Lease liabilities	767	813	19	37	757
	<u>41,628</u>	<u>41,674</u>	<u>22,646</u>	<u>18,271</u>	<u>757</u>
31 December 2024					
Non-interest bearing					
Trade and other payables	27,681	27,681	18,269	9,412	-
Interest bearing					
Short term borrowing	25,640	25,640	8,718	16,922	-
Lease liabilities	814	813	19	37	757
	<u>54,135</u>	<u>54,134</u>	<u>27,006</u>	<u>26,371</u>	<u>757</u>

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

Fair value hierarchy:

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

Measurement of fair values

Type	Valuation technique	Significant un-observable inputs
Call deposits and term deposits	Market comparison	Not applicable
Other financial liabilities (level 2)	Discounted cash flows	Not applicable

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28 CLIMATE RELATED RISKS

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

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

29 SUBSEQUENT EVENTS

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

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

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