1. Legal status and principal activities

OQ Gas Networks SAOG (“the Company”) was established as a closely held joint stock Company under the Commercial Companies Law of Oman on 23 May 2000. The Company's operations were governed by a Concession Agreement (the “Previous Concession Agreement”) dated 22 August 2000, which was subsequently ratified by the Royal Decree 78/2000 issued on 28 August 2000.

With effect from 1 January 2018, a new revenue and tariff mechanism had been implemented for the Company i.e. Regulatory Asset Base (RAB). This was implemented on a transitional basis by an amendment dated 31 December 2017, to the 22 August 2000 Tariff and Transportation Agreement (“Amended TTA”).

The Company signed the Amended Concession Agreement (fully approved by MOLA) with the Government of the Sultanate of Oman (“Government” or “GOSO”) on 9 June 2020 which was then ratified through Royal Decree 122/2020 issued on 28 October 2020. The ratification of the Amended Concession Agreement and associated RAB agreements means that the Amended TTA has been superseded. The Amended Concession Agreement’s terms, with respect to the determination and charging of transportation charges, are consistent with those under the Amended TTA, hence, no change in accounting treatment is required upon the application of Amended Concession Agreement.

The Company’s objective is to acquire, construct, operate, maintain, repair and augment gas transportation pipelines and perform such other activities relating to the gas transportation industry.

At the reporting date, OQ SAOC (the “Parent Company"), which is 100% owned by the Government of the Sultanate of Oman through Oman Investment Authority (“OIA”), held 99.71% of the share capital of the Company. On 24 October 2023, the Company has been listed on Muscat Stock Exchange (MSX), following Parent Company’s decision for a secondary sale of the shares of the Company upto 49% of its total shareholding through Initial Public Offering (IPO).

The Company holds 100% ownership of Gas Transmission Company LLC ("GTC") registered in the Sultanate of Oman. GTC is non-operational and there have been no accounting numbers recorded therein. Considering its non-operational and immaterial nature, the Company does not consolidate GTC. The Company plans to use GTC to conduct any non-regulated business in the future.

2. Significant agreements

2.1 Concession agreement

Amended Concession Agreement
The Government of Sultanate of Oman, acting through the Ministry of Energy and Minerals (formerly known as Ministry of Oil and Gas) and the Ministry of Finance (the “Government" or “GOSO”), has entered into an Amended Concession Agreement (the “Concession Agreement”) with the Company (acting as an “Operator”) whereby it grants exclusively to the Company the right to own, acquire, finance, design, construct, operate, maintain, repair and augment the Natural Gas Transportation Network (the “Concession” or “Infrastructure”).

The term of the Concession Agreement is 50 years. At the end of the term of the Concession Agreement, the Infrastructure including assets other than Gas Transportation System assets will be transferred to the Government.

2. Significant agreements (continued)

2.1 Concession agreement (continued)

Under the Concession Agreement, the Government controls or regulates what services the Operator must provide using the Infrastructure, to whom, and at what price, and controls any significant residual interests in the Infrastructure at the end of the term of the Concession Arrangement. GOSO, acting through the Ministry of Energy and Minerals ("MEM") and using the device of price control for gas transportation, controls the level of cash generated and the profit of the Company. As per the terms of the Concession Agreement, the Infrastructure is available to the MEM (the "Shipper") to transport gas using the Infrastructure to the industrial consumers of the gas in Oman.

In 2023, MEM transferred their rights and obligations under the Concession Agreement to Integrated Gas Company ("IGC"), a state owned company. Following the transfer, IGC will act as the shipper under the Concession Agreement.

Management has evaluated the applicability of IFRIC Interpretation 12 *Service Concession Arrangements* ("IFRIC 12") to the new RAB arrangement effective from 1 January 2018 and concluded that the Concession Agreement falls within the purview of the "financial assets" model as defined in IFRIC 12. Accordingly, effective from 1 January 2018, the Company recognised financial asset and has derecognised the assets recognised under the old arrangement as property, plant and equipment. Also, IFRIC 12, requires the Company to recognise revenue for the construction and operation phases in accordance with International Financial Reporting Standard 15 *Revenue from Contracts with Customers* ("IFRS 15") (refer to the note 4 and 5 of these financial statements for the accounting policies and judgements applied).

The following key documents form part of the Concession Agreement:

RAB Revenue Rules
These rules describe the Price Control / Tariff Setting process, provide regulatory accounting guidelines and provide the computation mechanism of maximum allowed revenues.

RAB Tariff Rules
These rules focus on cost reflectivity and a stable tariff development and establish gas transportation tariff charges payable by the shippers and connected parties by reference to maximum allowed revenues.

Transportation Framework Agreement ("TFA")
TFA entered between the Company (as gas transporter) and the MEM (as the Shipper). The purpose of TFA is to establish the contractual framework between the Company and the Shipper making the Transportation Code binding.

Previous Concession Agreement
The Previous Concession Agreement with the Government of the Sultanate of Oman was for a period of 27 years starting from 22 August 2000. Under the Previous Concession Agreement, the Company was granted a concession for the construction, ownership, operation and maintenance of two gas pipelines from Fahud to Sohar and from Saih Rawl to Salalah and the ownership, operation and maintenance of the Government Gas Transportation System. Under the Previous Concession Agreement, the Company was operating as an Agency of the Government. The terms of the Previous Concession Agreement have been amended by the Concession Agreement to implement fully the RAB structure.

2. Significant agreements (continued)

2.2 Asset transfer agreements

Asset transfer agreement entered in 2018

During 2018, the Company has entered into an asset transfer agreement (the "Asset Transfer Agreement" or "ATA") with the Government of the Sultanate of Oman dated 13 May 2018, whereby the Company acquired the ownership of gas transportation facilities from the Government with effect from 1 January 2018.

As per the Asset Transfer Agreement purchase price amounting to RO 174,821,600 was settled by issuing the shares to the Company's shareholders and remaining was settled in cash.

Asset Transfer Agreements ("ATAs") entered in 2020

During 2019, the Company had entered into two separate ATAs with the Government of the Sultanate of Oman effective from 1 July 2019 and 31 December 2019 for purchase of gas transportation pipeline system and ancillary assets at a purchase price amounting to RO 183,669,552 and RO 42,616,114 respectively. As per the ATAs, 50% of the purchase price was settled by issuing the shares to the Company's shareholders and remaining was settled in cash (note 20).

3. Application of new and revised International Financial Reporting Standards (IFRS)

a. New standards or amendments for 2023 and forthcoming requirements

A number of new standards, amendments to standards and interpretations are effective for the periods beginning on or after 1 January 2023. Those, which are relevant to the Company, are set out below.

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12.
- IFRS 17 Insurance Contracts
- Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2
- Definition of Accounting Estimate - Amendments to IAS 8
- Pillar two model rules - Amendments to IAS 12

The above standards and amendments do not have any material impact on the financial statements except as a result of the amendment to IAS 1, only the material accounting policies have been disclosed.

b. New and revised IFRS in issue but not yet effective

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

- Amendments to IAS 1, Classification of liabilities as current or non current and non current liabilities with covenants. Effective date of this amendment is for annual periods beginning on or after 1 January 2024;
- Amendment to IAS 7 and IFRS 7, Supplier Finance Arrangements. Effective date of this amendment is for annual periods beginning on or after 1 January 2024; and

Amendments to IFRS 16, Lease liability in a sale and leaseback. Effective date of this standard is annual periods beginning on or after 1 January 2024.

4. Summary of material accounting policies

Statement of compliance and basis of preparation

These financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as issued by IASB, and the applicable requirements of the Commercial Companies Law of Oman 2019 and Ministerial Decision 146/2021 issuing Commercial Companies' Regulations and the applicable requirements of Capital Market Authority (CMA).

These financial statements have been prepared on historical cost basis except for derivatives and net defined liability which are measured at fair value.

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.

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

(i) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
(ii) Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
(iii) Level 3 inputs are unobservable inputs for the asset or liability.

The preparation of financial statements requires 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. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The areas involving higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in the note 5.

These financial statements are presented in Omani Rials (RO), which is the Company's functional and presentation currency. The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Concession arrangement

Infrastructure

As disclosed in note 2 and 5, the Company has applied IFRIC 12 in relation to the Concession Agreement with the Government of Sultanate of Oman.

Infrastructures within the scope of the IFRIC 12 are not recognized as property, plant and equipment of the Company. Under the terms of the Concession Agreement the Company acts as an operator. The Company constructs or upgrades the Infrastructure (construction or upgrade services) used to provide a public service and operates and maintains that infrastructure (operation services) for a specified period of time.

In accordance with the requirements of the IFRIC 12, a financial asset has been recognised where the Company constructs or upgrades the infrastructure and is permitted to operate it over the concession period for an agreed revenue to be received during the period of operation. This financial asset covers the costs incurred in relation to the construction of the Gas Transmission Network.

4. Summary of material accounting policies (continued)

Concession arrangement (continued)

Infrastructure (continued)

In the financial asset model, the amount due from the Government or the Shipper meets the definition of a financial asset which is accounted for in line with the accounting policies stated below relating to the financial assets.

Investment properties

Investment properties is initially measured at cost and subsequently in accordance with the cost model i.e. cost less accumulated depreciation and less accumulated impairment losses.

Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

Rental income from investment properties is recognised as other income.

The estimated useful life of investment properties ranges from 3-20 years.

Inventories

Stores and spares, raw materials and chemicals are valued at cost or net relisable value which is less. The cost of stores and spares is based on the weighted average cost principle and includes expenditure incurred in acquiring and bringing the items of inventory to their existing location and condition.

Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Contribution in aid of construction

When capital contributions in aid of construction are received toward the cost of constructing connection or any other assets, they are initially recorded at fair value as deferred income in the statement of financial position. These contributions are recorded as revenue over the useful life of the constructed asset.

Financial instruments

Initial recognition and measurement of financial asssets and financial liabilities

Financial assets and financial liabilities are recognised in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Financial assets, unless it is a trade receivable without a significant financing component, or financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss. A trade receivable without significant financing component is initially measured at the transaction price.

4. Summary of material accounting policies (continued)

Financial instruments (continued)

Financial assets

Classification of financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Financial assets that meet both of the following conditions are measured at amortised cost and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

Subsequent measurement and gains and losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets 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 profit or loss. Any gain or loss on derecognition is recoginised in profit or loss.
Debt investments at FVOCI	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 profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

4. Summary of material accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Amortised cost and effective interest rate method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset. Interest income is recognised in profit or loss and is included in the "finance income - interest income" line item.

Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

4. Summary of material accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Impairment of financial assets

The Company applies IFRS 9 Expected Credit Loss (ECL) Model;

Under IFRS 9, loss allowances are measured on either of the following bases:

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

Simplified approach

The Company applies simplified approach to measuring credit losses, which uses a lifetime expected loss allowance for trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

4. Summary of material accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

General approach

The Company applies three-stage approach to measuring ECL. Assets migrate through the three stages based on the change in credit quality since initial recognition. Financial assets with significant increase in credit risk since initial recognition, but not credit impaired, are transitioned to stage 2 from stage 1 and ECL is recognised based on the probability of default (PD) of the counter party occurring over the life of the asset. All other financial assets are considered to be in stage 1 unless it is credit impaired and an ECL is recognised based on the PD of the customer within next 12 months. Financial assets are assessed as credit impaired when there is a detrimental impact on the estimated future cash flows of the financial asset. The Company applies general approach to all financial assets except trade receivable without significant financing component.

<u>(i) Significant increase in credit risk</u>

When determining whether the credit risk of a financial asset has increased significantly since 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.

To determine whether a financial instrument has low credit risk, the Company uses internal credit ratings which are mapped to the external credit rating agencies such as Moody's etc. The Company considers that rating within the investment grade are financial instruments with a low risk and have less likelihood of default. Where the external rating of a financial instrument is not available, the Company reviews the ability of the counterparty by reviewing their financial statements and other publicly available information.

The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held) or the financial asset is more than 90 days past due. The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

<u>(ii) Definition of default</u>

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collateral held by the Company).

4. Summary of material accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

(ii) Definition of default (continued)

Irrespective of the above analysis, the Company considers that default has occurred when a financial asset is more than 90 days past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;
(b) a breach of contract, such as a default or past due event (see (ii) above);
(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

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.

(v) Measurement of ECLs

ECLs are a probability weighted estimate of credit losses. Credit losses are 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). ECLs are discounted at the effective interest rate of the financial asset. The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Derecognition of financial assets

The Company derecognizes a financial asset when:

- the contractual rights to the cash flows from the financial asset expire: or
- it transfers the rights to receive the contractual cash flows in a transaction in which either:
- substantially all of the risks and rewards of ownership of the financial asset are transferred; or
- the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognized in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

4. Summary of material accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments
An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Subsequent measurement
All financial liabilities are measured subsequently at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Classification of financial liabilities
Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

The Company does not have financial liabilities that are classified as at FVTPL.

Derecognition of financial liabilities
The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

4. Summary of material accounting policies (continued)

Financial instruments (continued)

Financial liabilities (continued)

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently 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 liability simultaneously.

Interest rate benchmark reform

When the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortised cost changed as a result of interest rate benchmark reform, the Company updated the effective interest rate of the financial asset or financial liability to reflect the change that is required by the reform. A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if the following conditions are met:

- the change is necessary as a direct consequence of the reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis- i.e. the basis immediately before the change.

When changes were made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, the Company first updated the effective interest rate of the financial asset or financial liability to reflect the change that is required by interest rate benchmark reform. After that. the Company applied the policies on accounting for modifications to the additional changes.

Derivative financial instruments and hedging activities

The Company enters into a derivative financial instrument to manage its exposure to interest rate due to market fluctuation. Further details of derivative financial instruments are disclosed in Note 27.

Derivatives are recognised initially at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date.

The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. Derivatives are not offset in the financial statements unless the Company has both legal right and intention to offset.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

4. Summary of material accounting policies (continued)

Derivative financial instruments and hedging activities (continued)

Hedges directly affected by interest rate benchmark reform

The Company will implement the below policies when it replaces the benchmark interest rate in any of the hedged item or hedging instrument with a new alternative benchmark rate.

When the basis for determining the contractual cash flows of the hedged item or hedging instrument changes as a result of IBOR reform and therefore there is no longer uncertainty arising about the cash flows of the hedged item or the hedging instrument, the Company amends the hedge documentation of that hedging relationship to reflect the change(s) required by IBOR reform (as defined in (P)(iii)). For this purpose, the Company amends the hedge designation only to make one or more of the following changes:

- designating an alternative benchmark rate as the hedged risk;
- updating the description of the hedged item, including the description of the designated portion of the cash flows or fair value being hedged; or
- updating the description of the hedging instrument.

The Company will amend the description of the hedging instrument only if the following conditions are met:

- it makes a change required by IBOR reform by changing the basis for determining the contractual cash flows of the hedging instrument or using another approach that is economically equivalent to changing the basis for determining the contractual cash flows of the original hedging instrument; and
- the original hedging instrument is not derecognised.

The Company amends the formal hedge documentation by the end of the reporting period during which a change required by IBOR reform is made to the hedged risk, hedged item or hedging instrument. These amendments in the formal hedge documentation do not constitute the discontinuation of the hedging relationship or the designation of a new hedging relationship.

If changes are made in addition to those changes required by IBOR reform described above, then the Company first considers whether those additional changes result in the discontinuation of the hedge accounting relationship. If the additional changes do not result in the discontinuation of the hedge accounting relationship, then the Company amends the formal hedge documentation for changes required by IBOR reform as mentioned above.

When the interest rate benchmark on which the hedged future cash flows had been based is changed as required by IBOR reform, for the purpose of determining whether the hedged future cash flows are expected to occur, the Company deems that the hedging reserve recognised in OCI for that hedging relationship is based on the alternative benchmark rate on which the hedged future cash flows will be based.

4. Summary of material accounting policies (continued)

Derivative financial instruments and hedging activities (continued)

Hedge accounting

The Company designates derivatives as hedging instruments in respect of interest rate risk in cash flow hedges and commodity price due to market fluctuation.

At the inception of the hedge relationship, the Company documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Company documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- 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 the hedged item that the Company actually hedges and the quantity of the hedging instrument that the Company actually uses to hedge that quantity of hedged item.

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.

Note 27 sets out details of the fair values of the derivative instruments used for hedging purposes and the movements in hedging reserve in equity.

Cash flow hedges

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of Cumulative changes in fair values, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. This transfer does not affect other comprehensive income. Furthermore, if the Company expects that some or all of the loss accumulated in the cash flow hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

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

4. Summary of material accounting policies (continued)

Financial instruments (continued)

Derivative financial instruments and hedging activities (continued)

Hedge accounting (continued)

Any gain or loss recognised in other comprehensive income and accumulated in cash flow hedge reserve at that time remains in equity and is reclassified to profit or loss when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in cash flow hedge reserve is reclassified immediately to profit or loss.

Revenue recognition

Revenue is measured based on the consideration to which the Company expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognises revenue when it transfers control of a product or service to a customer.

No revenue is recognised if it is not probable that the Company will collect the consideration to which the Company will be entitled in exchange for the goods or services that will be transferred to customers. In evaluating whether collectability of an amount of consideration is probable, the Company considers only the customers' ability and intention to pay that amount of consideration when it is due.

Construction of infrastructure

The Company upgrades or constructs the Gas Transmission Infrastructure (the "Infrastructure") under the Concession Agreement. Under the terms of the Concession Agreement, the infrastructure can only be used by the Shipper, and the Company has an enforceable right to payment for work done. Revenue from construction of the Infrastructure is therefore recognised over time on a surveys of performance completed to date or milestones reached. The Company consider that this output method is an appropriate measure of the progress towards complete satisfaction of these performance obligations under IFRS 15. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Construction of infrastructure (continued)

The Company becomes entitled to invoice the Shipper for construction of the infrastructure when the infrastructure asset is completed and commissioned. Under the Concession Agreement and RAB Rules, the Company invoices to the Shipper for the revenue allowed under the RAB rules.

The Company considers all relevant facts and circumstances in assessing whether a contract contains a financing component and whether that financing component is significant to the contract. In determining the transaction price, the Company adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed to by the parties to the contract (either explicitly or implicitly) provides the customer or the Company with a significant benefit of financing the transfer of goods or services to the customer.

Finance income on concession receivables and contract assets

Finance income on concession receivable and contract assets is recognized using the effective interest method. This finance income is only notional income and does not represent actual interest income received by the Company.

4. Summary of material accounting policies (continued)

Revenue recognition (continued)

Allowance for expenditures and pass-through cost

Allowance for expenditure and pass-through cost represents the Company's entitlement for allowance for operating and administrative expenses and reimbursement of current tax expense, fuel gas and regulator fees as per the RAB rules. Revenue is recognised when the related costs are incurred satisfying the performance obligations. The Company invoices allowance for expenditures and pass-through cost to the Shipper on monthly basis.

Project management services

Project management services fee has been accrued for providing supervision services on construction of various gas related projects to related and third parties.

Provisions

Provisions are recognised on 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 recognised as a provision is the best estimate of the consideration required to settle the present obligation at the 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.

Taxation

Income tax on the results for the year comprises current and deferred tax. Income tax is recognised in the profit or loss except to the extent it relates to items recognised directly in equity, in which case it is recognised in OCI. Current tax is the expected tax payable on the taxable income for the year, using the tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that:
  - is not a business combination; and
  - at the time of the transaction (i) affects neither accounting nor taxable profit or loss and (ii) does not give rise to equal taxable and deductible temporary differences;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of company.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans of the Company. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

4. Summary of material accounting policies (continued)

Foreign currency

Items included in the Company's financial statements are measured in Omani Rial (RO) which is the functional currency, being the economic environment in which the Company operates (the functional currency). These financial statements are presented in Omani Rial (the presentation currency).

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 year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss as they arise.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss and presented within finance costs.

Earnings per share

The Company presents basic earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held. If the number of shares changes as a result of a stock split or reverse stock split, the earnings per share for all periods presented is adjusted retrospectively as if the new shares had been outstanding during those periods.

Cash and cash equivalents

All cash and bank balances, including short term deposits with a maturity of three months or less from the date of placement are considered to be cash equivalents.

Dividend distribution

Dividend distribution is recognised as a liability in the period in which the dividends are approved by the Company's shareholders.

Leases

The Company as a lessee

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

4. Summary of material accounting policies (continued)

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 by using the interest rate implicit in the lease or, if that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Company:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate; and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

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

- fixed lease payments (including in-substance fixed payments), less any lease incentives; and
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date.

The lease liability is presented as a separate line item in the statement of financial position.

Lease payments are allocated between principal and finance cost. 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 lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease li ability is remeasured by discounting the revised lease payments using a revised discount rate.

The Company did not make any such adjustments during the periods presented.

Right-of-use asset

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

4. Summary of material accounting policies (continued)

Right-of-use asset (continued)

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

At each reporting date, the Company reviews the carrying value of right of use asset to determine if there is any indication of impairment. If any such indication exists, then the assets recoverable amount is estimated. If the recoverable amount is less than the carrying value, then an impairment loss is recognized in profit or loss.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line 'Operating expenses" in the statement of comprehensive income.

Employees' end of service benefits

The Company’s obligation for contributions to defined contribution pension plans are recognised as an expense when due. The Company’s obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value.

Company makes payment to the Omani Government Social Security scheme under Royal Decree 72/91 for Omani employees, calculated as a percentage of the employees’ salary. The Company’s obligations are limited to these contributions, which are expensed when due.

The Company also provides end-of-service benefits to its expatriate employees. Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. End-of-service benefits are accrued in accordance with the terms of employment of the Company's employees at the reporting date, having regard to the requirements of the Oman Labour Law 2003 and its amendments subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. The liability for end of service benefits recognized based on actuarial valuation. Actuarial gains and losses arising from experience-based adjustments and changes in actuarial assumptions are recorded in other comprehensive income. Service costs are classified as administrative expenses. Interest costs are charged to the statement of comprehensive income.

Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The Company’s operating activities are disclosed in note 1 to the financial statements. All the assets of the Company form part of one concession agreement and one regulatory asset base model. The Company’s assets and services are managed as one segment. The chief operating decision maker considers the business of the Company as one operating segment and monitors accordingly.

5. Critical judgments and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 4, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. These estimates pertain to assessment of the contractual arrangements, taxes and impairment of assets.

Critical judgments in applying accounting policies

The following are the critical judgements, apart from those involving estimations, that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in financial statements:

Concession Arrangement

The analysis on whether the IFRIC 12 applies to an arrangement involves various factors and depends on the interpretation of contractual arrangement. Therefore, the application of IFRIC 12 requires judgment in relation with, amongst other factors, (i) the identification of certain infrastructures in the scope of IFRIC 12, (ii) the understanding of the nature of the payments in order to determine the classification of the infrastructure as a financial asset or as an intangible asset and (iii) the recognition of the revenue from construction and concessionary activity. Changes in one or more of the factors may affect the conclusions as to the appropriateness of the application of IFRIC 12.

As disclosed in note 2 of these financial statements, during 2020, the Government of Sultanate of Oman acting through the MEM/IGC has entered into an Concession Agreement with the Company thereby granting the Company exclusively the concession to develop (or upgrade), operate and maintain the Natural Gas Transportation Network. Under the concession, the Government controls or regulates what services the Operator must provide using the assets, to whom, and at what price, and also controls any significant residual interests in the assets at the end of the term of the arrangement. The Concession Agreement is for the period of 50 years.

Under the arrangement, the Company receives fixed allowances for depreciation of the assets, return on assets and expenditure for operation and maintenance of the assets. MEM is also obligated to purchase the assets at the end of the concession period or upon earlier termination of the concession period along with any liabilities related to the assets. Accordingly, the Company's recovery of investment is not exposed to any demand risk as a consequence of the fixed allowances mentioned above.

Management has evaluated the applicability of IFRIC 12 and concluded that the concession agreement falls within the purview of the "financial assets" model as defined in IFRIC 12, the company has unconditional right to receive the cash for the construction services and there is no demand risk. Therefore, the Company has applied IFRIC 12 and recognised a financial asset. Accordingly, the company recognises revenue for the construction and operation phases in accordance with IFRS 15 along with finance income on the financial asset. If the arrangement had not fallen under IFRIC 12, the Company would have recorded property, plant and equipment and revenue calculated under the RAB rules. Further the cash outflows relating to construction services have been classified under investing activities in the cashflow statement as they reflect cash outflows resulting in the recognition of assets.

5. Critical judgments and key sources of estimation uncertainty (continued)

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Measurement of the expected credit loss allowance

The measurement of the expected credit loss ("ECL") allowance for financial assets measured at amortised cost and FVTOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior (e.g. the likelihood of customers defaulting and the resulting losses). Elements of the ECL models that are considered accounting judgments and estimates include:

- Development of ECL models, including the various formulas and choice of inputs
- Determining the criteria if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime ECL basis and the qualitative assessment;
- The segmentation of financial assets when their ECL is assessed on a collective basis; and
- Determination of associations between macroeconomic scenarios and, economic inputs, and their effect on probability of default (PDs), exposure at default (EADs) and loss given default (LGDs).
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models. It has been the Company's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

6. Revenue

	Nine months period ended		**Three months period ended**	
	30-Sep-23 (audited) RO	30-Sep-22 (Unaudited) RO	**30-Sep-23 (audited) RO**	30-Sep-22 (Unaudited) RO
Services transferred over time:				
Construction revenue (note 13)	**42,195,106**	36,283,817	**18,636,434**	14,601,597
Allowance for expenditures and pass-through cost [note 26(a)]	**22,047,729**	21,713,355	**7,355,973**	7,502,513
Project management services	**68,282**	320,340	**-**	5,720
	64,311,117	58,317,512	**25,992,407**	22,109,830

All the revenue is generated from the customers within the Sultanate of Oman.

7. Operating expenses

	Nine months 30-Sep-23	Nine months 30-Sep-22	**Three months 30-Sep-23**	Three months 30-Sep-22
Depreciation (note 14)	**655,178**	309,461	**263,087**	56,704
Employee costs (note 8.1)	**6,946,928**	8,460,457	**1,903,688**	2,491,793
Repair and maintenance expenses	**3,100,838**	3,631,942	**889,594**	1,432,092
Pass through costs	**3,777,948**	3,384,393	**1,332,908**	1,118,676
Insurance	**1,097,122**	886,170	**401,865**	297,969
Provision of obsolete inventories (note 16)	**14,326**	21,165	**-**	-
Catering and accommodation	**578,212**	473,966	**158,924**	186,132
	16,170,552	17,167,554	**4,950,066**	5,583,366

Pass through costs represents fuel gas and regulator fees which are reimbursable on actual incurred basis included in "Allowance for expenditures and pass-through cost" in note 6.

8. Administrative expenses

Employee costs (note 8.1)	**5,385,223**	3,564,016	**2,118,875**	1,311,240
Depreciation expense (note 15)	**97,279**	45,253	**48,500**	14,988
Training and business travel	**542,066**	383,480	**255,568**	169,115
Legal and professional	**70,942**	28,103	**12,294**	17,345
Utilities and office expenses	**235,532**	320,502	**-**	198,091
Repairs and maintenance	**828,179**	156,041	**228,475**	45,264
Contract services	**111,699**	267,734	**-**	92,103
Cost allocation expenses [note 26(a)]	**-**	5,390,256	**-**	1,944,674
Receivables written off	**233,639**	-	**66,556**	-
Donations	**-**	3,188	**-**	3,188
Other expenses	**254,971**	126,612	**56,184**	55,010
	7,759,530	10,285,185	**2,786,452**	3,851,018

The total fee for audit and non-audit related services paid to auditors for the period ended 30 September 2023 was RO 15,000.

8.1. Employee cost

Employee related expenses comprise the following:

	Nine month periods ended		**Three month periods ended**	
	30-Sep-23 (audited) RO	30-Sep-22 (Unaudited) RO	**30-Sep-23 (audited) RO**	30-Sep-22 (Unaudited) RO
Wages and salaries	**8,766,850**	9,339,941	**2,486,772**	3,093,973
Current service cost on long term benefits (note 23)	**81,057**	152,274	**27,019**	55,418
Contributions into unfunded defined contribution plan	**818,871**	729,442	**273,065**	241,824
Other benefits	**2,665,373**	1,802,816	**1,235,707**	411,818
	12,332,151	12,024,473	**4,022,563**	3,803,033

9. Other income

Amortization of deferred income (note 22)	**18,271**	**-**	**6,090**	-
Rent [note 26(a)]	**1,543,891**	**-**	**150,824**	-
Shared costs - income [(note 26(a)]	**-**	3,227,143	**-**	1,264,569
Others	**174,482**	25	**46,751**	25
	1,736,644	3,227,168	**203,665**	1,264,594

10. Finance income and cost

Finance income				
Finance income on concession arrangement:				
Concession receivables (note 12)	**42,665,368**	40,227,433	**14,140,351**	11,070,782
Contract assets (note 13)	**10,442,525**	11,082,624	**3,747,542**	5,768,061
	53,107,893	51,310,057	**17,887,893**	16,838,843
Transfer from OCI on termination of hedge	**8,769,328**	-	-	
Interest income on short term deposits	**1,425,228**	609,439	**265,455**	270,839
	63,302,449	51,919,496	**18,153,348**	17,109,682
Finance cost				
Interest on loan from Parent Company [note 26 (c)]	**32,151**	4,594,173	**-**	1,944,026
Amortization of deferred finance cost (note 21)	**2,242,292**	379,599	**122,500**	126,533
Interest on lease liabilities (note 24)	**427,508**	211,180	**153,107**	69,444
Interest on term loan from commercial banks (note 21)	**13,019,891**	6,835,053	**6,078,262**	2,458,275
Exchange loss	**2,369**	486	**-**	-
	15,724,211	12,020,491	**6,353,869**	4,598,278

Finance income on concession arrangement represents the unwinding of discount on concession receivable and contract assets which are being recognized at amortized cost using the effective interest method.

11. Taxation

As per Article 4 of the RAB Revenue Rules of the Amended Concession Agreement with the Government of Sultanate of Oman, the Shipper will reimburse all Oman income tax liabilities to the Company. Any current tax expense is recognised and reimbursement of same from the shipper is recognised under allowance for expenditures as revenue.

The Company is subject to income tax in accordance with the Income Tax Law of the Sultanate of Oman at the enacted tax rate of 15% (2022: 15%) of taxable income. For the purpose of determining the taxable results for the year, the accounting profit has been adjusted for tax purposes. Adjustments for tax purposes includes items related to both income and expense. These adjustments are based on the current understanding of the existing tax laws, regulations and practices.

The effective tax rate for the year ended 30 September 2023 is 11% (30 September 2022: 14%).

The Company's tax assessments have been completed and agreed with Oman Taxation Authorities for all years up to 31 December 2018. During November 2023, the Company's tax assessment for the years 2019 to 2021 were also completed and agreed with Oman Tax Authorities. No additional tax liabilities resulted from these assessments. The Company's management is of the opinion that additional taxes, if any, assessed for the open tax years would not be material to the Company's financial position as at 30 September 2023.

11. Taxation (continued)

a) Tax expense

The taxation charge for the year is comprised of:

	Nine month periods ended		Three month periods ended	
	(audited)	(Unaudited)	**(audited)**	(Unaudited)
	30-Sep-23	30-Sep-22	**30-Sep-23**	30-Sep-22
	RO	RO	**RO**	RO
Current tax				
- prior year	**(45,431)**	-	**(45,431)**	-
	(45,431)	-	**(45,431)**	-
Deferred tax				
- in respect of current year	**5,553,432**	5,845,085	**1,182,045**	1,661,098
- in respect of prior year	**-**	(261,926)	**-**	-
	5,553,432	5,583,159	**1,182,045**	1,661,098
	5,508,001	5,583,159	**1,136,614**	1,661,098

b) Tax reconciliation

The reconciliation of taxation on the accounting profit at the applicable rate of 15% and the taxation charge in these financial statements is as under:

	Nine month periods ended		Three month periods ended	
	30-Sep-23	30-Sep-22	**30-Sep-23**	30-Sep-22
	(audited)	(Unaudited)	**(audited)**	(Unaudited)
	RO	RO	**RO**	RO
Profit before tax	**50,320,118**	40,131,468	**12,867,810**	12,825,467
Tax on accounting profit @15%	**7,548,018**	6,019,720	**1,930,172**	1,923,820
Add / (less) tax effect of:				
Non-deductible expenses	**-**	88,087	**-**	-
Tax exempt revenues	**(1,994,586)**	(262,722)	**(748,127)**	(262,722)
Prior year current tax	**(45,431)**	-	**(45,431)**	-
Prior year deferred tax	**-**	(261,926)	**-**	-
	5,508,001	5,583,159	**1,136,614**	1,661,098

c) Current tax liability

Movement in current tax payable during the year is as follows:

	30 September 2023	31 December 2022
	RO	RO
	(Audited)	(Audited)
At 1 January	**45,431**	45,431
Charge for the period / year	**(45,431)**	-
Payment made during the period / year	**-**	-
At 31 December	**-**	45,431

These interim financial statements were authorized for issuance by the Board of Directors on 11 December 2023

11. Taxation (continued)

d) Deferred tax

Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 15% (31 December 2022 - 15%). The deferred tax liability and deferred tax charge in the profit or loss and other comprehensive income are attributable to the following items:

	1 January RO	Charge to profit or loss RO	Charged to other comprehensive income RO	Transferred to retained earnings on termination of hedge RO	30 September RO
30 September 2023 (audited)					
Taxable temporary differences					
Effect of accelerated tax depreciation	**39,033,452**	**6,393,836**	**-**	**-**	**45,427,288**
Right of use assets	**1,295,884**	**(14,369)**	**-**	**-**	**1,281,515**
Derivatives	**1,479,555**	-	**67,973**	**(1,547,528)**	**-**
Deferred tax liabilities	**41,808,891**	**6,379,467**	**67,973**	**(1,547,528)**	**46,708,803**
Deductible temporary differences					
Brought forward losses	**(1,430,574)**	**(841,952)**	**-**	**-**	**(2,272,526)**
Provision	**(5,168)**	**-**	**-**	**-**	**(5,168)**
Lease liabilities	**(1,402,444)**	**15,917**	**-**	**-**	**(1,386,527)**
Deferred tax assets	**(2,838,186)**	**(826,035)**	**-**	**-**	**(3,664,221)**
31 December 2022 (audited)					
Taxable temporary differences					
Effect of accelerated tax depreciation	30,367,104	8,666,348	-	**-**	39,033,452
Right of use asset	667,703	628,181	-	**-**	1,295,884
Derivatives	-	-	1,479,555	**-**	1,479,555
Deferred tax liabilities	31,034,807	9,294,529	1,479,555	**-**	41,808,891
Deductible temporary differences					
Brought forward losses	(347,076)	(1,083,498)	-	**-**	(1,430,574)
Provision	(2,460)	(2,708)	-	**-**	(5,168)
Lease liability	(700,301)	(702,143)	**-**	**-**	(1,402,444)
Deferred tax assets	(1,049,837)	(1,788,349)	-	**-**	(2,838,186)

At the reporting date, the Company has cumulative tax losses of RO 15,150,174 (31 December 2022: RO 10,983,169) available for adjustment from future taxable profits. The management has determined that the cumulative tax losses will expire in 2026 and 2027.

12. Concession receivables

	30 September 2023 RO (Audited)	31 December 2022 RO (Audited)
At 1 January	**815,070,529**	829,529,017
Acquisition during the period / year	**16,828,427**	-
Transferred from contract assets (note 13)	**2,999,105**	15,737,265
Adjustment for penalties	**-**	(1,708,077)
Transferred to investment property (note 15)	**(3,899,781)**	
Finance income during the period / year (note 10)	**42,665,368**	57,379,754
Billed during the period /year	**(65,427,007)**	(85,867,430)
At 30 September / 31 December	**808,236,641**	815,070,529
Non-current / current:		
Non-current portion	**780,111,334**	782,487,965
Current portion	**28,125,307**	32,582,564
	808,236,641	815,070,529

Concession receivables have effective interest rate of 7.21% (31 December 2022: 7.23%) per annum and will be settled / recovered over the term of the Concession Agreement.

During the period, the Company acquired infrastructure assets from a related party for RO 16,828,427 (2022: Nil).

For the purposes of impairment assessment, the concession receivables are considered to have low credit risk as the counterparty of this receivable is Integrated Gas Company (which is considered as equivalent of the Government of Oman). For the purpose of impairment assessment for these financial assets, the loss allowance is measured at an amount equal to 12 months ECL using general approach.

None of the balances at the end of the reporting period are past due, and taking into account the historical default experience and the current credit ratings, the management of the Company has assessed that ECL is insignificant, and hence have not recorded any loss allowances on these balances.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance.

13. Contract assets

	Due from Shipper RO	Due from others RO	Total RO
2023 (Audited)			
At 1 January	**182,290,147**	**1,802,283**	**184,092,430**
Additions during the period (note 6)	**42,195,106**		**42,195,106**
Transferred from / (to) receivable from a related party	**1,136,267**	**(902,333)**	**233,934**
Transferred to concession receivables upon completion (note 12)	**(2,999,105)**	-	**(2,999,105)**
Finance income during the period (note 10)	**10,442,525**	-	**10,442,525**
Billed during the year	**(9,486,522)**	-	**(9,486,522)**
At 30 September	**223,578,418**	**899,950**	**224,478,368**
2022 (Audited)			
At 1 January	145,433,664	1,589,794	147,023,458
Additions during the year (note 6)	53,047,850	212,489	53,260,339
Invoiced and transferred from receivable from a related party	1,134,668	-	1,134,668
Adjustment for penalties	(2,185,960)	-	(2,185,960)
Transferred to concession receivables upon completion (note 12)	(15,737,265)	-	(15,737,265)
Finance income during the year (note 10)	11,082,624	-	11,082,624
Billed during the year	(10,485,434)	-	(10,485,434)
At 31 December	182,290,147	1,802,283	184,092,430

(a) A contract asset is recognised for the period in which the construction services are performed to represent the Company’s right to consideration for the services rendered to date. Under the RAB Revenue rules, the Company receives an allowed rate of return on the work in progress infrastructure asset. Accordingly, contract assets represents balances due from the Shipper under obligation of the Company relating to the construction of the infrastructure under the Concession Agreement and the return on those services under the RAB Revenue rules but not yet invoiced.

(b) Any amount previously recognised as a contract asset is reclassified to concession receivables at the point at which it is commissioned and becomes operational.

(c) For the purpose of impairment assessment for these financial assets, the loss allowance is measured at an amount equal to 12 months ECL using the general approach. None of the amounts due from customers at the end of the reporting period is past due.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for the amounts due from customers under construction contracts. There were no impairment losses recognised on any contract asset in the reporting period (2022: Nil).

(d) Due from others include receivable on account of the Pipe rack to be constructed at Salalah Port and Ras Markaz Pipeline project. During the period, Ras Markaz Pipeline project of RO 689,845 was transferred to a related party as part of settlement of the shareholder loan agreement.

14. Right of use assets

The Company leases land for various infrastructure and vehicles for operations. Vehicle leases run for a period 3 years and infrastructure leases run for periods ranging from 3 to 30 years.

Information about leases for which the Company is a lessee is presented below.

	Leasehold land RO	**Motor vehicles RO**	**Building RO**	**Total RO**
At 1 January 2022	4,108,862	186,479	156,015	4,451,356
Additions (note 24)	4,364,567	439,388	199,479	5,003,434
Depreciation (note 7)	(333,277)	(420,571)	(55,706)	(809,554)
At 31 December 2022 (Audited)	8,140,152	205,296	299,788	8,645,236
At 1 January 2023	**8,140,152**	**205,296**	**299,788**	**8,645,236**
Additions (note 24)	**530,399**	**22,977**	**-**	**553,376**
Depreciation (note 7)	**(225,483)**	**(327,963)**	**(101,732)**	**(655,178)**
At 30 September 2023 (Audited)	**8,445,068**	**(99,690)**	**198,056**	**8,543,434**

15. Investment property

	30 September 2023 (Audited) RO	31 December 2022 (Audited) RO
Cost		
At 1 January	**1,160,359**	995,372
Additions	**3,899,781**	164,987
30 September / 31 December	**5,060,140**	1,160,359
Accumulated depreciation		
At 1 January	**174,576**	114,336
Charge for the period / year (note 8)	**97,279**	60,240
30 September / 31 December	**271,855**	174,576
Carrying amount	**4,788,285**	985,783

At 31 December 2019, a building was transferred to investment property because it was no longer used by the Company in rendering the services under the concession arrangement. During the year, renovation has been carried out in the building. The fair value of the investment was carried out by management in 2023 resulting in fair value of RO 3.0 million (2022: RO 3.6 million) which is higher than the carrying value.

During the period, an accommodation building was transferred to investment property because it was no longer use by the Company in rendering services under the concession arrangement. The accommodation is rented out to a related party and the rent is recorded as other income. The fair value assessment of the investment property was carried out by management in 2023 resulting in fair value of RO 5.5 million which is higher than the carrying value.

Fair value measurement

The fair value measurement of the investment property is a level 3 fair value measurement calculated based on discounted cash flows using significant unobservable inputs.

The following table shows the valuation technique used in measuring the fair value of investment property, as well as the significant unobservable inputs used.

Property description	**Valuation technique**	**Significant unobservable inputs**	**Inter-relationship between key unobservable inputs and fair value measurement**
Five story commercial building with basement floor, Plot No. 4, Al Khuwair area 41, at Wilayat Bausher.	*2023* *Income capitalization:* The valuation model uses the income the property generates to estimate fair value. *2022* *Discounted cash flows:* The valuation Model considers the present value of net future cash flows projected.)	*2023* • Rent per month at RO 33,096 • Annual yield 10.8% *2022:* • Rent per month at RO 31,536.5 • Discount rate 6.5% • Duration 15.5 years	The estimated fair value would increase / (decrease) if: • Monthly rent was higher / (lower); • Annual yield is higher / (lower);
80 room accommodation in Fahud		*2023* • Rent per month at RO 69,360 • Annual yield 15% *2022* • Rent per month at RO 66,464 • Discount rate 6.5% • Duration 29.5 years	The estimated fair value would increase / (decrease) if: • Monthly rent was higher / (lower); • Annual yield is higher / (lower);

16. Inventories

	30 September 2023 (Audited) RO	31 December 2022 (Audited) RO
Stores, spares and consumables	**2,498,736**	2,161,656
Less: Provision for obsolete inventories	**(16,319)**	(34,450)
	2,482,417	2,127,206

Movement in provision for obsolete stock is as follows:

At 1 January	**34,450**	16,399
Provision written off	**(32,457)**	(6,904)
Charge for the period / year (note 7)	**14,326**	24,955
At 30 September / 31 December	**16,319**	34,450

17. Trade and other receivables

Receivables from IGC [note 26 (d)]	**23,799,679**	-
Receivable from MEM [note 26 (d)]	-	11,350,422
Due from related parties [note 26 (e)]	**1,101,068**	11,476,880
	24,900,747	22,827,302
Project management fee receivable from third parties	**344,423**	482,424
Advances to employees	**27,225**	188,336
Accrued revenue	**37,275**	-
Other receivables	**1,654,873**	1,765,800
	26,964,543	25,263,862

Receivable from MEM and IGC represents revenue receivable on account of invoices billed to MEM. The average credit period on invoices raised to the customer is 30 days. No interest is charged on outstanding trade receivables.

The Company measures the loss allowance for trade receivables at an amount equal to lifetime ECL using the simplified approach. When determining whether the credit risk of a financial asset has increased significantly since 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, that includes forward-looking information. There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

As of 30 September 2023, other receivables and receivable from third parties for project management fees and others of RO 2.26 million (2022 - RO 2.25 million) were fully performing.

During the period, advances to employees of RO 231,439 (31 December 2022: nil) and project management fee receivable from third parties of RO 2,200 (31 December 2022: nil) were written off.

All trade and other receivables are expected to be realized within one year of the reporting date.

Movement of allowance for expected credit loss is as follows:

17. Trade and other receivables *(continued)*

	30 September 2023 (Audited) RO	31 December 2022 (Audited) RO
As at 1 January	**-**	316,332
Reversal for the period / year	**-**	(316,332)
As at 30 September / 31 December	**-**	-

18. Cash and cash equivalents

Cash at bank	**15,441,823**	48,769,555
Cash in hand	**13,850**	8,035
Cash and cash equivalents	**15,455,673**	48,777,590

19. Short term deposits

As at 31 December 2022, short term deposits were placed with financial institutions operating in the Sultanate of Oman with residual maturities of less than one year, having an interest rate of 3.8% to 5.45%. During the period, the Company encashed all the term deposits to repay the shareholder loan and term loan.

Balances with banks (note 18) and short-term deposits are assessed to have low credit risk of default since these banks are highly regulated by the central bank. Accordingly, the management of the Company estimates the loss allowance on balances with banks at the end of the reporting period at an amount equal to 12 month ECL. None of the balances with banks at the end of the reporting period are past due, and taking into account the historical default experience and the current credit ratings of the bank, the management of the Company have assessed that there is no significant impairment loss.

20. Share capital and reserves

The Company's authorized share capital is RO 500,000,000 (31 December 2022: RO 336,787,392).

On 19 June 2023, the Board of Directors approved reduction in the par value of the share from RO 1 to RO 0.100.

On 26 June 2023, the shareholders in an ordinary general meeting approved bonus share issue of RO 96,275,000 through capitalization of retained shares.

The paid-up share capital comprises of 4,330,623,920 shares of RO 0.100 each (31 December 2022: 336,787,392 shares of RO 1 each).

20. Share capital and reserves *(continued)*

The shareholding at the reporting date is as follows

	Number of shares 30 September 2023	**% of share holding 30 September 2023**	Number of shares 31 December 2022	% of share holding 31 December 2022
OQ SAOC	**4,318,068,000**	**99.71**	335,810,932	99.71
Oman Energy Trading Company Limited	**6,277,960**	**0.14**	488,230	0.14
Oman Oil Services Limited	**6,277,960**	**0.14**	488,230	0.14
	4,330,623,920	**100**	336,787,392	100

Legal reserve

Article 132 of the Commercial Companies Law of Sultanate of Oman 2019 requires that 10% of the Company's profit for the year to be transferred to a non-distributable legal reserve until the amount of the legal reserve equals to one-third of the Company's share capital. This reserve is not available for distribution. During the period, RO 4.49 million (30 September 2022: RO 3.36 million) has been transferred to legal reserve.

21. Term loans

	30 September 2023 (Audited) RO	31 December 2022 (Audited) RO
Term loan	**333,762,000**	252,902,873
Less: unamortized transaction cost	**(3,777,699)**	(2,108,192)
	329,984,301	250,794,681
Analysed as follows:		
Current	**9,255,985**	30,869,616
Non-current	**320,728,316**	219,925,065
	329,984,301	250,794,681
The unamortized transaction cost is as follows:		
At January	**2,108,192**	2,614,323
Paid during the period / year	**3,911,799**	-
Amortised during the period / year (note 10)	**(2,242,292)**	(506,131)
At 30 September / 31 December	**3,777,699**	2,108,192

Term loan I

On 19 June 2023, the Company entered into two unsecured conventional term financing facilities of RO 60 million, denominated in Omani Rial and RO 86.65 million (USD 225 million), denominated in US Dollars, with a syndicate of financial institutions.

On 19 and 20 June 2023, the Company entered into two Wakala Facility Agreements with local and regional banks, of RO 165 million, denominated in Omani Rial and RO 152.11 million (USD 395 million), denominated in US Dollars.

21. Term loans (continued)

Term loan I (continued)

The Company made a drawdown of RO 334 million on these facilities in June 2023, to repay the existing loan facilities and the shareholder loan.

Repayments

These facilities are repayable in semi-annual instalments commencing six months after the date of execution of the relevant agreement, with the final instalment repayable on the 10th anniversary of the Omani Rial denominated facilities; and the seventh anniversary of the USD denominated facilities.

Interest

Interest on Omani Rial denominated facilities is payable at the rate of 5.70% per annum until the 4th anniversary and thereafter at the base rate (the monthly “Private Sector OMR Time Deposit” rate as published in the most recent CBO Bulletin) plus 2% per annum, while interest on USD denominated facilities is payable at the compounded SOFR rate, plus the applicable margin, which is set at 1.9% per annum.

Covenants

The Company is not subject to any financial ratio covenant in relation to these facilities.

Term loan II

On 24 February 2020, the Company entered into a seven year USD 800 million (RO 308 million) syndicated loan facility. The term loan was unsecured and was repayable in 14 semi-annual unequal instalments commencing from 24 August 2020 and carried an interest rate of LIBOR rate plus applicable margins. The proceeds from the term loan had been used to partially settle an earlier term loan which was fully repaid in 2021. The Company was not subject to any financial ratio covenant in relation to this facility. This facility was fully repaid in 2023.

22. Deferred income

The Company has received contributions in aid of construction of connection assets. Movement in the liability recognized in the statement of financial position is as follows:

	30 September 2023 (Audited) RO	31 December 2022 (Audited) RO
At 1 January	**4,864,801**	4,148,058
Contributions received during the period / year	**93,629**	752,484
Recognized as income during the period / year	**(18,271)**	(35,741)
At 30 September / 31 December	**4,940,159**	4,864,801

23. Employees' end of service benefits

Movements in the liability recognized in the statement of financial position are as follows:

	30 September 2023 RO (Audited)	31 December 2022 RO (Audited)
At 1 January	**556,772**	406,990
Charge for the period / year (note 8.1)	**81,057**	116,288
Un-realised actuarial loss	**261,586**	210,020
Paid during the period / year	**(173,005)**	(176,526)
At 30 September / 31 December	**726,410**	556,772

As reporting date, the amount of obligation for expatriate employees is computed by actuarial valuations using the projected unit credit method as per IAS 19. Following are the key assumptions used in the actuarial valuation:

	30 September 2023 RO (Audited)	31 December 2022 RO (Audited)
Discount rate	**6%**	6%
Future salary increase	**3%**	3%
Retirement age in years	**60**	60

The amount recognised in the statement of profit and loss is as follows:

	30 September 2023 (Audited) RO	30 September 2023 (unaudited) RO
Service cost	**81,057**	152,274

The amount recognised in the statement of other comprehensive income

Actuarial loss/(gain) – Experience adjustment	**261,586**	157,515

Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

	30 September 2023 (Audited) RO		31 December 2022 (Audited) RO	
	Increase	**Decrease**	Increase	Decrease
Discount rate (0.50% points)	**(14,302)**	**14,778**	(14,091)	14,513
Projected salary (0.50% points)	**(14,112)**	**14,804**	14,688	(14,458)

These interim financial statements were authorized for issuance by the Board of Directors on 11 December 2023

24. Leases liabilities

The movement in lease liabilities is as follows:

	30 September 2023 (Audited) RO	31 December 2022 (Audited) RO
At 1 January	**9,349,629**	4,668,677
Additions during the period / year (note 14)	**553,376**	5,003,434
Accretion of interest (note 10)	**427,508**	688,898
Payments	**(1,087,003)**	(1,011,380)
At 30 September / 31 December	**9,243,510**	9,349,629

	30 September 2023 (Audited) RO	31 December 2022 (Audited) RO
Anaylsed as:		
Current	**294,907**	308,905
Non-current	**8,948,603**	9,040,724
	9,243,510	9,349,629
Gross lease liabilities	**24,335,115**	22,268,967
Future finance charges	**(15,091,605)**	(12,919,338)
	9,243,510	9,349,629
Interest expense recognised in profit or loss	**427,508**	688,898
Total cash flows for leases	**1,087,003**	1,011,380

The Company does not face a significant liquidity risk with regard to its liabilities. Lease liabilities are monitored within the Company's treasury function. Maturity analysis of the lease liabilities is disclosed in note 31.

25. Trade and other payables

	30 September 2023 (Audited) RO	31 December 2022 (Audited) RO
Payables to contractors for construction contracts	**33,474,756**	31,634,285
Trade payables	**7,956,002**	8,005,196
Accrued expenses and provisions	**7,562,632**	10,457,910
Due to related parties (note 26 (f))	**115,017**	10,856,208
Interest payable on term loan	**6,328,107**	511,561
Contract liability*	**11,550,762**	4,524,332
Other payables	**2,149,449**	1,933,584
	69,136,725	67,923,076

*The contract liability primarily relates to the billing in excess of revenue from the IGC for which revenue is recognised over time. This will be recognised as revenue, which is expected to occur in the ensuing year. During the period RO: Nil (31 December 2022: RO Nil) has been recognised as revenue and the Company will adjust the balance by 31 December 2023.

26. Related parties

The Company enters into transactions with companies and entities that fall within the definition of a related party as contained in IAS 24 *Related Party Disclosures*. Related parties comprise the shareholders, directors, key management personnel and business entities that have the ability to control or exercise significant influence over financial and operating decisions of the Company. The Company maintains balances with these related parties which arise in the normal course of business from the commercial transactions at mutually agreed terms. Outstanding balances at year end are unsecured and settlement occurs in cash.

Government of Sultanate of Oman (the Government), indirectly owns the Company. The Company has applied the exemptions in IAS 24 related to transactions with the Government and other entities controlled, jointly controlled or significantly influenced by the Government. In this respect, the Company has disclosed certain information, to meet the disclosure requirements of IAS 24, in this note.

Outstanding balances at year end are unsecured and settlement occurs in cash. No allowance for expected credit loss on amounts owed by related parties is recognized at the reporting date (31 December 2022: RO Nil).

Most of the related party transactions are with the Government / state owned entities (such as IGC and MEM) and with the entities under common control by the Parent Company.

a) Significant related parties transactions:

	30 September 2023 (Audited) RO	30 September 2022 (Unaudited) RO
Revenue from MEM/IGC		
Construction revenue (note 6)	**42,195,106**	36,283,817
Finance income on concession arrangement (note 10)	**53,107,893**	51,310,057
Allowance for expenditures and pass-through cost (note 6)	**22,047,729**	21,713,355
	117,350,728	109,307,229
Rent (note 9)	**1,543,891**	-
Interest on shareholder loan (note 10)	**32,151**	4,594,173
Acquisition of concession receivable (note 12)	**16,828,427**	-

Cost allocation:

Cost allocation represents common costs incurred by group companies and recharged based on the cost allocation mechanism adopted by the Parent Company. The expenses recharged by the group companies are recognised under administrative expenses and expenses charged to the group companies with margin is recognised in other income. From 1 January 2023, the company started operating independently from the parent company and the cost allocation were discontinued. As a part of the Parent Company cost allocation, the following amounts were recognised:

Cost allocation expenses - (note 8)	**-**	(5,390,256)
Cost allocation income - (note 9)	**-**	3,227,143
	-	(2,163,113)

26. Related parties (continued)

a) Key management personnel compensation is as follows:

No remuneration is paid to the Board of Directors during the period by the Company directly. Key management compensation paid during the year is as below:

	30 September 2023 (Audited) RO	30 September 2022 (Unaudited) RO
Short term benefits (wages and Salaries)	**83,465**	77,013
Post-employment benefits	**33,401**	36,940
	116,866	113,953

b) Loan from Parent Company

	30 September 2023 (Audited) RO	31 December 2022 (Audited) RO
At 1 January	**137,600,804**	137,600,804
Loans repaid during the period / year	**(136,710,500)**	-
Transfers	**(890,304)**	
At 30 September / 31 December	**-**	137,600,804

During 2017, the Company obtained loan from Parent Company of RO 0.89 million for the funding of Ras Markaz Pipeline project. The loan is unsecured and carries an interest at LIBOR plus an agreed margin. On 30 June 2023, the Company novated the loan to a related party against transfer of contract asset (note 14) and cash settlement.

During 2020 and 2021, the Company obtained loans from Parent Company of RO 136.7 million carrying an interest at LIBOR plus an agreed margin. The shareholder loan agreement was amended during the period and the loan was made interest free from 1 January 2023. On 22 June 2023, the Company repaid the loan to the Parent Company.

c) Receivables from IGC / MEM (note 17)

	30 September 2023 (Audited) RO	31 December 2022 (Audited) RO
Receivables from MEM	**-**	11,350,422
Receivables from Integrated Gas Company SAOC	**23,799,679**	-

26. Related parties (continued)

d) Amounts due from related parties under common control (note 17)

	30 September 2023 (Audited) RO	31 December 2022 (Audited) RO
Parent Company	**342,889**	-
Subsidiaries of the Parent Company	**758,179**	11,413,523
Associates of the Parent Company	**-**	63,357
	1,101,068	11,476,880

e) Amounts due to related parties under common control (note 25)

	30 September 2023 (Audited) RO	31 December 2022 (Audited) RO
Parent Company	**57,274**	10,690,804
Subsidiaries of the Parent Company	**57,743**	165,404
	115,017	10,856,208

27. Derivatives

During 2020, the Parent Company entered into interest rate swap agreements with commercial banks, on behalf of the Company at annual interest rates ranging from 0.5030% to 0.5250% to receive interest at LIBOR from the banks. Parent Company then entered into back to back interest rate swap agreement with the Company.

On 15 June 2023, the Parent Company terminated the interest swap agreement with the Company, at nil purchase consideration, after reassessing its risk management strategy following the refinancing of the Company's borrowings. Both parties were relieved of any obligation and liabilities associated with the agreement. The loss on the termination of the interest swap agreement has been recognized within equity as an adjustment to the retained earnings.

	30 September 2023 (Audited) RO	31 December 2022 (Audited) RO
Notional amount hedged	-	127,545,120
Cumulative changes in hedging reserve		
At 1 January	**8,384,140**	2,612,704
Gain/ (loss) arising on changes in fair value of hedging instruments during the period / year	**453,161**	7,250,991
Deferred tax charged to other comprehensive income	**(67,973)**	(1,479,555)
Gain transferred to statement of profit and loss upon termination of hedge	**(8,769,328)**	-
At 30 September / 31 December	**-**	8,384,140
Asset / (liability)		
Non-current portion	**-**	4,638,938
Current portion	**-**	5,224,757
	-	9,863,695

Fair value of derivatives is a level 2 fair value measurement using observable market prices obtained from market data providers.

These interim financial statements were authorized for issuance by the Board of Directors on 11 December 2023

28. Commitments and contingencies

The Company is defending certain actions brought by a contractor in relation to work carried out by them for the Company. The Company is also defending action brought by MEM to indemnify MEM for penalties it incurred due to delays in project delivery. Although liability is not admitted, if the defense against the action is unsuccessful, then the Company may be liable for an amount of RO 19.7 million (31 December 2022: RO 28.9 million). Based on legal advice, the Company's management believes that the defense against the action will be successful.

As at 30 September 2023, the Company had commitments pertaining to the capital projects under construction of RO 56.1 million (31 December 2022: RO 67.0 million).

29. Impairment expense

	30 September 2023 (Audited)	31 December 2022 (Audited)
	RO	RO
(Reversal)/allowance for expected credit loss (note 17)	**-**	(316,332)

30. Earnings per share

Earnings per share are calculated by dividing the profit for the year by number of weighted average shares issued during the year, after adjustment of share split and bonus shares (note 21).

	Nine months period ended		**Three months period ended**	
	30 September 2023 (Audited)	30 September 2022 (Unaudited)	**30 September 2023 (Audited)**	30 September 2022 (Unaudited)
Profit for the period / year (RO)	**44,812,117**	34,548,309	**11,731,196**	11,164,369
Weighted average number of shares (note 20)	**4,330,623,920**	4,330,623,920	**4,330,623,920**	4,330,623,920
Basic and diluted earnings per share (Baiza)	**10.34**	7.97	**2.70**	2.57

Weighted average number of shares have been adjusted retrospectively for the share split and bonus shares and are calculated as follows:

Number of shares as at 30 September 2022	336,787,392
Conversion of retained earnings to share capital (note 20)	96,275,000
Additional shares issued due to reduction in par value of shares (note 20)	3,897,561,528
Weighted average number of shares	4,330,623,920

These interim financial statements were authorized for issuance by the Board of Directors on 11 December 2023

31. Financial instruments

Details of significant policies and methods adopted including the criteria for recognition for the basis of measurement in respect of each class of financial assets and financial liabilities are disclosed in Note 4 to the financial statements.

Categories of financial instruments	**30 September 2023 (Audited) RO**	31 December 2022 (Audited) RO
Financial assets (at amortised cost)		
Concession receivables (note 12)	**808,236,641**	815,070,529
Trade and other receivables (note 17)	**26,964,543**	25,263,862
Short term deposits (note 19)	**-**	18,600,000
Cash and bank balances (note 18)	**15,455,673**	48,777,590
Financial assets (at fair value through OCI)		
Cash flow hedges (note 27)	**-**	9,863,695
	850,656,857	936,175,676
Financial liabilities (at amortised cost)		
Term loans (note 21)	**329,984,301**	250,794,681
Loan from Parent Company (note 26 (c))	**-**	137,600,804
Lease liabilities (note 24)	**9,243,510**	9,349,629
Trade and other payables (note 25)	**57,585,963**	63,398,744
	396,813,774	461,143,858

The carrying amounts of financial asset and financial liabilities recognized in the financial statement approximate their fair values unless stated otherwise.

32. Financial risk management

The Company's activities expose it to a variety of financial risks including the effects of changes in market risk, (including foreign exchange risk and interest rate risk) liquidity risk and credit risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. Risk management is carried out by the management under policies approved by the Board of Directors.

Financial risk factors

Market risk

Market risk is the risk that changes in market prices, such as foreign currency rates and interest rates 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 on risk.

32. Financial risk management (continued)

Financial risk factors (continued)

Market risk (continued)

i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. The Company is exposed to foreign currency risk arising from currency exposures primarily with respect to the US Dollar. The Omani Rial is pegged to the US Dollar. Since most of the foreign currency transactions are in US Dollars, management believes that the currency rate fluctuations would have an insignificant impact on the post-tax profit.

ii) Interest rate risk

The Company is exposed to interest rate risk as it borrows funds at floating interest rates. Further, the Company is exposed to interest rate risk on its interest bearing assets (bank deposits) and loan from related party. The Company manages interest rate risk by placing deposits for short periods to earn interest at market rates. The management monitors the interest rate risk by setting limits on the interest rate gaps for stipulated periods. At the statement of reporting date, the interest rate risk profile of the Company's interest bearing financial instrument was:

	30 September 2023 (Audited) RO	31 December 2022 (Audited) RO
Fixed rate instruments		
Short term deposits	**-**	18,600,000
Floating rate instruments		
Loan from Parent Company (note 26c)	**-**	137,600,804
Term loan from commercial banks	**329,984,301**	252,902,873
Notional value of hedge	**-**	(127,545,120)
	329,984,301	262,958,557

32. Financial risk management (continued)

Financial risk factors (continued)

Market risk (continued)

ii) Interest rate risk (continued)

Sensitivity analysis for fixed rate instruments
The Company does not account for any fixed rate financial instruments at fair value through profit or loss. Therefore, a change in interest rate at the reporting date would not affect profit or loss.

Sensitivity analysis for floating rate instruments
For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. At 30 September 2023, if interest rates on USD denominated borrowings had been 1% higher/lower with all other variables held constant, profit for the year would have been lower / higher, mainly as a result of higher / lower interest expense on floating rate liabilities as shown below:

	30 September 2023 (Audited) RO	31 December 2022 (Audited) RO
Loan from Parent Company (note 26c)	**-**	1,376,008
Term loan from commercial banks (note 21)	**1,790,715**	2,529,028
Hedge (note 27)	**-**	(1,275,450)
	1,790,715	2,629,586

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 always has 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.

Responsibility for liquidity risk management rests with the Board of Directors. The Board has built an appropriate liquidity risk management framework for the management of the Company’s short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows.

The following tables detail the Company's remaining contractual maturity for its financial liabilities with agreed repayment periods. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

32. Financial risk management (continued)

Financial risk factors (continued)

Liquidity risk (continued)

30 September 2023 (Audited)	Carrying amount	Contractual cash flows	Upto 1 year	1 to 5 years	Over 5 years
	RO	RO	RO	RO	RO
Term loans	**329,984,301**	**483,866,568**	**31,734,089**	**130,057,714**	**322,074,765**
Lease liabilities	**9,243,510**	**24,335,115**	**790,778**	**2,424,138**	**21,120,199**
Trade and other payables	**57,585,963**	**57,585,963**	**57,585,963**	**-**	**-**
	396,813,774	**565,787,646**	**90,110,830**	**132,481,851**	**343,194,964**
31 December 2022 (Audited)					
Loans from Parent Company	137,600,804	156,859,204	-	156,859,204	-
Term loans	250,794,681	299,144,240	45,650,441	253,493,799	-
Lease liabilities	9,349,629	22,268,967	820,857	2,363,846	19,084,264
Trade and other payables	63,398,744	63,398,744	63,398,744	-	-
	461,143,858	541,671,155	109,870,042	412,716,849	19,084,264

Trade payables are interest free and effective interest rates on Loan from Parent Company and term loan from Commercial banks was ranging from 5.7% and 7.88% (2022: 2.41% and 7.00%).

The amounts included above for variable interest rate instruments for financial liabilities (as disclosed in interest rate risk section of this note) is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the receivables from customers.

As at 30 September 2023, the Company's maximum exposure to credit risk without taking into account any collateral held or other credit enhancements, which will cause a financial loss to the Company due to failure to discharge an obligation by the counterparties arises from the carrying amount of the respective recognised financial assets as stated in the statement of financial position.

The Company has significant concentration of credit risk with the Government of the Sultanate of Oman represented by the Shipper. The management continues to monitor the willingness of the customer to pay the amount receivable and provide for any amounts deemed unrecoverable, therefore the Company considers the credit risk to be minimal.

32. Financial risk management (continued)

Credit risk (continued)

With respect to credit risk arising from the other financial assets of the Company, including cash and cash equivalents, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Company limits its credit risk with regard to bank balances by only dealing with banks with a minimum rating of P-2.

In order to minimise credit risk, the management develop and maintain the Company's credit risk gradings to categorise exposures according to their degree of risk of default. The credit rating information is supplied by independent rating agencies where available and, if not available, the Company uses other publicly available financial information and the Company's own trading records to rate its major customers and other debtors. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Company's current credit risk grading framework comprises the following categories:

Category	**Description**	**Basis for recognising expected credit losses**
Performing	The counterparty has a low risk of default and does not have any past-due amounts	12-month ECL
Doubtful	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition	Lifetime ECL – not credit-impaired
In default	Amount is >90 days past due or there is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Company has no realistic prospect of recovery	Amount is written off

32. Financial risk management (continued)

Credit risk (continued)

The tables below details the credit quality of the Company's financial assets carried at amortised cost and contract assets, as well as the Company's maximum exposure to credit risk by credit risk rating grades. Based on ECL model, loss allowance on other financial assets are not recognised being not material.

31 September 2023 (Audited)	External credit rating	12-month or lifetime ECL	Gross carrying amount RO	ECL %	Loss allowance RO	Net carrying amount RO
Concession receivables	Ba2	12 months	**808,236,641**	-	-	**808,236,641**
Cash and bank balances	Ba2	12 months	**15,455,673**	-	-	**15,455,673**
Contract assets	Ba2	12 months	**224,478,368**	-	-	**224,478,368**
Term deposits	Ba2	12 months	**-**	-	-	**-**
Trade and other receivables	-	Lifetime	**26,964,543**	**-**	**-**	**26,964,543**
			1,075,135,225	**-**	**-**	**1,075,135,225**
31 December 2022 (Audited)						
Concession receivables	Ba3	12 months	815,070,529	-	-	815,070,529
Cash and bank balances	Ba3	12 months	48,777,590	-	-	48,777,590
Term deposits	Ba3	12 months	184,092,430	-	-	184,092,430
Contract assets	Ba3	12 months	18,600,000	-	-	18,600,000
Trade and other receivables	-	Lifetime	25,263,862	-	-	25,263,862
			1,091,804,411	-	-	1,091,804,411

As at September 30, 2023 the status of past due balances of financial assets are as follows:

31 September 2023 (Audited)	Carrying amount RO	Not due RO	Past due Upto 30 days RO	Upto 365 days RO	Over 365 days RO
Gross carrying amount:					
Concession receivables	**808,236,641**	**808,236,641**	-	-	-
Contract asset	**224,478,368**	**224,478,368**	-	-	-
Cash and bank balances	**15,455,673**	**15,455,673**	-	-	-
Trade and other receivables	**26,964,543**	**13,345,912**	**12,945,937**	**117,948**	**554,746**
	1,075,135,225	**1,061,516,594**	**12,945,937**	**117,948**	**554,746**

32. Financial risk management (continued)

Credit risk (continued)

31 December 2022 (Audited)	Carrying amount	Not due	Past due Upto 30 days	Upto 365 days	Over 365 days
	RO	RO	RO	RO	RO
Gross carrying amount:					
Concession receivables	815,070,529	815,070,529	-	-	-
Contract asset	184,092,430	184,092,430	-	-	-
Cash and bank balances	48,777,590	48,777,590	-	-	-
Term deposits	18,600,000	18,600,000	-	-	-
Trade and other receivables	25,263,862	13,428,184	1,078,347	1,292,233	9,465,098
	1,091,804,411	1,079,968,733	1,078,347	1,292,233	9,465,098

Details of basis of ECL allowance on each financial asset is given in note 4 and notes of respective financial asset.

The exposure to credit risk for trade and other receivables at the reporting date relates customers originating from Oman only.

33. Capital risk management

The Company's policy is to maintain an optimum capital base to maintain investor, creditor and market confidence to sustain future growth of business as well as return on capital.

The Board of Directors monitors the return on equity. The Board of Directors also monitors the level of dividends to ordinary shareholders. There were no changes in the Company's approach to capital management during the year.

The capital structure of the Company consists of gearing ratio being net debt (interest bearing borrowings offset by cash and bank balances and term deposits) and equity of the Company (comprising issued capital, reserves and retained earnings). Lease liabilities are excluded from the calculation of net debt. Interest bearing loans from Parent Company are included in net debt.

The Company's management reviews the capital structure of the Company on a semi-annual basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. The gearing ratio at 30 September 2023 was 33% (2022: 35%).

33. Capital risk management (continued)

Gearing ratio

The gearing ratio at year end was as follows:

	30 September 2023 (Audited) RO	31 December 2022 (Audited) RO
Net debt	**314,528,628**	321,017,895
Total equity	**635,989,627**	608,592,564
Total capital employed	**950,518,255**	929,610,459
Gearing ratio	**33%**	35%

34. Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("COD"). COD, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the strategic decisions maker. The Company's operating activities are disclosed in note 1 to these financial statements. The strategic business unit is managed as one segment. For the strategic business unit, COD reviews internal management reports on a monthly basis. Performance is measured based on the profit before income tax, as included in the internal management reports. COD considers the business of the Company as one operating segment and monitors accordingly. The requirements of IFRS 8: Operating Segments - paragraphs 31 to 34 relating to entity wide disclosures have been covered under statements of financial position, profit and loss and other comprehensive income and also in notes 1 to 5 to these financial statements.

35. Reconciliation of liabilities arising from financing activities

The below table details changes in in the Company's liabilities arising from financing activities including both cash and non cash changes:

	At 1 January	**Financing cash inflow**	**Financing cash outflow**	**Non cash items**	**At 30 September / At 31 December**
30 September 2023 (Audited)					
Term loan from commercial banks	**252,902,873**	**333,762,000**	**(252,902,873)**	**-**	**333,762,000**
Payment of loan issuance cost	**(2,108,192)**	**-**	**(3,911,799)**	**2,242,292**	**(3,777,699)**
Loan from Parent Company	**137,600,804**	**-**	**(136,710,500)**	**(890,304)**	**-**
Finance lease liability	**9,349,629**	**-**	**(1,087,003)**	**980,884**	**9,243,510**
	397,745,114	**333,762,000**	**(394,612,175)**	**2,332,872**	**339,227,811**
31 December 2022 (Audited)					
Term loan from commercial banks	279,344,181	-	(29,144,368)	594,868	250,794,681
Loan from Parent Company	137,600,804	-	-	-	137,600,804
Finance lease liability	4,668,677	-	(1,011,380)	5,692,332	9,349,629
	421,613,662	-	(30,155,748)	6,287,200	397,745,114

These interim financial statements were authorized for issuance by the Board of Directors on 11 December 2023

36. Subsequent event

On 24 October 2023, the Company has been listed on Muscat Stock Exchange (MSX), following Parent Company's decision for a secondary sale of the shares of the Company upto 49% of its total shareholding through Initial Public Offering (IPO).

These interim financial statements were authorized for issuance by the Board of Directors on 11 December 2023