Energy Infrastructure for Impact

ANNUAL REPORT 2023

His Majesty Sultan Haitham bin Tarik
May God protect him

Energy Infrastructure for Impact

From powering industries to driving economies and technological advancements, gas is not just a resource, it is an unseen force for transformation.

Rising concerns about climate change have sparked the energy sector's focus to shift towards sustainability and increased environmental consciousness. This global shift was highlighted as a key pillar in Oman's Vision 2040 and encouraged the local movement to embrace this change.

Through the development of efficient and cost-effective infrastructure, OQGN aspires to be the architects of change and custodians of possibility in shaping the future of Oman, and beyond.

OQGN, the unseen force within reach.

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About this report

The Board of Directors of OQGN is pleased to present the Company's Annual Report for the fiscal year ended on 31 December 2023.

This Report and the financial statements contained herein have been prepared in accordance with International Financial Reporting Standards (IFRS), and the requirements of the Commercial Companies Law of 2019, the Capital Market Authority (CMA) of Oman.

This Report provides information on OQGN's activities, operations, achievements, and future plans towards energy transition, as well as the efforts that are underway to enhance the Company's performance, shareholder value and corporate governance. In parallel, OQGN supports the safe and sustainable growth of Oman's energy sector and pays great attention to enhance its contribution towards the welfare of society.

Overview

OQ Gas Networks (OQGN) is the exclusive owner and operator of Oman's Natural Gas Transportation and Distribution Network (NGTN), critical national infrastructure that supports various industries and the economy.

The Company acquires, constructs, operates, and maintains, gas transportation pipelines, and provides natural gas distribution services that link Omani gas producers with gas consumers. The NTGN serves the country's Liquefied Natural Gas (LNG) complexes, oil and gas sector, power and desalination plants, industrial clusters, and free zones, among other customers.

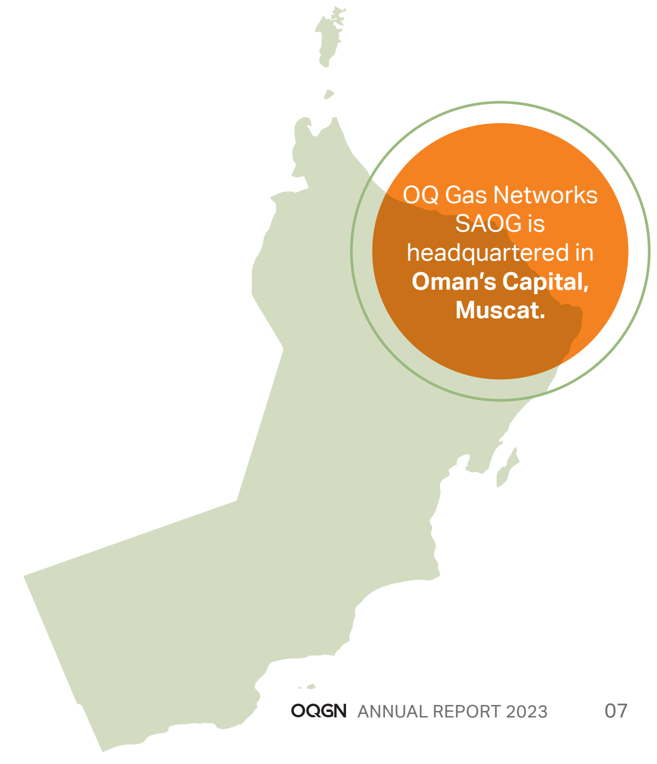
The origins of OQGN trace back to May 2000, when it was incorporated as a closed joint stock company called Oman Gas Company, subsequently renamed as OQ Gas Networks in 2020.

An amended Concession Agreement between the Company and the Government was signed in June 2020, and ratified by Royal Decree 122/2020 in October 2020, granting the Company gas transportation concession rights for 50 years and a right of first offer on any future gas transportation infrastructure concessions until 30 October 2070, under the Regulated Asset Based (RAB) Framework.

In the last two decades, the Company has transformed itself from a small gas transporter to a critical infrastructure player that is trusted and respected nationwide. OQGN continues to play a vital role in the progression of the energy sector nationally and flows in parallel with the energy transformation worldwide.

OQGN is in the process of setting out its vision for a hydrogen value chain, as well as embarking on the opportunity for Carbon Capture Utilisation and Storage (CCUS). The Company believes this value chain can be empowered by a common use hydrogen infrastructure that provides economies of scale, single point accountability, and amplified storage.

Oman Vision 2040 has outlined an ambitious agenda for sustainability in the energy sector, and OQGN is committed to actively achieving these national goals.



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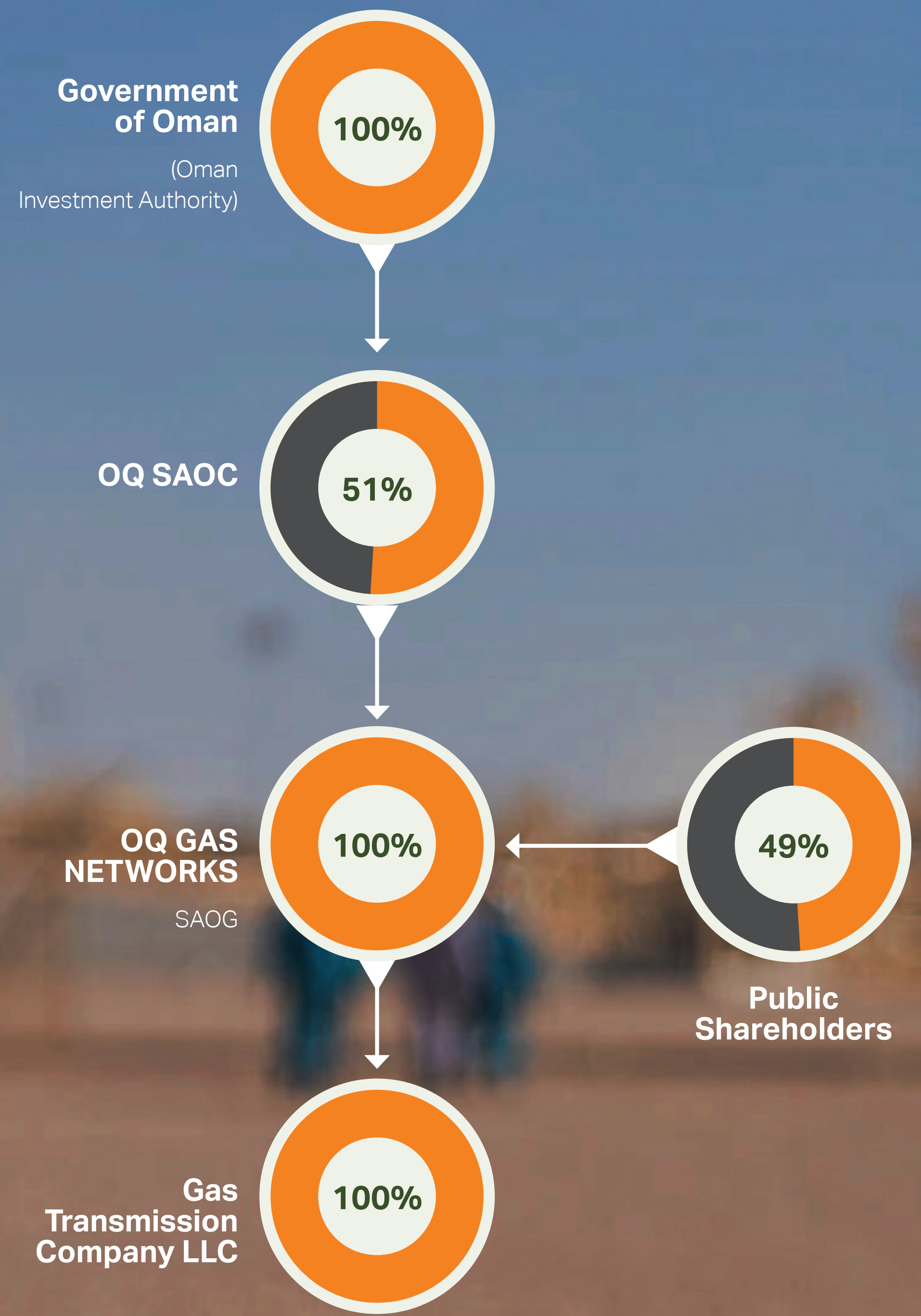
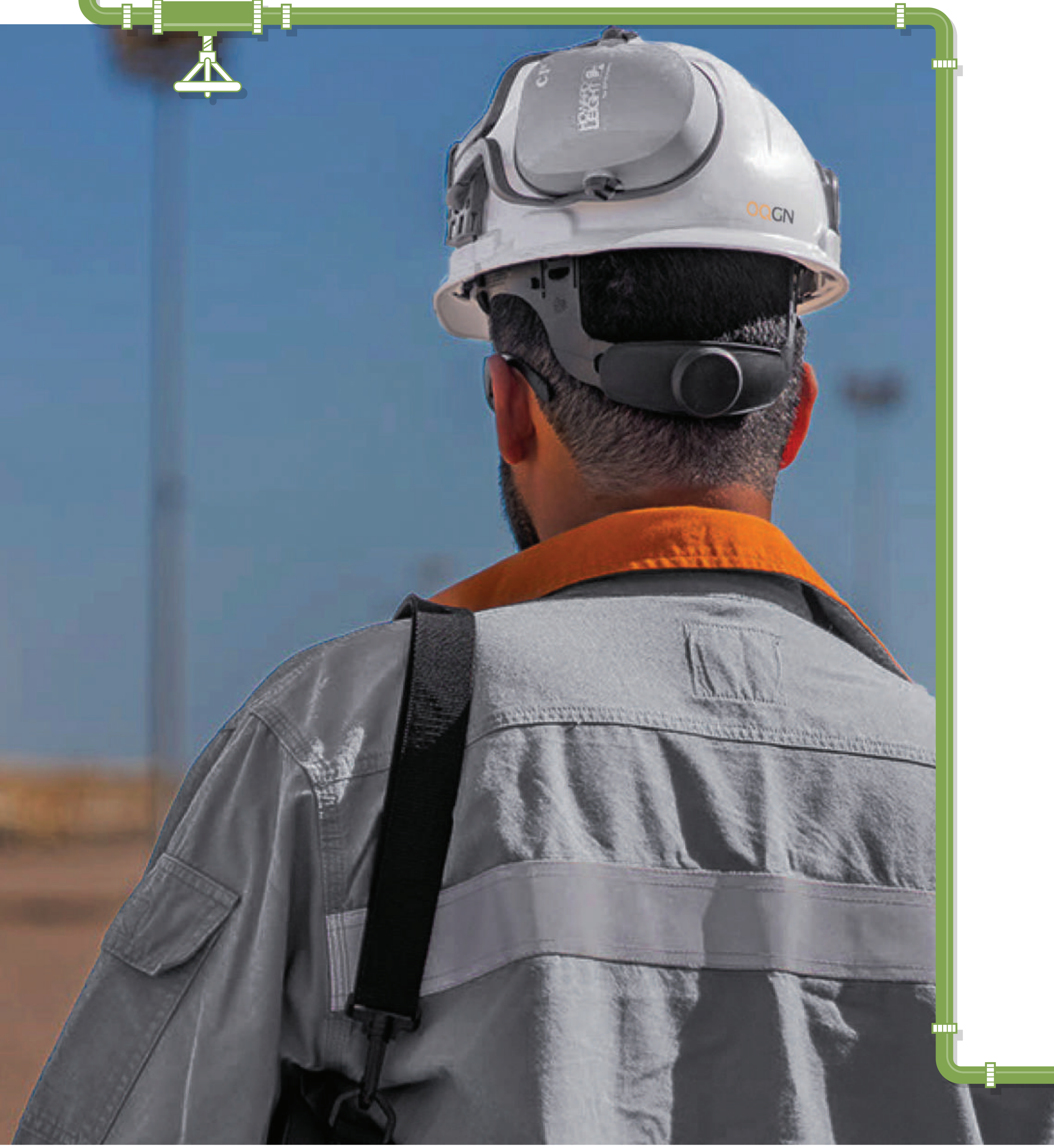
Shareholding structure





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Key milestones

2000 Incorporation, with 80% ownership held by Omani Government and 20% by OQ (previously OOC)

2004 First gas exported to Dolphin Energy in the UAE

2008 First imported gas received through the Dolphin Energy pipeline

2013 New ownership, after 100% acquisition by OQ

2014 Launch of new business streams, led by Salalah LPG project

2016 Receipt of all government-owned gas assets

2018 Adoption of RAB Framework, and new revenue and tariff mechanisms based on asset ownership and booked capacity

2019 Ringfencing of gas transportation business by divesting subsidiaries and non-regulated activities

2020 Renaming as OQ Gas Networks

Acquisition of assets owned by the Government and operated by BP

2021 Acquisition of select assets owned by Madayn and SFZC

2022 Formation of new Board with 40% female representation

2023 **Converted to public joint stock company and listed in Muscat Stock Exchange (MSX) under the symbol OQGN**

Corporate statements

Vision

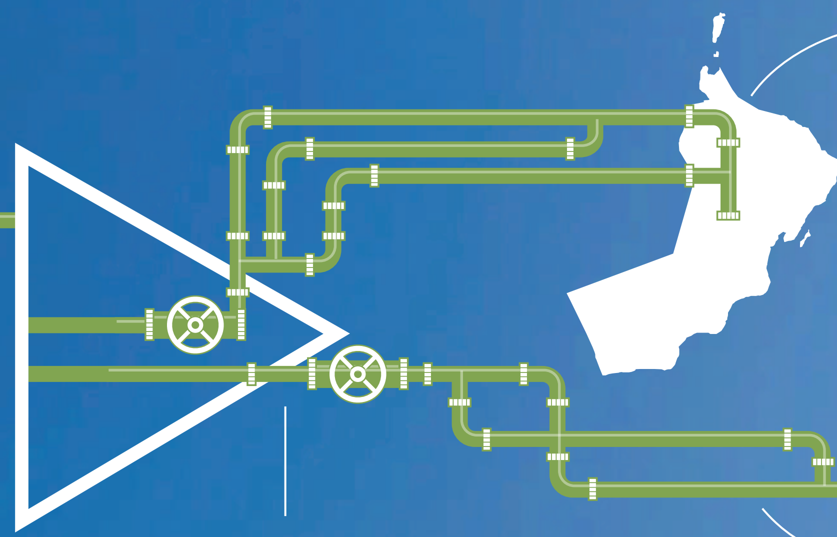
To be the national champion in the management and development of energy infrastructure through innovative and sustainable solutions.

Mission

We transport energy in a reliable, efficient, safe, and sustainable way.

Natural Gas Transportation Network (NGTN)

OQGN plays a pivotal role in Oman's energy value chain and contributes to the country's sustained industrial growth and economic progress.



Internal connections

The NGTN spans throughout the length of the country from Salalah in the south to Sohar in the north and Muscat, Sur, and Duqm on the east coast.

Three major compression stations are located at Fahud, Nimr, and Buraimi, while 25 supply stations connect directly to different customers.

Robust system

The NGTN is a comprehensive gas transportation and distribution network that comprises a system of pipelines, metering facilities, compressor stations, gas supply stations, and block-valve stations. This essential link connects gas producers with gas consumers operating in essential sectors that require gas as a critical production feedstock, or for power generation.

External connections

A pipeline link located in Buraimi connects to the Dolphin gas network, which supplies gas from Qatar to the United Arab Emirates (UAE), and smaller quantities to Oman. Oman currently imports around 2 BCM per year from the UAE through this pipeline link.

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Highlights of 2023

Uninterrupted gas supply

4,045
Kilometres of existing pipeline network

40.5 BCM
Amount of gas transported during the year

25
Numbers of supply stations currently connected to customers

130+
Number of gas consumers served annually

100%
Availability of gas throughout the year with no interruption to customers

90%+
Power generation in the country supported by OQGN

Major partnerships

MoU with Hydrom
Nation-wide infrastructure for hydrogen transportation and storage

Partnership with Fluxys
Support for national decarbonisation plans and energy transition efforts

MoU with Oxy Oman
Development and deployment of CCUS projects across Oman

Financial excellence

OMR 4 Bn
Investor demand created due to over subscription

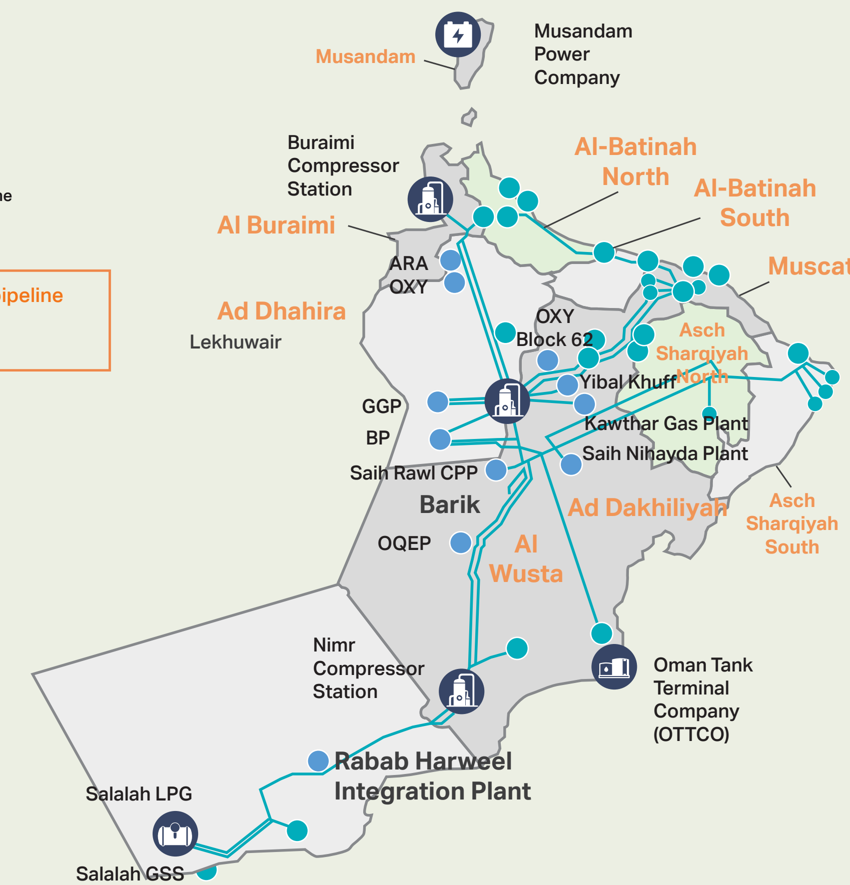
OMR 288 Mn
Raised in equity capital in IPO in October 2023

OMR 461.4 Mn
Value of a financing multi-structure which included one of the largest Islamic syndicates in Oman and allowed OQGN to be Sharia' compliant

Gas networks overview

- LPG facility
- Power facility
- Crude oil facility
- Compressor station
- Gas producer
- OQGN natural gas supply facility
- OQGN natural gas transmission pipeline

- c. 4,045 kms gas transmission pipeline
- 3 compressor stations
- 25 gas supply stations



OMR 59.2 Mn
Actual cost of nine successfully completed projects during the year

OMR 174 Mn
Revenue
2022: OMR 160 Mn.

OMR 84 Mn
EBITDA (Earnings before Interest, Tax, Depreciation, Amortisation)
2022: OMR 71 Mn.

OMR 55.5 Mn
Net profit
2022: OMR 45.6 Mn.

Chairman's report

Dear shareholders and stakeholders,

It is with a sense of pride and gratitude that I present this report, reflecting on a year that has been both challenging and rewarding. The Financial Year 2023 has underscored our resilience, strategic agility, and unwavering commitment to excellence in an ever-evolving global and local landscape.

Our strategic investments in technology, infrastructure, and human capital have bolstered our market position, enabling us to offer innovative solutions and superior service to our customers.

Our journey through the year

This fiscal year, set against the dynamic backdrop of global economic volatilities and a steadfast move towards sustainable energy practices, showcased our ability to not just navigate but thrive amidst uncertainties. Our robust financial growth, marked by significant improvements in revenue, EBITDA, and net profit, is a testament to our strategic initiatives, operational efficiencies, and the dedication of our workforce.

Our strategic investments in technology, infrastructure, and human capital have bolstered our market position, enabling us to offer innovative solutions and superior service to our customers. This commitment to excellence and innovation is evident in our achievement of major operational milestones, including the expansion of our natural gas network and the successful integration of sustainable practices across our operations.

Strategic achievements and future direction

A landmark achievement this year was our listing on the Muscat Stock Exchange, a testament to the confidence of the market in our vision and strategy. This pivotal event not only enhanced our visibility but also reinforced our commitment to transparency, governance, and shareholder value.

Our strides in sustainability, particularly through initiatives in hydrogen energy and CCUS, align with global energy trends and Oman's vision for a sustainable future. These efforts are part of our broader strategy to lead in the transition towards clean energy, ensuring that we remain at the forefront of industry innovation and environmental stewardship.

Looking ahead, our strategic plan focuses on leveraging our core strengths to explore new markets, diversify our energy portfolio, and invest in cutting-edge technologies. We are committed to driving sustainable growth, enhancing operational efficiencies, and delivering long-term value to our shareholders and stakeholders.

The Company achieved a compound annual income growth rate of 8.5%.

In regard to the financial performance for the year, the Company achieved a compound annual income growth rate of 8.5%. Consequently, the Board of Directors has proposed the approval of a dividend payout of 2.54 Bz per share at the upcoming Annual General Meeting on 18 March 2024. This distribution along with the interim dividend translates to a yield of 6.64% based on the OQ Gas Networks (OQGN) share price as of the end of 2023 (153 Bz).

Acknowledgments

The achievements of this year reflect the collective efforts of our dedicated team, the trust of our valued customers, and the unwavering support of our shareholders and stakeholders. I extend my deepest appreciation to each of you for your role in our continued success.

As we forge ahead, our journey is guided by the visionary leadership and wise directives of His Majesty Sultan Haitham Bin Tareq Al-Said. We are immensely grateful for His Majesty's guidance and support, which continue to inspire our commitment to contributing positively to the Sultanate's prosperity and its people's well-being.

In conclusion

With a foundation built on strong values, strategic foresight, and a commitment to the assurance of excellence, we look to the future with optimism. We are poised to navigate the challenges and seize the opportunities that lie ahead, driving innovation, sustainability, and shared prosperity for all our stakeholders.

Thank you once again for your trust, support, and partnership. Together, we will continue to achieve greatness and contribute to a sustainable and prosperous future.

Talal Al Awfi
Chairman

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Managing Director's message

As we look back at 2023, I am proud to report that this has been a year of noteworthy successes from strong financial performance, vital strategic moves, to various operational highlights. This year's performance has set a new benchmark and is considered a stepping stone towards new levels of operational and financial excellence and motivates us to venture further into the energy transition journey.

A year of strong financial performance

2023 was a significant turning point for OQGN, as our Initial Public Offering (IPO) was announced and implemented.

The IPO has been a huge success, covering 49% of our share capital, with OQ SAOC being the major shareholder, holding 51% of our share capital. Your trust in our brand and message was evident through a substantial oversubscription of the IPO by 14 times and raised nearly OMR 4 Bn This landmark achievement, easily the largest IPO in Oman's history, is a testament to investors' confidence in OQGN's business model, sustainable outlook, and the

OQGN achieved a significant milestone in 2023 in being recognised by the Ministry of Energy and Minerals (MEM) as the national champion for hydrogen transportation. This recognition places the Company in a leading role for planning and developing a hydrogen network within Oman.

immense growth opportunities available in the energy transition sector. Notably, we are proud to have partnered with highly reputable organisations such as The Saudi Omani Investment Company – an entity owned by the Kingdom's Public Investment Fund; Falcon Investments – the Qatar Investment Authority subsidiary, and Brussels-based Fluxys International, who are now anchor investors collectively owning 14.7% of our Company's shares.

Our net profit of OMR 55.5 Mn significantly surpassed 2023 KPIs (vs. OMR 45.6 Mn in 2022). The outstanding financial performance is a testament to our efforts and achievements in various fronts, from operational excellence to strategic growth plans.

Customer-centricity at the core of our operations

OQGN serves a critical purpose in Oman's energy ecosystem, especially considering that gas is one of the essential energy sources in Oman. As we make continuous investments for growth, our top priority remains the safe, reliable, and efficient operation of our employees and gas transportation network.

We are proud to have achieved 100% gas availability throughout the year, for the second consecutive year. We have also achieved new records, with a total gas delivery of 40.5 billion cubic meters (BCM), while successfully fulfilling varying suppliers' and consumers' quality specifications throughout the year.

An important foundation of our operations is our commitment to the safety of our workforce through following rigorous standards and promoting a strong safety culture, successfully recording around 7.4 million LTI-free manhours. Our employees are the engine to our success, and our efforts to ensure their well-being is one of our key commitments.

A balanced mix of possibilities and prospects

With our track record of operational excellence, and capital to achieve our plans for expansion, the fundamentals are in place for the next chapter. We have set principal focus areas for strategic growth, of which include growing our gas network and infrastructure through new projects, acquisitions and emerging opportunities, developing new capabilities and assets required for the transportation and storage of H_2 and CO_2, as well as defining projects and initiatives based on material topics to enhance our sustainability performance. This will be accompanied by a decarbonisation strategy to reduce Scope 1 and 2 emissions along with increased attention to improving the resources, time, and effort associated with service delivery while maintaining quality and performance standards.

The Company views the development of energy infrastructure essential for the country, with ambitious social and economic opportunities as it fosters economic growth and stability. Local communities benefit from increased employment opportunities and the development of new skill sets, creating a ripple effect that extends beyond the immediate construction phase. Additionally, energy infrastructure projects will serve as catalysts for technological innovation, driving advancements in energy efficiency, storage, and distribution.

Over the next 20 years, gas demand in Oman is expected to remain stable, with gas supply for LNG exports serving as an important foundation source of demand. The diversification of gas demand across sectors, and geographically across the country, provides additional resilience to total gas demand and, accordingly, to the utilisation of the network on a regional basis.

A major role in Oman's energy transition

A fundamental part of our plans is utilising our key strengths and leading market position to play an essential role in Oman's energy transition. We are determined to partake a critical role in the growth of hydrogen as a source of green energy and the transportation and storage of captured carbon.

OQGN achieved a significant milestone in 2023 in being recognised by the Ministry of Energy and Minerals (MEM) as the national champion for hydrogen transportation. This recognition places the Company in a leading role for planning and developing a hydrogen network within Oman.

OQGN signed three major agreements in 2023 that will be crucial in this area. Our partnership with the Belgian gas infrastructure firm Fluxys, will focus on hydrogen (H_2) and carbon dioxide (CO_2) infrastructure projects in Oman. In parallel, our partnership with Hydrom, master planner of Oman's hydrogen industry, will pioneer hydrogen infrastructure in key areas such as Duqm and Salalah. In the carbon front, our MoU with Oxy Oman will explore the potential of carbon capture, utilization and storage projects in the country. These collaborations sets the ground for positive impact on environmental and economic aspects, for the Company – and for the country.

A journey of steady transformation

For the last 24 years, OQGN has embodied a story of transformation: from small gas transport company to a critical gas transportation infrastructure provider that is widely trusted and respected. OQGN's unwavering commitment to operational excellence is evident in our success in executing various ongoing projects. The Company's proven capacity and competence places OQGN in a strategic position to embrace clean energy and plays a pivotal role in helping Oman's transition into the future.

Our skilled workforce, robust infrastructure, and determination sets us in a position to create greater value for our employees, clients, shareholders, partners, and the communities we serve.

I sincerely thank the OQGN Board, Management, employees, and community, for their efforts, vigilance, and exceptional professionalism. The various successes we recorded during the year were made possible by their dedication.

As the exclusive owner and operator of the natural gas transmission network in Oman, OQGN reaffirms its commitment to stand shoulder to shoulder with all our stakeholders and work together to power Oman's energy transition.

Mansoor Al Abdali
Managing Director

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Managing Director's message

CORPORATE GOVERNANCE AND RISK MANAGEMENT

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Board of Directors

In 2023, OQGN's shareholders elected a new Board of Directors at the OGM on 24 August, succeeding the previous board whose term spanned from 24 March 2022. This new board is set to serve until the AGM of 2025. Should the third AGM occur more than three years after their election, their term will extend to that AGM date.

Composition of previous Board

Name	Ahmed Said Abdullah Al Azkawi	Sabrina Fadhil Mahmood Al Bakri	Rehab Faiq Dawood Al Lawati	Sultan Hamed Khamis Al Bartamani	Omar Mahmood Mohamed Bahram
Position	Chairman	Deputy Chairman	Board Member	Board Member	Board Member

Composition of current Board

Talal Al Awfi

Chairman

Status: Non-Independent
Type: Non-Executive

Degrees in Marketing and Business from the University of Manchester, has led OQ as Group CEO since February 2021. His career began in oil price analysis, advancing through key roles in trading, marketing, and logistics, culminating in leadership positions including Chairman of Oman LNG LLC and OQ Trading Ltd.

Ayad Al Balushi

Deputy Chairman

Status: Non-Independent
Type: Non-Executive

A Mechanical Engineering graduate from the University of Nottingham, is the CFO of Oman Investment Authority. With over 13 years in the oil and gas sector, his experience spans from program leadership at OQ to CFO roles, and he currently chairs Abraj Energy Services SAOG.

Fathi Al Balushi

Board Member

Status: Independent*
Type: Non-Executive

A Master's in Finance, is the CEO of Oman Brunei Investment Company, managing significant investment projects. With 19 years in finance, he's led over OMR 3.9 Bn in debt financing and held various leadership roles in Oman and Brunei.

Raiya Al Salmi

Board Member

Status: Non-Independent
Type: Non-Executive

An MBA from the University of Houston and a BSc from the University of Kent, oversees Organizational Excellence at OQ. Her 16-year career includes transformations in oil and gas, asset management, and advisory roles, serving on the Board of GS EPS Ltd, Korea.

Hanaa Al Hinai

Board Member

Status: Independent
Type: Non-Executive

A Master's in Business Finance from Victoria University and extensive executive education, leads Al Ahlia Insurance as CEO. With over 22 years in insurance and banking, she focuses on strategic growth and innovation, also serving on the Boards of Outward Bound Oman and Omani Unified Bureau for the Orange Card SAOC.

*Independence as per CMA regulations.

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Board of Directors

Role of the Board

The Board of Directors plays a pivotal role in overseeing the management of the Company. It establishes a comprehensive framework of prudent and effective controls, ensuring robust risk assessment and management. Additionally, the Board is responsible for ensuring compliance with all statutory and regulatory obligations as mandated by applicable laws and regulations, safeguarding the Company's integrity and stakeholder interests.

Election of Board Members

The Board of Directors of OQGN is appointed through a transparent election process conducted during the Annual/Ordinary General Meeting, adhering to direct and confidential ballot principles. This procedure ensures that each shareholder exercises voting rights proportionate to their shareholding, allowing for either a unified allocation of votes towards a single nominee or a distribution across several nominees, with the caveat that the total votes cast do not exceed their share ownership. The election outcome, based on the highest number of votes received, exemplifies a commitment to a democratic selection process, with elected nominees assuming their roles on the Board for a designated term of three years.

This tenure is marked by a steadfast dedication to the shareholders, to whom the Board is primarily accountable. The Board's responsibilities include the provision of detailed reports at the Annual General Meeting (AGM) or any specially convened shareholder meetings, reflecting a transparent and inclusive approach to corporate governance. These meetings, announced well in advance along with comprehensive agenda notes, are pivotal for ensuring robust participation and fostering meaningful dialogue among the shareholders. A hallmark of these gatherings is the expected attendance of all Board Members, which reinforces open communication channels between the Board, the shareholders, and OQGN's Senior Management

Criteria for Board Membership

Nominees for Board membership are subject to rigorous criteria outlined by the Corporate Commercial Law (CCL), the Governance Code, and Article 115 of the SAOG Executive Regulations. These criteria include:

1. Be a natural person.
2. Be of good conduct and sound reputation.
3. Be at least 25 years old;
4. Have a registered shareholder number with MCDC.
5. Not be unable to settle his indebtedness to the same company to which he is a candidate for membership of its board of directors.
6. Not be convicted of a felony or dishonorable crime or adjudicated as bankrupt or insolvent unless rehabilitated.
7. Not caused bankruptcy of a company by his sole act or as joint liability of directors.
8. Present, if he is nominating himself as an independent director, a declaration to that effect and that he will lose his membership if he loses his independence capacity.
9. Not be a director in more than four (4) public joint stock companies based in the Sultanate of Oman once appointed to the board in question. He may not be the Chairman of the board of more than two (2) companies.
10. Not be an employee or a member of the board of directors of a public or closed joint stock company which is carrying out similar objectives to that of the company which he intends to nominate himself to the membership of its board.

These stringent qualifications ensure that Board Members possess the necessary integrity, experience, and commitment to uphold the Company's Governance standards and contribute to its strategic vision.

Board Meetings and attendance

Previous Board

BOD Member	Meeting 1 30 Jan 2023	Meeting 2 23 Feb 2023	Meeting 3 19 Mar 2023	Meeting 4 31 May 2023	Meeting 5 19 Jun 2023	Meeting 6 2 Aug 2023
Ahmed Said Abdullah Al Azkawi (Chairman)	✓	✓	✓	✓	✓	✓
Sabrina Fadhil Mahmood Al Bakri (Deputy Chairman)	✓	✓	✓	✓	✓	✓
Rehab Faiq Dawood Al Lawati (Member)	✓	✓	✓	✓	✓	✓
Sultan Hamed Khamis Al Bartamani (Member)	✓	✓	✗	✓	✓	✓
Omar Mahmood Mohamed Bahram (Member)	✓	✓	✓	✓	✓	✗

Current Board

BOD Member	Meeting 7 29 Aug 2023	Meeting 8 8 Oct 2023	Meeting 9 30 Oct 2023	Meeting 10 14 Nov 2023	Meeting 11 11 Dec 2023
Talal Al Awfi (Chairman)	✓	✗	✓	✗	✓
Ayad Al Balushi (Deputy Chairman)	✓	✓	✓	✓	✓
Fathi Al Balushi (Member)	✓	✓	✓	✓	✓
Raiya Al Salmi (Member)	✓	✓	✓	✓	✓
Hanaa Al Hinai (Member)	✓	✓	✓	✓	✗

Board remuneration

Name	Board sitting fees (OMR)	ARC fees (OMR)	NRC sitting fees (OMR)	Total (OMR)
Ahmed Al Azkawi	3,000	Non-member		3,000
Sabrina Al Bakri	3,000	800		3,800
Sultan Al Bartumani	2,500	800		3,300
Rehab Al Lawati	3,000	800		3,800
Omar Mahmood Mohamed Bahram	2,500	Non-member		2,500
Talal Al Awfi	1,500	Non-member	Non-member	1,500
Raiya Salim Al Salmi	2,500	400	200	3,100
Hana Al Hinai	2,000	400	200	2,600
Fathi Al Balushi	2,500	200	Non-member	2,700
Ayad Al Balushi	2,500	Non-member	200	2,700

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Board of Directors

Board Committees

Audit Risk Committee

As a subcommittee formed by the Board, the Audit Risk Committee comprises three members of which two, including the chairman, are Independent Directors. In compliance with the Governance Code, the majority of Audit Committee members are Independent Directors, and in all cases the Chair of the Audit Committee is from among the Company's Independent Directors. At least one of the members has financial and accounting expertise.

Committee member	Position
Fathi Al Balushi	Chairman
Hanaa Al Hinai	Member
Raiya Al Salmi	Member

Oversight of internal audit

The Audit Committee is primarily responsible for recommending the appointment and remuneration of a suitably qualified and experienced person for the position of Internal Audit Manager for the Company. Such a person is charged with responsibility for:

- Developing the internal audit strategy for the Company
- Auditing operations and financial statements of the Company
- Ensuring the Company's compliance with laws and regulations as applicable
- Preparing periodic reports to the Board with respect to the adequacy and effectiveness of the Company's system of internal administrative, accounting and financing controls, and on any other issue which the Audit Committee requests reports for.

Roles and responsibilities

Internal and external audit

- Considering all aspects relating to the appointment of External Auditors, including their fees and terms of engagement.
- Reviewing details of audit plans from audit firms, and results of the audit process as to whether or not the Auditors have had full access to all relevant documents to perform their job.
- Reviewing annual and quarterly financial statements before issue; reviewing any reservations of the External Auditor on these draft statements, if any, and ensuring compliance with international accounting standards and disclosure requirements as prescribed by the CMA.
- Oversight of the internal audit function through an approved audit plan; considering the reports of the Internal Auditor, ensuring the Internal Auditors have full access to all relevant documents, and regularly reviewing the efficiency of internal audit function regularly.
- Proposing wages, remunerations and financial and in-kind benefits for the employees of the internal audit unit.

Policies and procedures

- Adopting appropriate accounting policies and principles in accordance with international accounting standards that demonstrate the real financial position of the Company.
- Ensuring there are adequate policies and procedures to detect and prevent any cases of financial fraud or forgery.
- Reviewing the risk management policy of the Company and the adequacy of internal control systems through the regular reports of internal and external auditors or appoint external consultants in this field.

Board support

- Serving as a channel of communication between the Board and the External Auditor and Internal Auditor.
- Reviewing proposed transactions with related parties to make suitable recommendations to the Board.
- Reviewing reports of the external valuer of the Internal Auditor and submitting to the Board together with recommendations; summarising the results of valuation process as part of the governance report.

Previous committee: Meetings and attendance

Meeting dates	Attending member	Position
24 January 2023 12 March 2023 18 June 2023 30 July 2023	Sabrina Al Bakri	Chair
	Sultan Al Burtmani	Member
	Rehab Al Lawati	Member

Current committee: meetings and attendance

Meeting dates	Attending member	Position
26 September 2023	Fathi Al Balushi	Chairman
	Hanaa Al Hinai	Member
	Raiya Al Salmi	Member

Nomination and Remuneration Committee

Committee member	Position
Raiya Al Salmi	Chair
Hanaa Al Hinai	Member
Ayad Al Balushi	Member

OQGN's Nomination and Remuneration Committee was formed in 2023, and meets the CMA's corporate governance standards for SAOGs.

Roles and responsibilities

To shareholders

- Assisting shareholders while electing the Board at a General Meeting in the nomination of proficient Directors and the election of the most fit for the purpose.
- Assisting with the formulation of clear, credible and accessible policies to inform shareholders about remunerations for Board Members and Executive Management, on the rules of remuneration, and sitting fees for Directors.

To the Board

- Assisting the Board in selecting the most appropriate and necessary executives for the Executive Management of the Company.
- Developing a succession policy or plan for the Board, especially the Chairperson of the Board.
- Preparing detailed job descriptions of the role and responsibilities for Board Members including the Chairperson.
- Identifying and nominating qualified persons to act as interim Board Members Directors in the event a seat becomes vacant

To Executive Management

- Nominating qualified persons to assume Executive Management positions, as required or directed by the Board.
- Developing and deploying additional performance-based criteria to determine the bonus and remuneration of the Chief Executive Officer and Executive Management of the Company.
- Providing succession planning for Executive Management.
- Preparing bonus, allowance and incentive policies for Executive Management and reviewing such policies periodically while accounting for market conditions and Company performance.

Committee meeting and attendance

Meeting dates	Attending member	Position
15 October 2023	Raiya Al Salmi	Chair
	Hanaa Al Hinai	Member
	Ayad Al Balushi	Member

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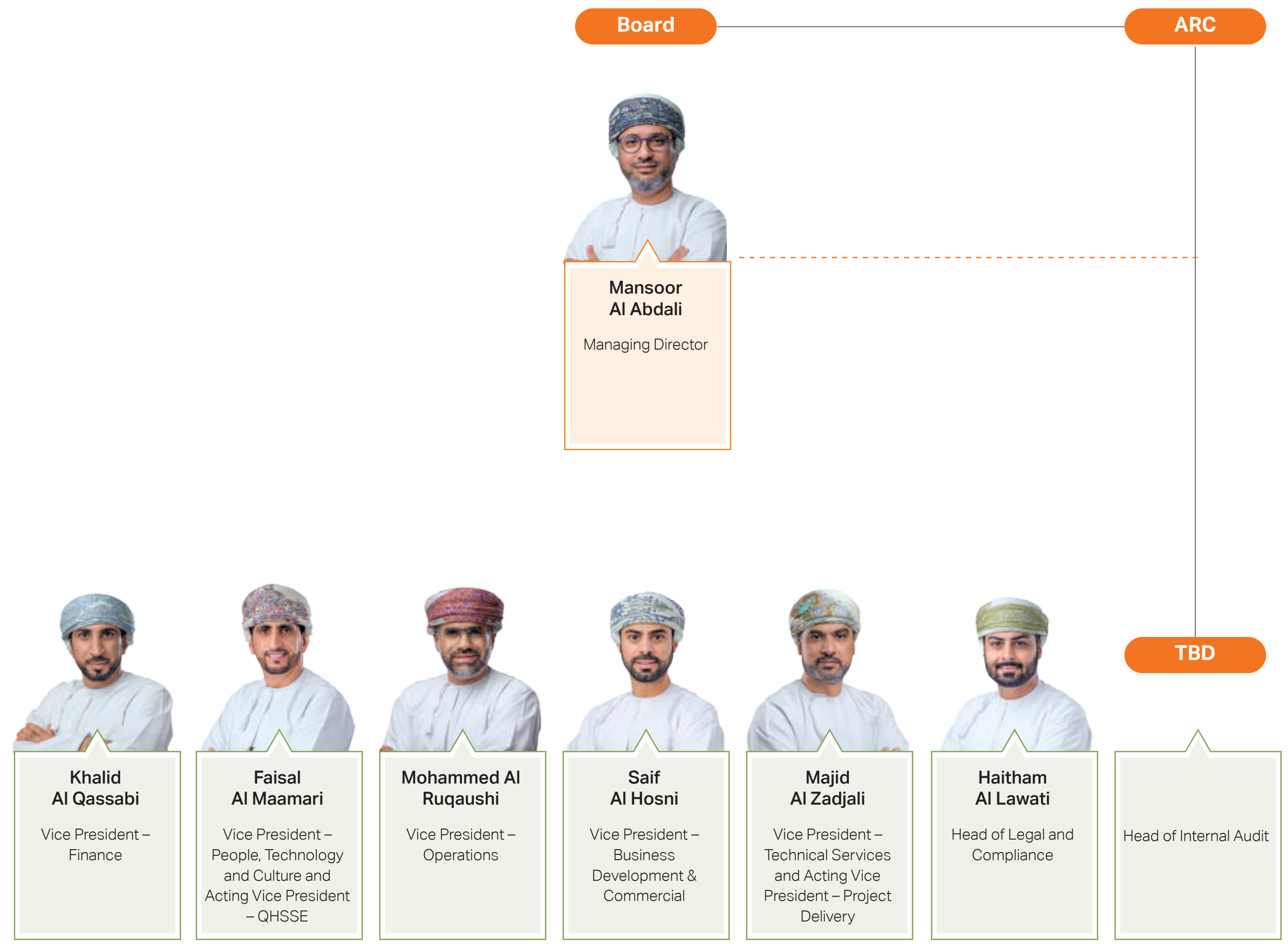
Executive Management

Orchestrating the strategic direction and daily operations, OQGN is led by a team of seasoned professionals to ensure operational efficiency, regulatory compliance, and shape the Company's trajectory within the industry.



The vacant and acting positions have been filled in 2024 as such: Khalid Al Wahaibi as VP of QHSSE, Haitham Al Shiraiqi as VP of Project Delivery, and Ahmed Al Abdali as Head of Audit, and they are expected to join in early 2024.

Profiles of Executive Management team

Mansoor Al Abdali
Managing Director

Year of joining: 2009

Education: Bachelor's degree in Mechanical Engineering from the University of Manchester Institute of Science and Technology, the UK

Experience: 29 years in operations, maintenance and engineering of oil and gas facilities, with skills in pipeline management. Prior to joining the Company, he worked for 15 years at Petroleum Development Oman (PDO), where he was in charge of the inspection and maintenance of all PDO assets and operational sites, including oil and gas pipelines and terminal facilities. Mansoor has led OQGN's asset acquisitions of PDO and Madayn (PEIE).

Khalid Al Qassabi
Vice President, Finance

Year of joining: 2022

Education: Bachelor of Arts in Accounting and Finance from the University of Leeds, the UK.

Experience: 18 years of experience in the energy and financial sectors in Oman. Prior to joining the Company, Khalid held senior positions at PwC, Schlumberger Oman, Occidental Mukhazina, Falcon Oilfield Services, and OQEP.

Faisal Al Maamari
Vice President, PT&C, and Acting Vice President QHSSE

Year of joining: 2022

Education: Bachelor of Science in Civil Engineering and Master of Science in Petroleum Engineering from Sultan Qaboos University.

Experience: 23 years in the oil and gas industry, and with OQ Group since 2013. Faisal has held senior positions at PDO, Oxy, and Oman Oil Company Exploration & Production (OOCEP), and led the Business Finance Department for OQ. His work on key growth projects include a turnaround of OOCEP's Supply Chain Department of OOCEP and securing a cross-country gas pipeline project for V2 Trenching and Co.

Management remuneration
The total remuneration paid to the top five management of OQGN year 2023 was OMR 552,018.04. This includes salary, allowances, and performance incentives.

Mohammed Al Ruqaishi
Vice President, Operations

Year of joining: 2022

Education: Bachelor of Science – Chemical Engineering and Master of Science in Industrial Engineering from Sultan Qaboos University, Oman.

Experience: 21 years of experience in the oil and gas industry. Prior to joining the Company, Mohammed had senior positions at Worley, Bilfinger Tebodin, where he helped establish the Sohar office, and at OOCEP, where he led the Bisat Field development from concept.

Saif Al Hosni
Vice President, Business Development and Commercial

Year of joining: 2021

Education: Master of Science in Process Control from the UK and a Master of Business Administration from Vienna University of Economics and Business.

Experience: 12 years of experience in the oil and gas industry. Prior to joining the Company, Saif held positions at Shell, PDO and OQEP. He is an experienced Process Control and Optimisation engineer with core competencies in upstream operations management and technical services, and experience with LEAN, continuous improvement and digitalization.

Majid Al Zadjali
Vice President, Technical Services, and Acting Vice President, Project Delivery

Year of joining: 2008

Education: Master of Business Administration from the University of Strathclyde and a Bachelor's degree in Process Operation and Maintenance Engineering from Caledonian College of Engineering, Oman.

Experience: 21 years of experience in the oil and gas industry after starting his career at PDO in the Gas Operation Team. At OQGN, he has held significant roles including Muscat Regional Manager, Operation Support Manager, Gas Planning Manager, Head of North Assets and Operations and Maintenance. Majid has worked on major projects like gas delivery to consumers, gas transmission infrastructure projects, and asset acquisitions from Petroleum Development Oman and Madayn.

Haitham Al Lawati
Head of Legal and Compliance

Year of joining: 2018

Education: Bachelor's degree in Business Studies and Law from the University of Bradford, the UK, and Master's degree in International Business Law from City, London University, the UK

Experience: 13 years of experience in both private practice and as in-house counsel. Prior to joining the Company, Haitham held positions at Saraya Bandar Jissah SAOC, Al Hosn Investment Company SAOC, Trowers and Hamlins, and Said Al Shahry & Partners.

Internal regulations

OQGN is committed to implementing the best practices and principles of corporate governance, in accordance with the guidance of the Capital Market Authority (CMA) of the Sultanate of Oman.

In accordance with the provisions set out in Article 117 of the CCL, the Company is required to adopt internal regulations for regulating its management, business and personnel affairs through its Board of Directors. Accordingly, the Company has implemented corporate governance processes that meet the CMA's requirements for an SAOG as required by the CCL, and by CMA regulations, which cover the following:

- Organizational structure of the Company, including responsibilities related to various posts within the Company and its reporting structure and/or procedures
- Specifying the extent of expense approval authority vested in each post
- Specifying the allowance for meetings, remunerations and other privileges as prescribed in respect of Board Members and Board Committee members, and the basis for their calculations
- Policies related to procurement and other transactions concerning the Company like works and procurement manual, and service contracts
- Authorities, duties and responsibilities relevant to Executive Management and Board committees
- Policies related to human resources, including salaries, appointment, development, training, promotions and termination of services
- Investment policies
- Terms of Reference with respect to the Audit and Risk Committee
- Terms of Reference with respect to the Nomination and Remuneration Committee
- Rules related to related party transactions
- Board communication policy
- The minimum level of information required for submission to the Board
- Policies and measures for submission of disclosure and insider trading policies in a transparent manner to the CMA and the MSX within specified time.
- Any other information or other regulations that the Board may deem necessary to add, for achieving adequate levels of corporate governance

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Disclosures

As a newly listed firm, the Company has recently begun the process of ensuring full compliance with CMA regulatory and disclosure rules.

Disclosure policy

OQGN diligently implements its disclosure to cultivate and sustain realistic market expectations regarding the Company's present and future trading prospects. This entails widespread dissemination of information, grounded in a genuine comprehension of future performance prospects, and ensuring that information does not mislead investors, whether intentionally or unintentionally

Related party transactions

Transaction	Related party	OMR
Construction revenue	MEM/IGC	59,621,210
Finance income on concession arrangement	MEM/IGC	72,729,609
Allowance for expenditures	MEM/IGC	24,403,041
Allowance for pass-through cost	MEM/IGC	4,817,684
Income from investment property	OQ Plastics	1,739,412
Interest on shareholder loan	OQ SAOC	32,151
Acquisition of concession receivable	OQ LPG	16,828,427
End of service benefits received on transfer of employees	OQRPI	201,434
End of service benefits received on transfer of employees	OOFDC	19,296
End of service benefits received on transfer of employees	OQ SAOC	43,598
End of service benefits received on transfer of employees	OQEP	45,621
End of service benefits paid on transfer of employees	OQ SAOC	(212,707)
End of service benefits paid on transfer of employees	OQEP	(28,354)
Key management compensation		145,580
Loans repaid during the year	OQ SAOC	136,710,500
Transfer of loan	OOFDC	890,304
Fuel gas	MEM/IGC	4,359,180
Training	Takatuf Oman LLC	217,043
IT related services	OQ SAOC	1,040,039

Market price

OQGN share price in comparison with MSX 30 index

OQGN share trading

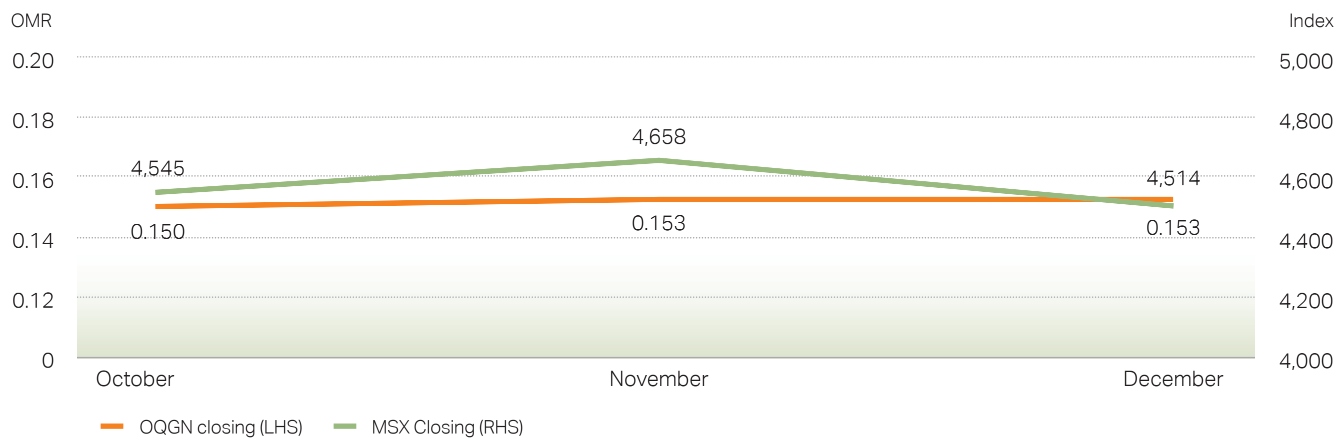
Date	Open	High	Low	Trades	Volume	Turnover	Close	Net change	%
October	0.150	0.151	0.150	22,362	404,889,782	61,808,219	0.150	0.000	0.0
November	0.153	0.153	0.151	19,478	139,193,200	20,802,944	0.153	0.000	0.0
December	0.154	0.155	0.153	8,303	95,395,835	14,705,026	0.153	-0.002	-1.3

MSX 30 index performance

Date	Open	High	Low	Trades	Volume	Turnover	Close	Net change	%
October	4,543	4,556	4,536	334	5,177,382	1,163,806	4,545	2.12	0.05
November	4,655	4,678	4,646	556	52,387,397	7,272,938	4,658	3.54	0.08
December	4,490	4,514	4,470	377	25,792,943	6,413,966	4,514	28.58	0.64

OQGN vs MSX30 share price comparison

OQGN share price compared with MSX 30 index



Share price distribution

Month	Omani %	Non-Omani %	GCC %	Arab %	Foreign %
October	79.08	20.93	12.81	0.40	7.72
November	79.39	20.61	12.43	0.18	8.00
December	79.66	20.33	12.21	0.18	7.94

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Disclosures

Annual General Meeting

No Annual General Meetings were held as SAOG.

Investor relations

The Company recognizes:

- the importance of providing shareholders, investors and analysts with easy access to clear, reliable and meaningful information on its business and operations in order to make informed investment decisions;
- that accurate, coherent and balanced communications help to establish its reputation; and
- the disclosure rules required by the CMA according to Part VII of the CMA Executive Regulations issued in 2009.

As noted above, the Company has an Investor Relations Manager, whose duties include ensuring high standards of corporate transparency and disclosure and promote clear and open communication with shareholders, investors and analysts.

The Company communicates with its shareholders and investors through the MSX website and its own website.

Quarterly financial, annual report and operating data and all material information are disclosed in a timely fashion as required by the CMA.

The Company's Executive Management is also available to meet shareholders and analysts as and when requested.

External Auditor

Auditor's profile

The shareholders of the Company appointed KPMG as its auditors for 2023. KPMG LLC in Oman was established in 1973 and is part of KPMG Lower Gulf Limited. KPMG in Oman employs more than 160 people, amongst whom are five partners and five directors, including Omani nationals. KPMG is a global network of professional services firms providing Audit, Tax and Advisory services. It operates in 143 countries and territories and have 273,000 people working in member firms around the world. KPMG Lower Gulf is part of KPMG International Cooperative's global network of professional member firms.

Auditor's fee

The total fee for audit related services paid to auditors for the year ended 31 December 2023 was OMR 45,000.

BOD acknowledgment

The Board of Directors of OQGN affirms the following:

- All Board Members are aware of the Code of Corporate Governance and its requirements.
- The Company's financial position, and operational and business performance is regularly reported to the Board. The actual performance achieved against budgets and the prior period is reported and closely monitored. Financial information is prepared using appropriate accounting policies that are consistently applied.
- The Board of Directors is responsible for ensuring that all financial statements are prepared in accordance with the requirements of the Commercial Companies Law of the Sultanate of Oman 18/2019 and follows rules for disclosure requirements prescribed by the Capital Market Authority (CMA).
- The Board has a collective responsibility for establishing, maintaining and reviewing a system of internal controls that provides reasonable assurance of effective and efficient operations, internal financial control, and compliance with the relevant laws and regulations.
- The Board attaches great importance to maintaining a strong control environment and their review covers all controls, including financial, operational, compliance and risk management.
- The Company has formally documented systems and procedures in place. Operational procedures and controls have been established to facilitate complete, accurate and timely processing of transactions and the safeguarding of assets. They are monitored through compliance with policies and procedures manuals.
- The Board has established a management structure that clearly defines roles, responsibilities and reporting lines and has approved the updated policies including credit, expenditure, disclosure and corporate governance.
- The Board is committed to ensure that all material information relating to the Company's business operations will be communicated regularly to stakeholders and members of the investment community.
- No material events affect the continuation of the Company and its operations during the next financial year.
- There are no instances of non-compliance during the year.

Risk management

Operation risks

Cybersecurity

OQGN relies on crucial information technology ("IT") and operational technology ("OT") systems to operate the NGTN, including a fibre optics-based telecommunications network, the Supervisory Control and Data Acquisition ("SCADA") system and a centralised ERP system for its operations. Considering the increased number of national and global cyber-attacks, any disruptions or system failures could significantly interfere with NGTN operations.

The Company collects and stores sensitive data, including (proprietary business information and information regarding gas suppliers, gas producers, contractors, and personally identifiable information of employees in its IT systems). The Company's information technology and infrastructure may be vulnerable to breaches and security issues or causes beyond the Company's control.

The Company complies with the various Omani regulatory bodies, including MTCIT, TRA, CMA, CDC and the APSR. The Company conducts Cyber Security risk assessments for all existing and new solutions introduced into the IT or Operational Technology (OT) Landscape. Furthermore, the Company assessed the OT Cybersecurity risks to establish the OT Landscape Cybersecurity Baseline. The Company also provides regular Cybersecurity trainings and awareness to the employees and contractors, to minimise errors and create a security culture to avoid malicious actors breaching the Company's data.

Strategic risk

Sustainability

As OQGN moves toward sustainability reporting by 2024-2025, inability to achieve sustainability targets remains a risk that can affect the Company's obligations to regulatory requirements, causing loss of investment opportunities and reputational impairment affecting share prices.

To avoid this, the Company established a Sustainability Committee to oversee the sustainability program.
In addition, OQGN set up a Decarbonization strategy as part of its KPI which was developed during 2023.

Regulatory compliance and transitional phases

OQGN's operations, governed by the Regulator, expose the Company to potential liabilities and regulatory scrutiny. OQGN's adherence to Oman's comprehensive legal and regulatory framework is imperative, yet presents challenges in terms of compliance, monitoring, and potential liability for non-compliance.

Recent and future changes to the Shipper relationship highlight potential financial risks to the Company. To control this risk, OQGN ensures to maintain dialogue with the Regulator, and other relevant stakeholders. Furthermore, the company promotes alternative revenue models for green transportation businesses (H_2, CO_2).

Operational risks

Licencing and approvals

OQGN's operations require various licenses, permits, clearances and approvals at local and national levels. Any delays, or suspension of activities at a certain location due to revoking existing licenses, or the Company's inability to obtain, maintain, or renew authorisations or licenses could have an adverse impact on OQGN.

To ensure validity of the licenses, OQGN deployed a digitalized tracking system, reminding users with the renewal of licenses, in an efficient manner.

Financial risks

The Company navigates various financial risks mainly associated with current and anticipated projects' funding including fluctuation of interest rate, while the regulator allows a fixed cost of debt for the price control period.

To limit the Company's exposure to the effect of the fluctuation, OQGN entered into multiple funding facilities, of which, few are strategically designed to have a fixed interest rate.

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OQGN IPO

OQ Gas Networks makes history with record IPO

In a landmark event for Oman's capital markets, OQ Gas Networks (OQGN) raised a record-breaking amount in its Initial Public Offering (IPO) on 24 October. **With a top-of-the-range price, the IPO drew overwhelming demand from local, regional, and international investors, turning the occasion into the largest IPO in Oman's history.**

The Saudi Omani Investment Company (an entity **owned** by Saudi Arabia's Public Investment Fund). **Falcon Investments** (the Qatar Investment Authority subsidiary), and Brussels-based **Fluxys International** each secured a substantial **14.7% stake** of the issued volume, while OQ SAOC held the largest stake with **51%** of OQGN's share capital.

Date	Amount raised	Shares issued	Investor response
October 24, 2023	OMR 288 Mn. (USD 750 Mn.)	2.1 billion ordinary shares (49% of issued share capital)	Overwhelming demand that resulted in nearly 14 times oversubscription from local, regional, and international investors.

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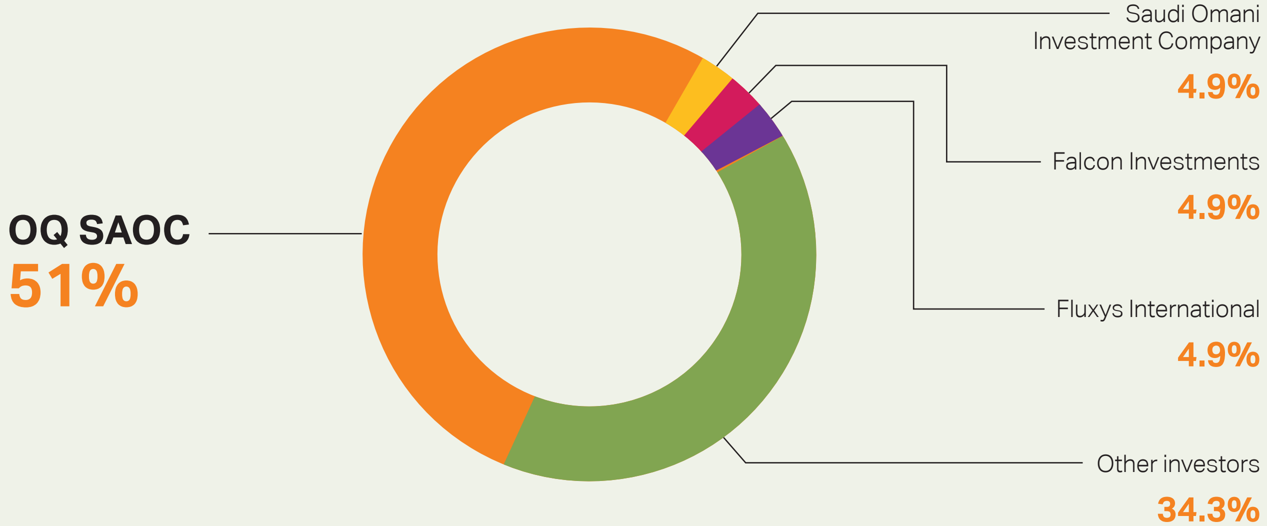

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OQGN IPO

The IPO of OQGN was characterised by several noteworthy outcomes:

Final offer price:
140 Bz per share

Market capitalisation:
OMR 606 Mn.

Trading under the symbol "OQGN", becomes third-largest company listed on the Muscat Stock Exchange (MSX) by market capitalisation and the largest Sharia Compliant IPO in the country.

Over 155,000 investors participated for a total demand of OMR 4,002.52 Mn.

Adhering to Sharia compliance factors, the IPO appealed to a wide range of local and international investors, coming at a time of heightened IPO activity in the Gulf Cooperation Council (GCC) region.

Talal Al Awfi, OQGN Chairman and OQ SAOC Chief Executive, highlighted the broader significance of the IPO, stating, "The IPO of OQGN is part of a broader divestment programme envisioned by the Government and being implemented by Oman Investment Authority – the integrated sovereign wealth fund of the Sultanate of Oman."

OQGN intends to distribute dividends for its 2023 financial year performance to its shareholders during 2024:

First dividend:
OMR 33 Mn. (USD 85.7 Mn.) in January 2024, covering the first nine months of 2023.

Second dividend:
OMR 11 Mn. (USD 28.6 Mn.) in April 2024, covering the last three months of 2023.

As the exclusive operator of Oman's gas transportation network, OQGN's record-breaking IPO is not only an indicator of the Company's vital role as the backbone of the energy ecosystem, but a reflection of booming confidence in Oman's capital markets and its broader economic prospects. By going public, OQGN is well-positioned to grow and move forward, poised to chart a successful trajectory in the years to come.

BUSINESS OVERVIEW

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Market landscape

Gas demand in Oman is expected to remain stable over the next 20 years, supported by LNG exports being an important foundation source of demand.

Summation

Oil and gas production has been a constant driver of Oman's economy since the 1960s. The sector continues to dominate the economy, accounting for about 35% of GDP and approximately 73% of government revenue*. Exploration, production, extraction, and export of oil and gas serve as a main pillar of Oman's economy.

Industry update and global rankings

Oman is the world's 17th largest producer of gas, and holds the world's 26th largest proven gas reserves, according to the Energy Institute Statistical Review of World Energy 2023 by the Energy Institute.

The country's gas production has increased steeply over the last 20 years, from 15.4 BCM in 2001 to 42.1 BCM in 2022, a record high for the country. Moreover, a number of concessions have been awarded in recent years to BP, ENI, TotalEnergies, and Shell, who are all actively exploring the main hydrocarbon basins of Oman. It is likely that these efforts will yield further gas discoveries.

One critical project that will increase the gas demand growth will come from the new developments in Duqm. A new refinery in Duqm by OQ8 is expected to come fully operational in early 2024 and will have maximum gas consumption of 1 BCM per year. Duqm is expected to join the other well-established key gas clusters (Sohar, Muscat/ Mina al Fahal, Sur, and Salalah) and become the fifth key cluster in the country.

Outlook

Gas demand in Oman is expected to remain stable over the next 20 years, supported by LNG exports being an important foundation source of demand. With a natural monopolistic position in Oman's gas transportation and distribution infrastructure, the Company is expected to benefit from stable utilisation in the future.

The Government of Oman's Vision 2040 lays out a pathway to diversify the economy, encouraging growth in non-hydrocarbon sectors. OQGN's strategic vision and existing natural gas network positions the Company to be an enabler of the country's transition towards green energy, in line with global trends.

*According to the Omani National Centre for Statistics & Information (NCSI) 3rd quarter report of 2023

Operating environment

OQGN has an exceptional track record with consistent gas availability, minimal interruptions, international certifications, and adherence to the highest standards of operations and maintenance. While these factors continue to be reflected in the Company's operational performance, its 99.99% gas availability average of the last 10 years catapulted to 100% in 2023.

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Quality, Health, Safety, Security and Environment (QHSSE)

OQGN is deeply committed to ensuring the health, safety, security of employees and contractors in addition to minimising impact on the environment. This commitment is evaluated against best industrial standards, legal requirements, quality audits and management reviews.

QHSSE strives to uphold the highest standards of quality, environmental sustainability, occupational health and safety, and asset management throughout the organisation.

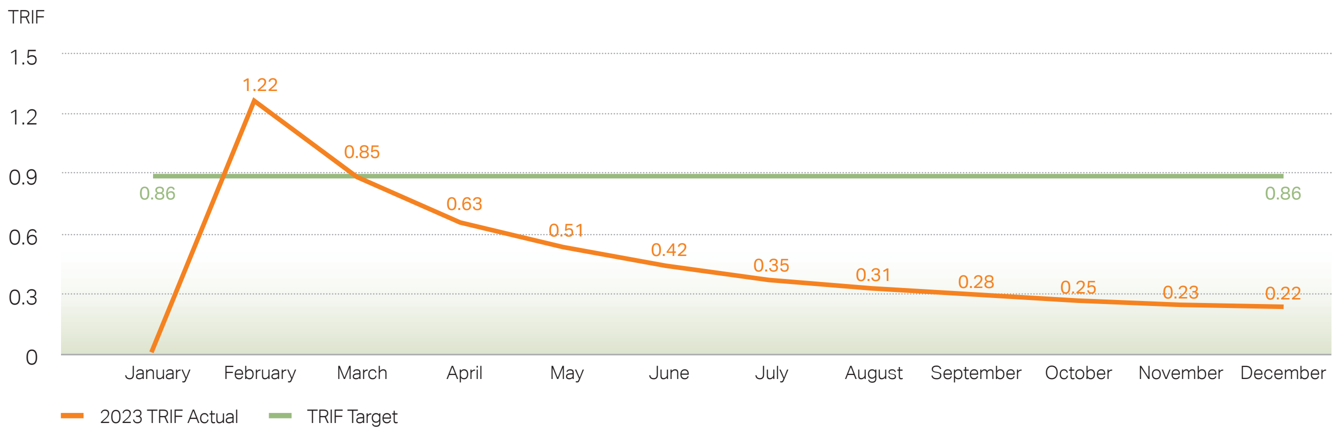
Since the year 2012, OQGN has continued to uphold ISO standards and certifications in Quality (ISO 9001), Environment (ISO 14001) and Occupational Health and Safety (ISO 45001). OQGN obtained an additional certificate in 2022 for Asset Management (ISO 55001). These certificates are periodically reviewed and audited by accredited bodies.

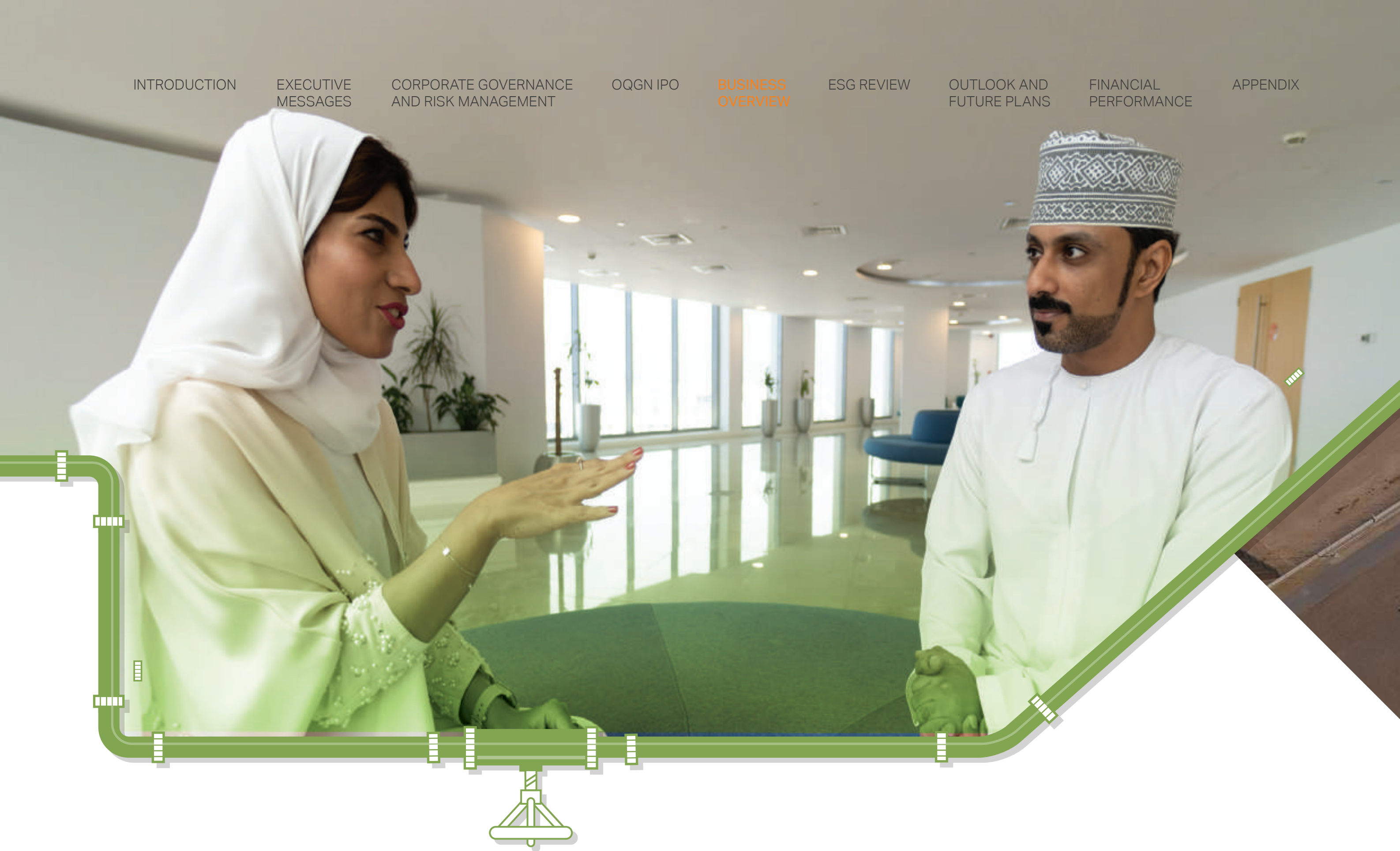
The Company has actively promoted and embedded safety into employee behaviours to minimise the occurrence of incidents and ensure unobstructed reporting of incidents. The continuous educating of workforce in safety aspects drives positive change in the organisation's HSE culture.

OQGN ensures compliance to environmental, legal requirements and industry best practices. In addition to audits, guidance for waste disposal and monitoring of emissions are provided.

Total Recordable Injury Frequency (TRIF)

TRIF 2022 vs 2023

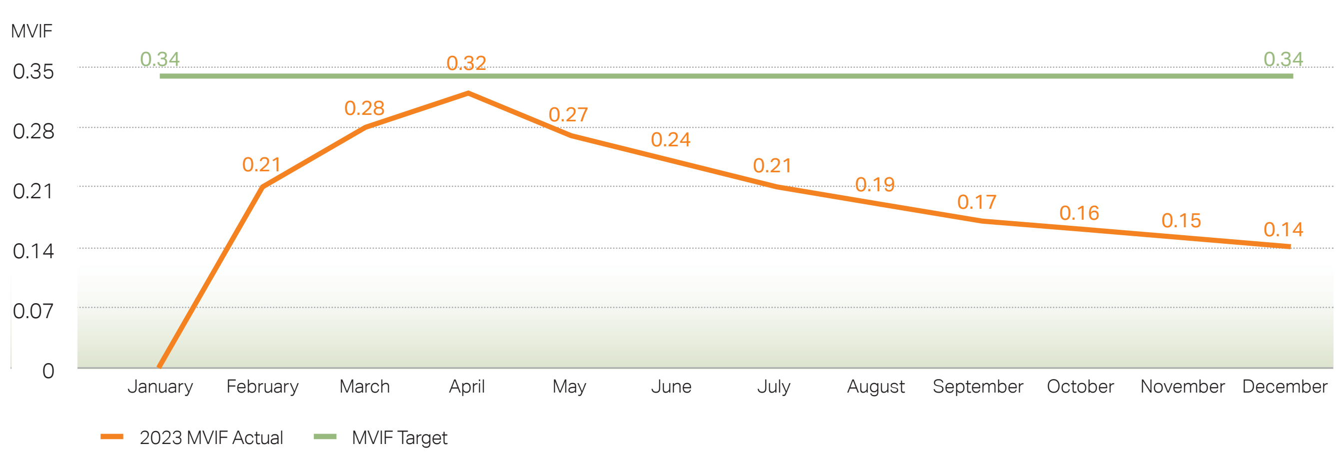




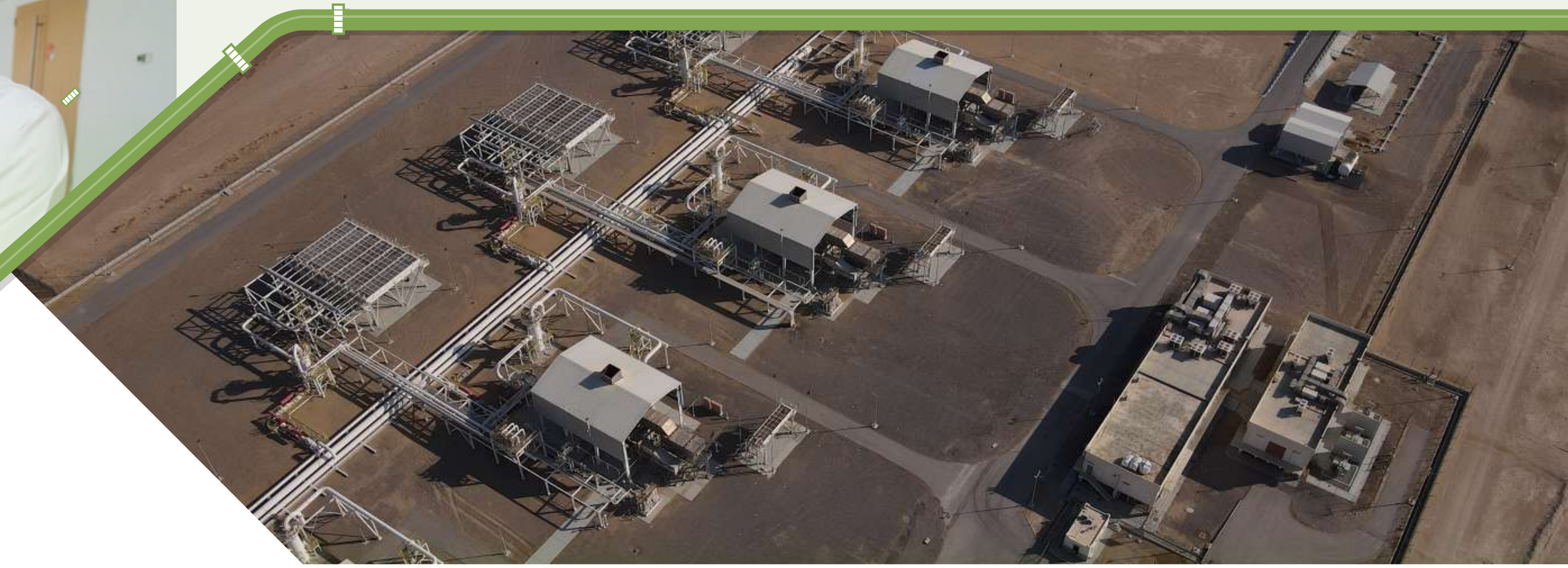
OQGN recorded a total of 9.2 million manhours and a TRIF of 0.22 against a limit of 0.86. The positively lower TRIF is a reflection of the employees' commitment supported by leadership's frequent site visits, contractor forums and positive engagement of the workforce.

Motor Vehicle Incident Frequency (MVIF)

MVIF 2022 vs 2023



OQGN drove 21.3 million kilometres and recorded a MVIF (motor vehicle incident frequency) of 0.14 against a limit of 0.34. The total MVIF of more than 11.9 million equals circumnavigation of the earth safely more than 298 times.



HSE monitoring and training

QHSSE digitalisation cultural influence

Recognising the importance of modernisation and efficiency enhancement, OQGN has actively engaged in initiatives to simplify, monitor and promote different health and safety processes including but not limited to:

Intelex: tracks incidents and observations to encourage a culture of reporting and awareness and to adhere to HSE practices.

Mueen: a mobile phone-based application that enables the capturing of accurate information in real-time to ensure correct actions are taken against any external impacts on OQGN pipelines

E-PTW: an electronic Permit to Work system, reducing the tedious paperwork to an online solution, enhancing applications and approval processes.

As part of the workforce training to influence the preparedness, OQGN invested more than 35,000 HSE training hours (25,000 in 2022) to ensure safe activities, and understanding of practices.

Asset management

Ensuring optimal operations at OQGN demands a comprehensive approach that extends to all facets of gas transportation, including the intricate management of the pipeline network. Rigorous monitoring of pipelines is essential to maintain their integrity and efficiency, while ongoing maintenance efforts and strategic enhancements further strengthen operational reliability. Within this framework, the identification of key areas for improvement becomes crucial. Whether streamlining logistical processes to optimise efficiency, implementing innovative technologies to mitigate environmental impact, or enhancing safety protocols, every initiative contributes to the primary goal of operational excellence. Moreover, by fostering a culture of continuous improvement, OQGN remains agile and responsive to evolving industry trends and challenges.

All pipeline networks are connected through the SCADA network and regularly monitored and controlled to ensure continuity and stability. To support this, skilled and competent teams are commuting across regions, performing their day-to-day activities, as well as responding effectively to any emergency scenario by handling and minimising downtime if they occur.

Throughout 2023, multiple initiatives were raised and implemented to enhance operational integrity and reliability of OQGN by enabling swift responses during emergencies and to mitigate the risk of interruptions and ensure exceptional service for our customers.

These include the introduction of new supervisory systems for live monitoring of procedures to enhance operational oversight, and providing real-time insights into system performance. Another initiative was the adoption of a condition-based monitoring system that optimised maintenance practices, improved efficiency and accuracy while minimising downtime by proactively identifying and addressing potential equipment failures.

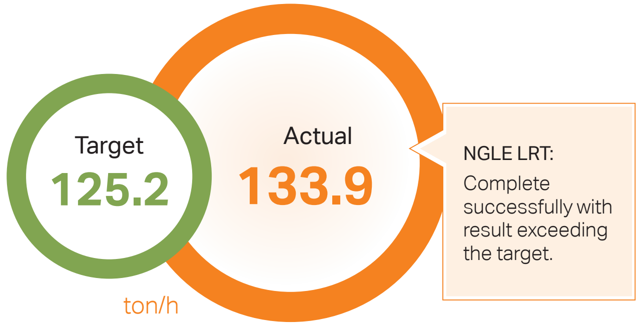
- Integrated Gas Centre (IGC) SCADA
- Valve Conditioning Monitoring (VCM)
- Process Information (PI)
- Madayn Metre Replacement
- Agile Metering Enhancement
- Heater Optimization Process

Key activities undertaken to ensure operational excellency

- Ensure adherence to compliance standards
- Monitor operational schedules to maintain efficiency
- Assess equipment functionality to ensure reliability
- Optimise maintenance practices to minimise downtime
- Upgrade conventional flowmeter types to enhance data accuracy and precise billing

OQGN has earned recognition for its endeavours to optimise the value of gas molecules by targeting areas where they contribute the most economic value. An exemplary case is the company's support of OQ's NGLE and LPG Lender's Reliability tests. This support, characterised by seamless gas supply management and round-the-clock operations, ensured consistent quantity and quality of gas throughout the 90-day performance assessment period.

NGLE LRT (90 Days)

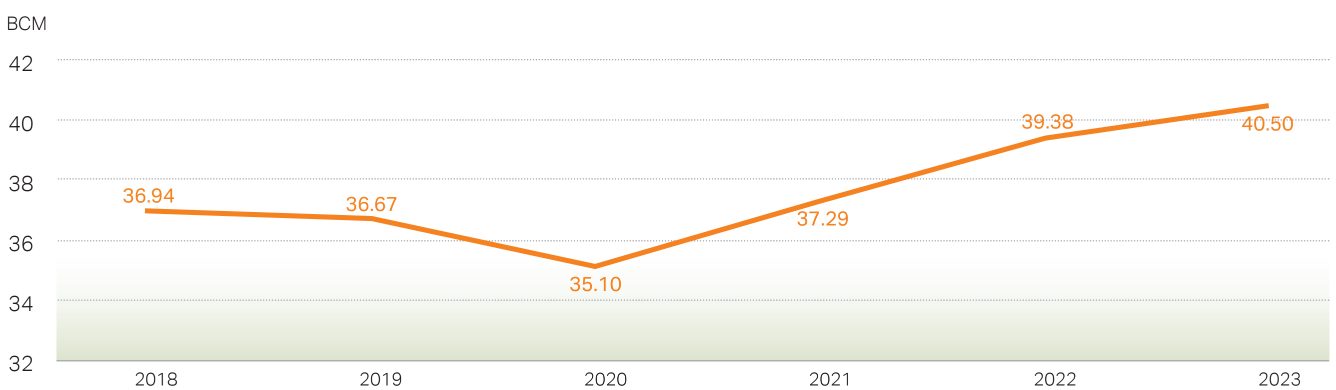


In 2023, OQGN's unwavering dedication and commitment led to a noteworthy achievement: a significant milestone of achieving **100% gas availability.** This accomplishment highlights the Company's focus on delivering unparalleled service to its customers. Additionally, these persistent efforts resulted in the successful delivery of 40.5 billion cubic meters (BCM) of gas, representing a new peak of efficiency and reliability in the Company's operations.

Cumulative achievements

- Remarkable 100% availability of assets.
- Record-breaking single-day gas delivery of 125.2 million Cubic Metres, the highest in the Company's history.
- Zero recordable gas outages or interruptions.
- Additional gas supply to OLNG v/s nomination was an accumulative 109 MMSCM.

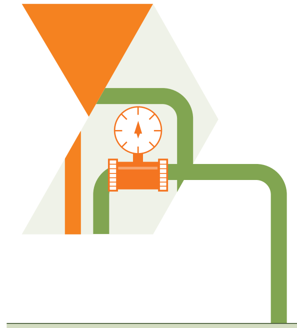
Quantity of Gas delivered



Strategic business objectives

For the next five years, OQGN is focusing on solidifying its position as a critical infrastructure provider by expanding its existing network, becoming the partner of choice in energy transition projects, and emphasising its role towards sustainability.

Focus areas (2024-2028)



Network growth

Gas network

Growing the gas network and infrastructure through new projects and emerging opportunities, and through the acquisition of all gas transportation assets that are still under other parties.

Net zero transportation and storage (H_2, CO_2)

Developing new capabilities, infrastructure and assets required for the transportation and storage of H_2 and CO_2.

Operational excellence

Optimised efficiency

Improving the resources, time, and effort associated with service delivery, while maintaining quality and performance standards.

Sustainability

Decarbonisation

Developing and implementing a decarbonisation strategy to reduce Scope 1 and Scope 2 emissions.

ESG operating model

Defining projects and initiatives based on material topics to enhance sustainability performance.

Alignment with Vision 2040

Oman's Vision 2040 strategy was created to overcome challenges, keep pace with regional and global changes, generate and harness opportunities to foster economic competitiveness and social well-being, stimulate growth, and build confidence in economic, social and developmental relations. Launched in 2020, the comprehensive national 20-year plan includes a roadmap of 65 KPIs with clear targets for 2030 and 2040.

As the Omani Government emphasises the divesting or privatising of certain assets, it has already taken initial steps like transferring government-owned investments to newly formed, sector-specific holding companies, or by transferring them to the ownership of Oman Investment Authority (OIA). This privatisation programme is expected to maintain good levels of private investment to spur further economic growth.

Oman Vision 2040 also lays out a pathway to diversify the economy by encouraging growth in non-hydrocarbon sectors such as alternative energies, technology, and tourism, supported by an expansion in industrial demand, and precipitated by growing national wealth.

Gas supply will be required to support this industrial growth, providing major opportunities for continued utilisation and possible expansion of the NGTN to support overall economic growth.

Steering a sustainable future

OQGN has a strategic plan to harness its strengths, expertise and market position to play an essential role in Oman's energy transition by facilitating transport and storage of hydrogen and captured carbon. Carbon capture, utilisation and storage (CCUS) are key pillar of global decarbonisation strategies, and the Omani Government's energy transition strategy prioritises it as a key enabler of the net zero target by 2050.

Oman has ambitious plans to build a hydrogen-centric economy, with aims to increase green hydrogen production to the range of 1.0 mtpa to 1.75 mtpa by 2030, 3.25 mtpa to 3.75 mtpa by 2040, and 7.5 mtpa to 8.5 mtpa by 2050. The 2040 hydrogen target would represent 80% of Oman's current LNG exports in energy-equivalent terms, while achieving the 2050 target would almost double them. As part of this vision, Oman also aims to become a key green hydrogen producer and exporter, which represents a potential expansion opportunity where OQGN could play a major role in its successful implementation.

Strategic business objectives

MoU with Hydrom

To lead Oman's ambitious green hydrogen strategy, the government has established Hydrogen Oman SPC (Hydrom) as a subsidiary of Energy Development Oman SAOC, and has allocated significant investments to support these ambitious plans.

In June 2023, OQGN and Hydrom signed a non-binding, non-exclusive MoU (memorandum of understanding), to cooperate and share knowledge that supports Hydrom's mandate, and for OQGN to oversee the planning and development of the hydrogen infrastructure associated with green hydrogen developments in Oman.

MoU with Oxy Oman

In November 2023, OQGN and Oxy Oman signed an MoU to jointly study potential CCUS projects in Oman. The agreement also covers collaboration and expertise exchange to develop and deploy CCUS in conjunction with enhanced oil recovery (EOR) projects at Oxy's production assets in Oman and support the development of relevant policies and procedures with government bodies.

Oxy is Oman's largest independent oil producer, with operations located across more than 6 million gross acres. The Company has steadily increased production and reserves during the last four decades.

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Stakeholders

Principal stakeholders

Shareholders

51% of the shares are owned by OQ SAOC, while the remaining 49% is owned by international, regional, and local institutions as well as individuals

Government of Oman

Government signs agreements and ratifies them by Royal Decree including signing the Concession Agreement with OQGN for ownership and operatorship of the Natural Gas Transportation Network

Shipper

Ministry of energy and minerals as the original sole shipper as per the Transportation Framework Agreement, which was subsequently transferred to Integrated Gas Company.

Potential other shipper(s)

Scope for additional shippers via a multi-shipper agreement

Authority for Publics Services Regulation (APSR)

Independent gas transportation economic and operational regulator as appointed by the Royal Decree 78/2020

Gas suppliers

These are E&P companies that have concessions and agreements with the Government. As connected parties, these pay connection charges to OQGN. This is set out in the Connection Fee Statements (Entry and Exit) and various Connection Agreements signed with the connected parties

Customers

Approximately 130 customers including industrial consumers, industrial estates, and power producers who are sold natural gas as per natural Gas Sales Agreements terms. These, as connected parties, pay connection charges to OQGN. This is set out in the in the Connection Fee Statement (Exit points) and various Connection Agreements signed with the connected parties

Other stakeholders

Environment Authority

Environmental Authority established in August 2020 by the Royal Decree 106/2020 that sets Oman's environmental laws Connection Agreements signed with the connected parties

OQGN

Dividends

Ownership

Regulates allowed revenues and RAB tariff structure

Connection fees*

Grants Concession Agreements

Transportation fees

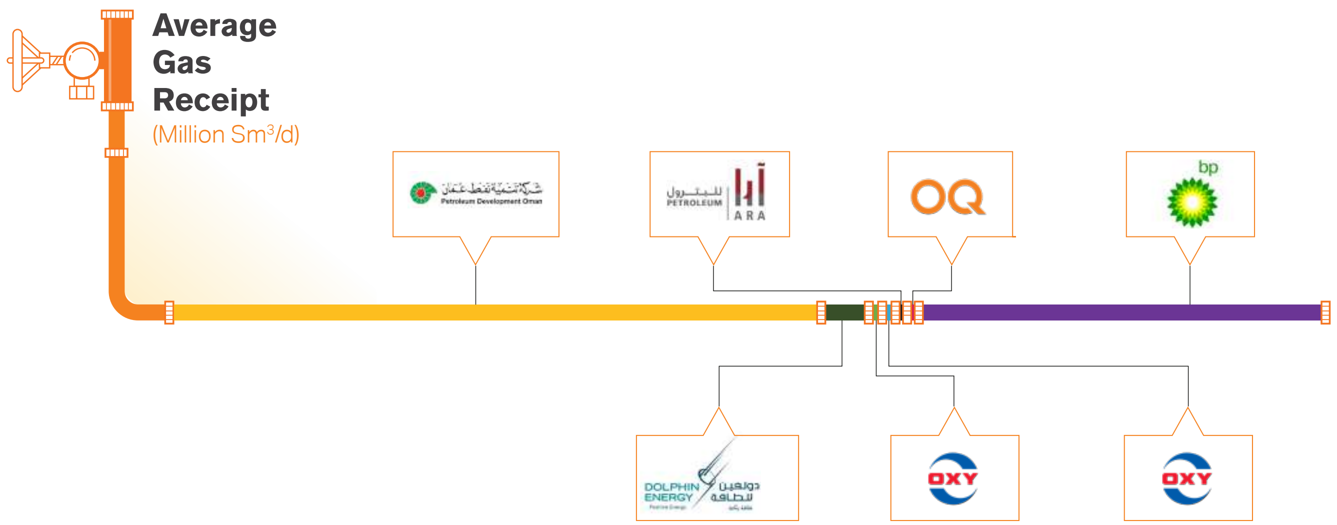
Transportation services

Connection fees*

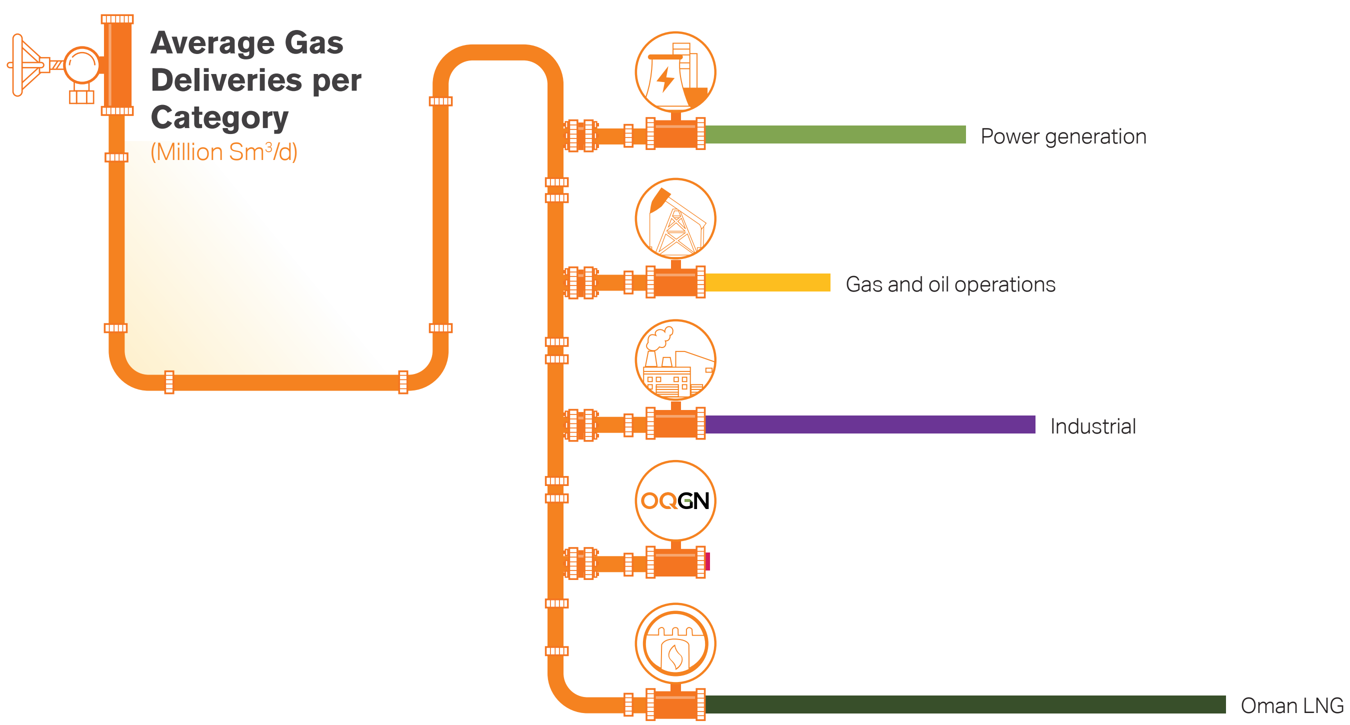
Transportation services

*Note: as of March 2020 Connection Fees are realised from gas consumers for new or modified connections (as per Regulator approved Connection Fee Statement).

Average Gas Receipt
(Million Sm³/d)

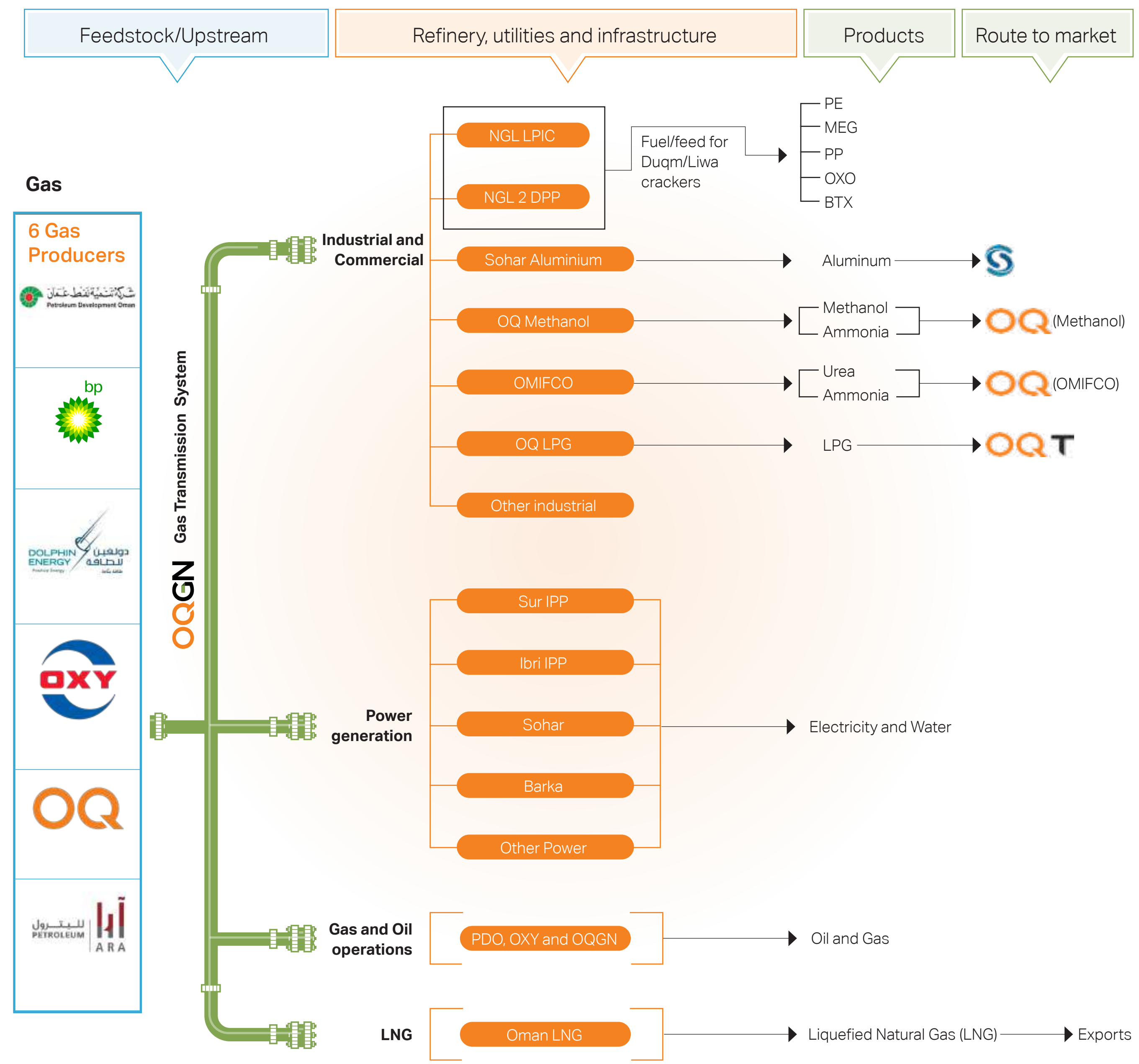


Average Gas Deliveries per Category
(Million Sm³/d)



Value chain

Acting as both, a critical company and infrastructure provider throughout the value chain, OQGN is considered the backbone of Oman's energy ecosystem.



Human resources

OQGN maintains an efficient organisational structure to ensure regulatory compliance, focusing on hiring and training Omani graduates, providing social insurance, adhering to labour laws, and committing to the welfare of its employees.

Organisational structure

Managing Director

- Business Development & Commercial
- Projects Delivery
- Operations
- Technical Services
- QHSSE
- Finance
- Legal and Compliance
- People, Technology & Culture
- Internal Audit

OQGN has an efficient organisational structure designed to enhance performance across all operations, and ensure compliance with all regulatory requirements.

Employee count and nationalisation

In December 2023, the Company had 468 permanent employees across all operations, with Omani nationals making up approximately 94% of the total workforce. The total number of female employees is 64.

The HR strategy focuses on the hiring of Omani talent, and empowering them with intensive training, to help meet the Company's future strategic objectives, and fulfil the country's Omanisation requirements.

Training programmes

Training programmes play a crucial role in fostering professional development, improving employee performance, and achieving overall organisational success. This has been facilitated by Development Needs Analysis (DNA) to understand every individual's current capabilities and the skills required for their current or future roles.

E-learning

E-learning allows education to be more flexible, cost effective, accessible, and personalised. This aims to enhance the Company employees' soft skills by offering number of training modules with minimum resources.

IRTIQA'A Coaching zone

Supportive tool for employees to approach a preferred coach in a prescribed field of training, at their choice of time, location and duration.

ITHRAA Knowledge sharing platform

Inspiration for continuous learning and enhancing organisation learning culture, with shared skills, experiences and knowledge from employees and partner SMEs. A motivational scheme rewards employees for knowledge sharing.

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Highlights of 2023

Masar Leadership
The Masar Leadership programme was launched in the last quarter of 2023, and will be continued in 2024, with the addition of modules of Executive Coaching. The programme aims to ensure that the Company's future leaders are well developed.

22,847.5 Training hours
Total 22,847.5 training hours was provided to employees up to the end of December 2023.

OQGN graduates programme
The first cohort of OQGN graduates, a total of 27, have completed their 2-year development programme in October.

Corporate Social Investment (CSI)

OQGN considers the development of society in Oman as an integral and essential part of its operations, and actively supports government efforts towards environmental responsibility and the strengthening of community partnerships.

Corporate volunteering

Employees regularly engage in events and activities that support suppliers, contractors and the community, and by donating their time and efforts towards deserving causes.

Local suppliers and national sourcing

The Company prioritises local suppliers to contribute to the growth of small-scale industries, entrepreneurship and the local economy. As a member of the Joint Supplier Registration System, the Omani national procurement system for the oil and gas industry, the Company also adheres to the centralised registry of vendors to provide better access to small and medium enterprises (SMEs) and local companies.

Human resources

With these initiatives, OQGN has recorded an In Country Value Index (retained value) of OMR 18 Mn. with local spend of OMR 46 Mn.

Community development

OQGN believes that constructive dialogue and participating in societal issues forms the basis of strong community relations.

The Company also built positive relationships with two schools in Muscat, the Royal Oman Police School and University of Applied Sciences, and held public workshops about the benefits and the risks of pipelines in different local offices.

In a strategic collaboration aimed at fostering community development, OQGN signed Memorandums of Understanding (MoUs) with the Directorate General of Education and the Directorate General of Health Services in Dhofar to invest in Corporate Social Investment (CSI) projects that align with the OQGN CSI Framework.

Highlights of 2023

Supply of projectors and livestream devices to Dhofar Schools to enhance quality of education	60,000
The improvement of Sada and Ouqad polyclinics to elevate the quality of medical care in these critical health centres	20,000
Supply of Optical Coherence Tomography (Imaging System) in Sultan Qaboos Hospital, Heart Center to improve the quality of cardiac interventions	20,000
Total	100,000

Formation of OQGN Social Investment Committee

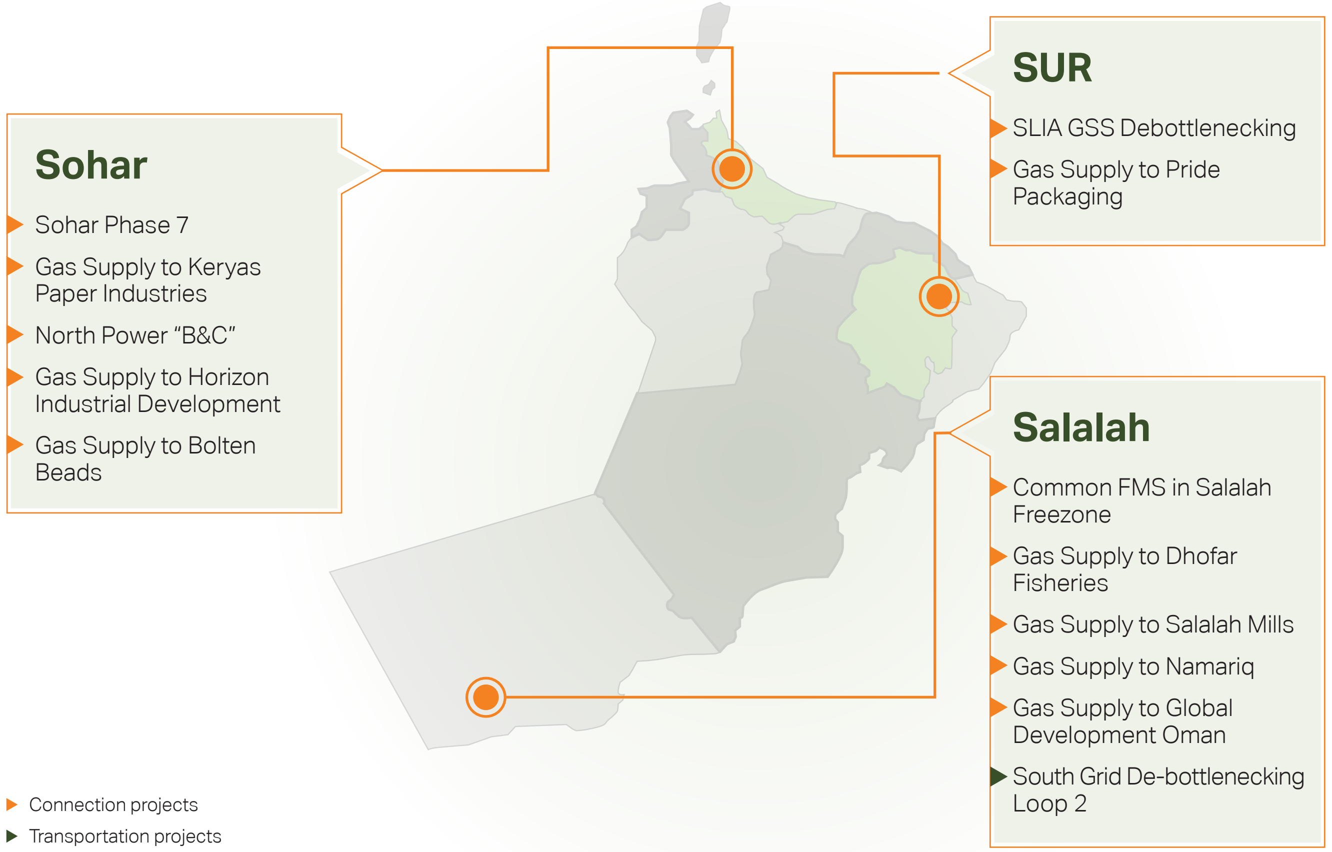
The Company has formed a Social Investment Committee. The CSI Committee plans to roll out its mission and mandate in 2024, under the Company's pillars of

1. Education and health
2. Environmental stewardship
3. Economic prosperity

Projects

OQGN successfully carried out a number of projects in 2023 that will expand operations and boost the Company's financial performance in the years to come.

As of 31 December 2023, OQGN has effectively finalised gas supply projects for vital industries nationwide. This includes commissioning and completion of 13 growth projects with a cumulative earned value of OMR 132.5 Mn.



The successful completion of projects has expanded the Company's customer base and enriched energy impact.

Financial overview

We are looking back at a successful 2023 with figures that underscore the Company's robust financial performance, and operational highlights from a fiscal perspective.

OQGN earned a remarkable income of OMR 174 Mn. during 2023 (OMR 160 Mn. in 2022). In tandem, OQGN has also pulled additional efforts to optimise its expenditure, resulting in an increase of 18% in EBITDA* (OMR 84 Mn. vs OMR 71 Mn. in 2022) and an increase of 22% in net profit (OMR 55.5 Mn. vs OMR 45.6 Mn. in 2022)

Motivated by the continuous financial and operational achievements, OQGN has set up a short-term and long-term strategic growth plan. The strategy is based on continuing investments in the expansion and growth of its natural gas transportation network which includes debottlenecking and upgrades, the acquisition of other gas transportation assets, and expansion into transportation of other energy sources. OQGN concession receivable and contract assets stood at OMR 1,042 Mn. at the end of 2023 vs. OMR 997 Mn. in 2022. This represent an increase of 4.5% in the asset base year on year.

This growth strategy also contemplates the utilisation of its key strengths and leading market position to play an essential role in Oman's energy transition by facilitating the growth of hydrogen and captured carbon transportation and storage.

To support its ambitious growth needs, the Company has revaluated and substituted its previous financing facility with three financing facilities. The financing facilities comprised of two Wakala Facility Agreements with local and regional banks with a total of OMR 317 Mn., along with an unsecured conventional term financing facilities with a total of OMR 147 Mn.

The Company intends to distribute its first dividend of OMR 33 Mn. for the first nine months of 2023 in January 2024, and expects to pay the second dividend distribution of OMR 11 Mn. for the last three months of 2023 in April 2024. This distribution translates to a yield of 6.64% based on the OQ Gas Networks (OQGN) share price as of the end of 2023 (153 Bz).

The Company's strategic priorities are aligned with Oman's sustainability agenda, and it remains committed to the achievement of national goals. As Oman moves forward on its energy transition journey, OQGN is well-positioned to act as a significant player.

Khalid Al Qassabi
Vice President – Finance

*(Earnings before interest, taxes, depreciation and amortization)

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ESG REVIEW

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Approach to sustainability

Approach to sustainability

OQGN's sustainability strategy involves growing its network and operations to deliver cleaner, safer and more sustainable energy, while supporting local communities and maintaining high level of ethics and transparency. The sustainability strategy corresponds with Oman Vision 2040 strategic pillars that address different aspects of sustainability.

During 2023, OQGN formed a dedicated sustainability unit, to drive initiatives and explore opportunities that align with the Company's sustainability strategy. Further, a Sustainability Committee was established that oversees sustainability integration in the Company's strategic plans.

ESG priorities

OQGN carried out a materiality assessment process to identify the core areas where OQGN's operations intersect with environmental, social, and governance (ESG). As a result of the assessment, the Company developed its materiality matrix which is presented in the following diagram.

1 - Asset Integrity and Critical incident
2 - Occupational Health and Safety
3 - Cybersecurity and Data Privacy
4 - Local Community & Social Investment
5 - Climate Adaptation and Energy Transaction
5 - Agility, Innovation and Digital Transaction
6 - Empoleyment Practices & Development
7 - Pollution Control
8 - Economic Impacts
9 - Supply Chain Management & ICV
9 - Business Ethics & Anti corruption
10 - Human Rights Protection & Labour Management
11 - Sustainable Finance
12 - Water consumption
12 - Government Relations & Tax

A dedicated Sustainability Report will be published in 2024

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Our awards and achievements 2023

Achievements

As 2023 was considered an exceptional year for OQGN, the following achievements and awards are highlights from the year:

- Successful launch of the OQGN corporate identity
- OMR 461.4 Mn. largest Islamic financing syndicate in Oman
- OQGN sponsored MEM's first workshop on "The Future of CCUS and Blue Hydrogen in Oman", held on 22 May 2023 and attended by key stakeholders.
- MEM recognised OQGN as national champion for hydrogen transportation and storage, mandating OQGN to lead the planning and development of an open access hydrogen network in Oman.

Recognition and awards

- "Energy Company of the Year" at the prestigious "Alam Al Iktisaad Awards."
- MD, has been awarded "CEO of the Year – Energy"
- VP of People, Technology and Culture is recognised as the "Most Promising Leader in the Energy Sector."
- Been awarded the prestigious "Islamic Finance News (IFN) Oman Deal of the Year 2023" and "IFN Equity and IPO Deal of the Year 2023" for their landmark OMR 288 Mn. IPO, one of the largest in Oman's history
- Awarded the Most Trusted Brand of the Year

OUTLOOK AND FUTURE PLANS

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Business plan (2024-2028)

OQGN's 5-year business plan forms the foundation for future growth, with well-defined paths to reach its goals and objectives, and as defined by the Company's mission and vision.

The OQGN 2024-2028 Business Plan is a comprehensive document that outlines the goals, strategies, and operational details of the Company. It serves as a roadmap for management, employees, and other stakeholders, guiding decisions and actions to achieve success.

The business plan is supported by an annual scorecard which is essential to measure and track progress towards achieving strategic objectives. Embedded within the scorecard are measures to evaluate the Company's financial and non-financial performance.

The dimensions of OQGN's scorecard are:

HSSE	**Control and minimise undesirable events that impact employee safety, the reliability of business goals, and the environment**
Sustainability	**Measure and evaluate the Company's performance in terms of environmental, social, and governmental sustainability**
People	**Attract, develop, and retain top talent through nurturing an environment of innovation and knowledge management**
Financials	**Create value through effective cost and capital management, continuous improvement of business processes and optimum investment in assets**
Operation excellence	**Achieve best in class operational reliability through delivery of projects on time and by ensuring system integrity and gas availability**
Strategic priorities	**Successfully carry out strategic projects required to drive OQGN's short and long-term plans**

Business continuity

During 2023, OQGN initiated a business continuity programme, with full deployment scheduled for 2024, with the objective of building resilient and proactive processes that will ensure smooth operations in the event of any business disruption.

The governance structure of the programme requires detailed planning, which will be developed and tested before launching.

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Price control

In reference to the Regulatory Asset Based framework applicable to OQ Gas Networks SAOG (the **"Company"**), the final determinations and Allowances were obtained and approved, from the Authority for Public Services Regulation (the **"Regulator"**), for the third Price Control Period for the next four years (2024 – 2027) (**"PC-3"**) in which the following were the key inclusions:

1. **Return on Capital:** The Regulator has confirmed the final Return on Capital (weighted average cost of capital) of 7.79% for PC-3.
2. **Capital Expenditure ('Capex'):** The Regulator approved the Capex of OMR 191.5 million for PC-3 inclusive of growth projects, sustaining projects and asset acquisitions.
3. The Regulator has also approved **additional allowances** of 5.276 million for PC-2 period (2021-23) related to actual costs incurred by the company, which are added to the Allowed Revenues for PC-3.

The Regulator has introduced a **new mechanism** that allows for earning revenue on additional approved Capex in that same Price Control Period of such increase rather than the future Price Control Period as it was the previous mechanism.

Operational excellence

Through meticulous resource management, advanced technologies, and streamlined processes, OQGN maximised efficiency and productivity while minimising risks and environmental impact.

Digitalisation

With the rising global trend towards digitalisation, OQGN has set its focus in transforming its processes into a more agile and efficient manner. This was enforced through the setup of a digital committee (DX) to evaluate and approve the digital initiatives proposed by various functions. The committee aims to ensure alignment between business streams for the optimum digitalisation roadmap.

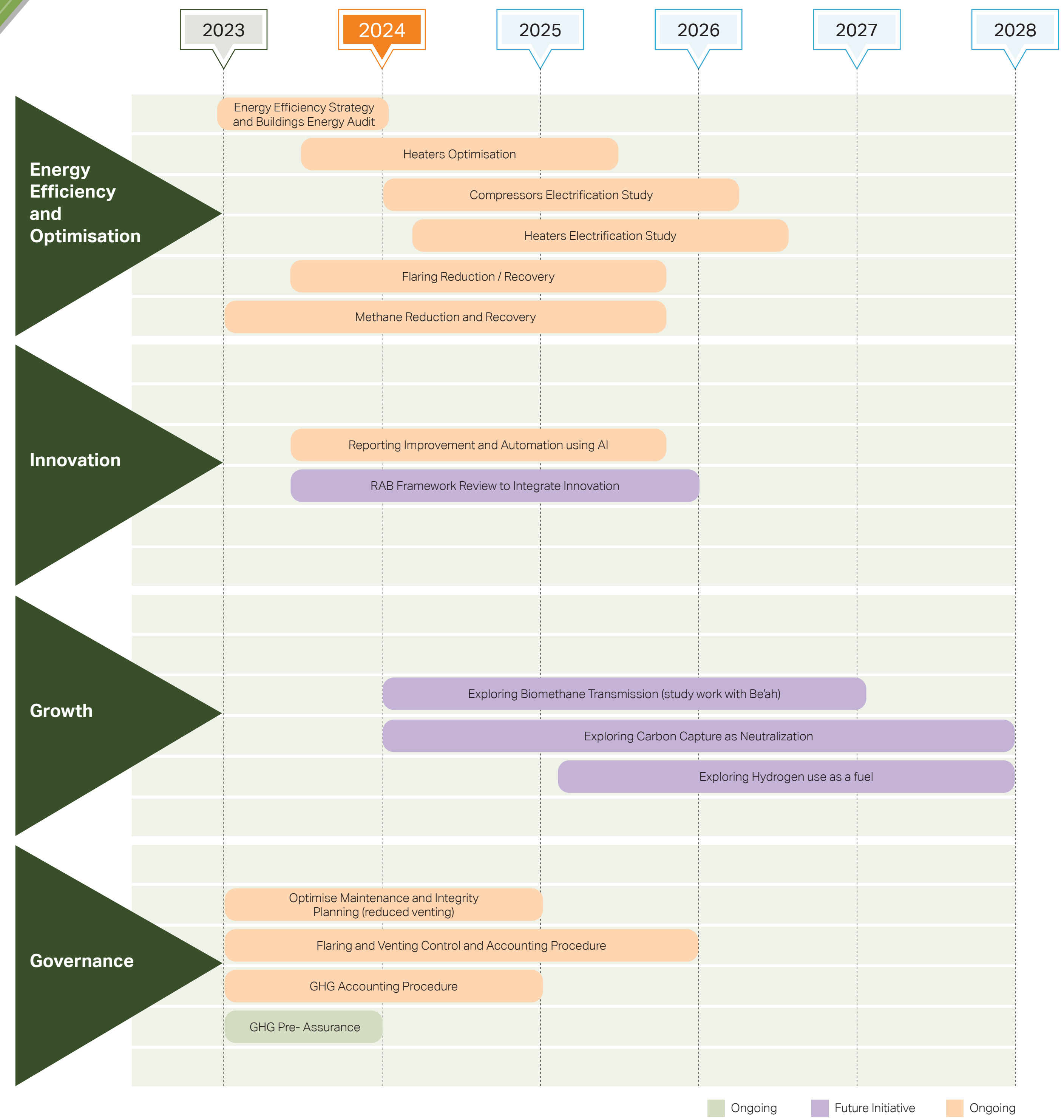
One of the in-house initiatives is Mueen, which is a smart geographic information system that is based on location analysis visualisation, enhancing the pipeline reliability by enhancing the response efficiency.

Constant reinforcement of Continuous Improvement (CI)

OQGN has begun the process of continuous improvement (CI), to eliminate any inefficiencies in processes and workflows, and to adapt to any forthcoming changes. This will be strengthened by ensuring adequacy of processes, and qualified people to oversee implementation.

Decarbonisation of operations

OQGN continues to invest in decarbonisation to achieve net zero goals. The Company has developed a decarbonisation strategy that is fully conscious of Oman Vision 2040, and the national direction towards growth that is powered without hydrocarbons.



Operational excellence

Energy transition

OQGN keeps the focus on the core midstream services while planning to expand into hydrogen and carbon dioxide transportation.

Key focus: Core midstream services

Mid-term goals (2024 – 2026)

Transfer of gas assets:

- Organic growth (growth + sustainability)
- Acquisition of 3rd party owned pipelines and metering facilities

Expansion plan: CO_2 and H_2 storage and transportation

Long-term goals (2024 – 2028)

CO_2 and H_2 opportunities:

- H_2 pipeline infrastructure at Hydrom's H_2 hubs (Duqm, Salalah)
- Pipeline infrastructure to transport CO_2 for First Movers (Shell, Oxy, etc.)

FINANCIAL PERFORMANCE

Independent auditors' report

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To the Shareholders of OQ Gas Networks SAOG

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of OQ Gas Networks SAOG ("the Company"), which comprise the statement of financial position as at 31 December 2023, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Construction Cost

See note 6 to the financial statements.

The key audit matter	How the matter was addressed in our audit
The Company's financial statements include construction costs amounting to RO 55,637,561 and revenue from construction services amounting to RO 59,621,210. The construction costs significantly determine the amount of revenue from construction services as the revenue is derived based on the fixed margin on the construction costs incurred. Given the materiality of the amount involved, we have identified this as a key audit matter.	Our audit procedures in this area included among others: • Obtained an understanding of the process related to the recognition of construction costs and revenue. • Evaluated the design and implementation of the relevant internal controls over the recognition of construction costs • Performed test of details for the samples selected by inspecting the relevant underlying documents related to construction costs to verify that the recognition of the construction costs is appropriate. • Recalculated the revenue from the construction services based on the margin defined in the contract.

Other Information

Management is responsible for the other information. The other information comprises the Chairman's Report, Management Discussion and Analysis Report and Corporate Governance Report.

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

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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Independent auditors' report

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Further, we report that financial statements of the Company as at and for the year ended 31December 2023, comply, in all material respects, with the:

- relevant disclosure requirements of the Capital Market Authority; and
- applicable provisions of the Commercial Companies Law of 2019.

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Mobeen Chaudhri

26 February 2024

KPMG LLC

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Statement of profit or loss and other comprehensive income

	Notes	**2023 RO**	2022 RO
Income			
Revenue	6	**88,913,736**	81,353,698
Finance income	10	**83,189,841**	69,437,276
Other income	9	**1,927,938**	9,645,126
		174,031,515	160,436,100
Expenses			
Construction costs		**(55,637,561)**	(49,503,405)
Operating expenses	7	**(22,247,091)**	(22,893,485)
Administrative expenses	8	**(11,642,349)**	(16,913,668)
Impairment (expense)/reversal	29	**(249,837)**	316,332
Finance cost	10	**(21,813,376)**	(18,339,468)
		(111,590,214)	(107,333,694)
Profit before income tax		**62,441,301**	53,102,406
Taxation	11	**(6,929,513)**	(7,506,182)
Profit for the year		**55,511,788**	45,596,224
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Defined benefit obligation actuarial gain/(loss)	23	**29,343**	(210,020)
Items that are or may be reclassified subsequently to profit or loss			
Effective portion of changes in fair value of cash flow hedges – net of tax	27	**385,188**	5,771,436
Reclassified to statement of profit or loss on termination of hedge	27	**(8,769,328)**	–
Other comprehensive income for the year		**(8,354,797)**	5,561,416
Total comprehensive income for the year		**47,156,991**	51,157,640
Basic and diluted earnings per share (Baiza)	30	**12.82**	10.53

The Notes on pages 80 to 119 form an integral part of these Financial Statements.

The Independent Auditors' Report is set forth on pages 73 to 75.

INTRODUCTION | EXECUTIVE MESSAGES | OQGN IPO | BUSINESS OVERVIEW | ESG REVIEW | OUTLOOK AND FUTURE PLANS | CORPORATE GOVERNANCE AND RISK MANAGEMENT | FINANCIAL PERFORMANCE | APPENDIX

Statement of financial position

As at 31 December	Notes	**2023 RO**	2022 RO
Assets			
Non-current assets			
Concession receivables	12	**772,021,688**	782,487,965
Contract assets	13	**241,190,684**	184,092,430
Right-of-use assets	14	**8,335,277**	8,645,236
Investment properties	15	**4,735,728**	985,783
Deferred tax assets	11	**4,374,629**	2,838,186
Derivatives	27	**–**	4,638,938
Total non-current assets		**1,030,658,006**	983,688,538
Current assets			
Concession receivables	12	**29,729,191**	32,582,564
Inventories	16	**2,741,132**	2,127,206
Trade and other receivables	17	**14,784,867**	30,535,994
Derivatives	27	**–**	5,224,757
Short-term deposits	19	**–**	18,600,000
Cash and cash equivalents	18	**23,770,963**	48,777,590
Total current assets		**71,026,153**	137,848,111
Total assets		**1,101,684,159**	1,121,536,649
Equity and liabilities			
Equity			
Share capital	20	**433,062,392**	336,787,392
Legal reserve	20	**36,131,199**	30,580,020
Hedging reserve	27	**–**	8,384,140
Actuarial reserve	23	**120,640**	91,297
Retained earnings		**177,665,996**	232,749,715
Total equity		**646,980,227**	608,592,564
Liabilities			
Non-current liabilities			
Term loan	21	**320,193,115**	219,925,065
Loan from Parent Company	26 (c)	**–**	137,600,804
Employees' end of service benefits	23	**512,356**	556,772
Lease liabilities	24	**8,887,425**	9,040,724
Deferred income	22	**4,673,519**	4,864,801
Deferred tax liabilities	11	**48,840,723**	41,808,891
Total non-current liabilities		**383,107,138**	413,797,057
Current liabilities			
Term loan	21	**9,275,240**	30,869,616
Lease liabilities	24	**187,831**	308,905
Trade and other payables	25	**62,133,723**	67,923,076
Income tax payable	11	**–**	45,431
Total current liabilities		**71,596,794**	99,147,028
Total liabilities		**454,703,932**	512,944,085
Total equity and liabilities		**1,101,684,159**	1,121,536,649

These Financial Statements were authorised for issuance by the Board of Directors on 26 February 2024 and signed on their behalf by:

Chairman

Board Member

The Notes on pages 80 to 119 form an integral part of these Financial Statements.

The Independent Auditors' Report is set forth on pages 73 to 75.

Statement of changes in equity

For the year ended 31 December 2023	Notes	Share capital RO	Legal reserve RO	Hedging reserve RO	Actuarial reserve RO	Retained earnings RO	Total equity RO
At 1 January 2022		336,787,392	26,020,398	2,612,704	301,317	191,713,113	557,434,924
Total comprehensive income for the year:							
Profit for the year		–	–	–		45,596,224	45,596,224
Other comprehensive income							
Changes in fair value of cash flow hedges – net of tax	27	–	–	5,771,436	–	–	5,771,436
Defined benefit obligation actuarial loss	23	–	–	–	(210,020)	–	(210,020)
Total comprehensive income for the year		–	–	5,771,436	(210,020)	45,596,224	51,157,640
Other movement							
Transfer to legal reserve	20	–	4,559,622	–	–	(4,559,622)	–
At 31 December 2022		336,787,392	30,580,020	8,384,140	91,297	232,749,715	608,592,564
At 1 January 2023		336,787,392	30,580,020	8,384,140	91,297	232,749,715	608,592,564
Total comprehensive income for the year:							
Profit for the year		–	–	–	–	55,511,788	55,511,788
Other comprehensive income							
Changes in fair value of cash flow hedges (net of tax)	27	–	–	385,188	–	–	385,188
Reclassified to statement of profit or loss on termination of hedge	27	–		(8,769,328)	–	–	(8,769,328)
Defined benefit obligation actuarial gain	23	–	–	–	29,343	–	29,343
Total comprehensive income for the year		**–**	**–**	**(8,384,140)**	**29,343**	**55,511,788**	**47,156,991**
Other movement							
Transfer to legal reserve	20	–	5,551,179	–	–	(5,551,179)	–
Transactions with owners, recorded directly in equity							
Settlement on termination of hedge entered with Parent Company	27	–		–	–	(8,769,328)	(8,769,328)
Bonus shares	20	96,275,000		–	–	(96,275,000)	–
At 31 December 2023		**433,062,392**	**36,131,199**	**–**	**120,640**	**177,665,996**	**646,980,227**

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Statement of cash flows

For the year ended 31 December	Note	**2023 RO**	2022 RO
Cash flows from operating activities			
Profit before tax		**62,441,301**	53,102,406
Adjustments for:			
Depreciation		**1,013,171**	869,794
Impairment expense/(reversal)	29	**249,837**	(316,332)
Provision of obsolete inventories	16	**15,316**	24,955
Provision for employees' end of service benefits	23	**100,688**	116,288
Interest on concession receivables	10	**(57,869,671)**	(57,379,754)
Interest on contract assets		**(14,859,938)**	(11,082,624)
Deferred income	22	**(24,361)**	(35,741)
Interest income on short-term deposits	10	**(1,690,904)**	(974,898)
Gain transferred on termination of hedge	27	**(8,769,328)**	–
Finance cost	10	**21,813,376**	18,339,468
Operating cash flows before working capital changes		**2,419,487**	2,663,562
Working capital changes:			
Concession receivables	12	**86,844,474**	85,867,430
Contract assets	13	**13,442,703**	10,485,434
Inventories		**(629,242)**	(333,778)
Trade and other receivables and advances		**15,300,044**	34,693,809
Trade and other payables		**(9,804,655)**	(7,903,627)
Cash generated from operations		**107,572,811**	125,472,830
Employees' end of service benefits paid	23	**(115,761)**	(176,526)
Interest paid		**(18,591,245)**	(17,317,482)
Interest income received on fixed deposits	10	**1,690,904**	974,898
Receipt of connection fee	22	**98,683**	752,484
Net cash generated from operating activities		**90,655,392**	109,706,204
Cash flows from investing activities			
Additions in concession receivable	12	**(16,828,427)**	–
Additions in contract asset	13	**(55,637,561)**	(49,715,894)
Addition in investment property	15	**–**	(164,987)
Movement in term deposits		**18,600,000**	(15,249,630)
Net cash used in investing activities		**(53,865,988)**	(65,130,511)
Cash flows from financing activities			
Loan repaid to Parent Company	26(c)	**(136,710,500)**	–
Repayment of term loan	35	**(257,540,493)**	(29,144,368)
Proceeds from term loan from commercial bank	35	**337,762,000**	–
Payment of loan issuance costs	35	**(3,911,799)**	–
Payment of lease liabilities	24	**(1,395,239)**	(1,011,380)
Net cash used in financing activities		**(61,796,031)**	(30,155,748)
Net increase in cash and cash equivalents		**(25,006,627)**	14,419,945
Cash and cash equivalents at the beginning of the year		**48,777,590**	34,357,645
Cash and cash equivalents at the end of the year	18	**23,770,963**	48,777,590

The Notes on pages 80 to 119 form an integral part of these Financial Statements.

The Independent Auditors' Report is set forth on pages 73 to 75.

Notes to the financial statements

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 Ministry of Legal Affairs) 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"/"Ultimate Parent Company"), held 51% (2022: 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.

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 Notes 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 was entered between the Company (as gas transporter) and the MEM (as the Shipper) and transferred by MEM to IGC in 2023. 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.

2.2 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 OMR 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.
- 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 employees end of service benefits 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.

Estimate and judgements

The preparation of Financial Statements requires management to make judgements, 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 judgement or complexity, or areas where assumptions and estimates are significant to the Financial Statements are disclosed in the Note 5.

Functional and presentation currency

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 recognised 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.

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 3-30 years.

Inventories

Stores and spares, raw materials and chemicals are valued at cost or net realisable 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.

Financial instruments

Initial recognition and measurement of financial assets 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.

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 recognised 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.

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.

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.

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.

(i) Significant increase in credit risk

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.

(ii) Definition of default

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).

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 derecognises 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 recognised 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 derecognised.

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 expired. 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.

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.

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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.

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. 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.

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.

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.

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 recognised using the effective interest method. This finance income is only notional income and does not represent actual interest income received by the Company.

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.

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.

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.

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.

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 recognised 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 recognised 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 judgements and key sources of estimation uncertainty

Critical judgements 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 judgement 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.

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 judgements 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.

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6 Revenue

For the year ended 31 December	**2023 RO**	2022 RO
Services transferred over time:		
Construction revenue (Note 13)	**59,621,210**	53,047,850
Allowance for expenditures [Note 26 (a)]	**24,403,041**	23,562,441
Allowance for pass through cost [Note 26 (a)]	**4,817,684**	4,528,070
Project management services	**71,801**	215,337
	88,913,736	81,353,698

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

7 Operating expenses

For the year ended 31 December	**2023 RO**	2022 RO
Depreciation (Note 14)	**863,335**	809,554
Employee costs (Note 8.1)	**9,710,667**	10,467,159
Repair and maintenance expenses	**4,374,477**	5,137,004
Pass through costs*	**4,817,684**	4,528,070
Insurance	**1,702,629**	1,184,139
Provision of obsolete inventories (Note 16)	**15,316**	24,955
Catering and accommodation	**762,983**	742,604
	22,247,091	22,893,485

** 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

For the year ended 31 December	**2023 OMR**	2022 OMR
Employee costs (Note 8.1)	**8,079,784**	5,699,989
Depreciation (Note 15)	**149,836**	60,240
Training and business travel	**672,286**	650,769
Legal and professional	**671,387**	134,745
Utilities and office expenses	**354,223**	470,513
Repairs and maintenance	**1,003,172**	293,680
Contract services	**35,238**	492,522
Cost allocation expenses [Note 26 (a)]	**–**	8,893,001
Donations	**–**	3,188
Other expenses	**676,423**	215,021
	11,642,349	16,913,668

The total fee for audit and non-audit related services paid to auditors for the year ended 31 December 2023 was RO 45,000.

8.1. Employee cost

Employee related expenses comprise the following:

For the year ended 31 December	2023 RO	2022 RO
Wages and salaries	11,819,122	13,084,386
Current service cost on long term benefits (Note 23)	100,688	116,288
Contributions into unfunded defined contribution plan	1,134,568	973,955
Other benefits	4,736,073	1,992,519
	17,790,451	16,167,148
Employee cost is classified as below:		
Operating expenses	9,710,667	10,467,159
Administrative expenses	8,079,784	5,699,989
	17,790,451	16,167,148

9 Other income

For the year ended 31 December	2023 RO	2022 RO
Tender income and others	164,165	146,577
Amortisation of deferred income (Note 22)	24,361	35,741
Income from investment property [Note 26(a)]	1,739,412	–
Shared costs - income [Note 26(a)]	–	4,481,145
Reversal of provisions*	–	4,970,663
Others	–	11,000
	1,927,938	9,645,126

** Reversal of provisions represents provisions related to subcontractors which were no longer required to be paid.*

10 Finance income and cost

For the year ended 31 December	2023 RO	2022 RO
Finance income		
Finance income on concession arrangement:		
Concession receivables (Note 12)	57,869,671	57,379,754
Contract assets (Note 13)	14,859,938	11,082,624
	72,729,609	68,462,378
Transfer from OCI on termination of hedge (Note 27)	8,769,328	–
Interest income on short-term deposits	1,690,904	974,898
	83,189,841	69,437,276
Finance cost		
Interest on loan from Parent Company [Note 26 (c)]	32,151	7,066,272
Amortisation of deferred finance cost (Note 21)	2,363,966	506,131
Interest on lease liabilities (Note 24)	567,490	688,898
Interest on term loan from commercial banks (Note 21)	18,849,769	9,988,060
Exchange loss	–	90,107
	21,813,376	18,339,468

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

Interest income on short-term deposits in Islamic banks is RO 559,590 (2022: RO 414,959) and in conventional banks is RO 1,131,314 (2022: RO 559,939).

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 31 December 2023 is 11% (2022: 14%).

The Company's tax assessments have been completed and agreed with Oman Taxation Authorities for all years up to 31 December 2021. 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 31 December 2023.

(a) Tax expense

The taxation charge for the year is comprised of:

For the year ended 31 December	2023 OMR	2022 OMR
Current tax		
- prior year	(45,431)	–
	(45,431)	–
Deferred tax		
- in respect of current year	6,974,944	7,768,108
- in respect of prior year	–	(261,926)
	6,974,944	7,506,182
	6,929,513	7,506,182

(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:

For the year ended 31 December	2023 OMR	2022 OMR
Profit before tax	62,441,301	53,102,406
Tax on accounting profit @15%	9,366,195	7,965,361
Add/(less) tax effect of:		
Non-deductible expenses	–	20,459
Tax exempt revenues	(2,391,251)	(217,712)
Prior year current tax	(45,431)	–
Prior year deferred tax	–	(261,926)
	6,929,513	7,506,182

(c) Current tax liability

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

For the year ended 31 December	2023 OMR	2022 OMR
At 1 January	45,431	45,431
Reversal for the year	(45,431)	–
At 31 December	–	45,431

(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:

2023	1 January RO	Charge to profit or loss RO	Charged to other comprehensive income RO	Transferred to retained earnings on termination of hedge RO	31 December RO
Taxable temporary differences					
Effect of accelerated tax depreciation	39,033,452	8,556,979	–	–	47,590,431
Right-of-use assets	1,295,884	(45,592)	–	–	1,250,292
Derivatives	1,479,555	–	67,973	(1,547,528)	–
Deferred tax liabilities	41,808,891	8,511,387	67,973	(1,547,528)	48,840,723
Deductible temporary differences					
Brought forward losses	(1,430,574)	(1,582,767)	–	–	(3,013,341)
Provision	(5,168)	5,168	–	–	–
Lease liabilities	(1,402,444)	41,156	–	–	(1,361,288)
Deferred tax assets	(2,838,186)	(1,536,443)	–	–	(4,374,629)

2022	1 January RO	Charge to profit or loss RO	Charged to other comprehensive income RO	Transferred to retained earnings on termination of hedge RO	31 December RO
Taxable temporary differences					
Effect of accelerated tax depreciation	30,367,104	8,666,348	–	–	39,033,452
Right-of-use assets	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 liabilities	(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 20,088,940 (2022: RO 9,537,162) 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

For the year ended 31 December	2023 RO	2022 RO
At 1 January	**815,070,529**	829,529,017
Acquisition during the year (Note 26)*	**16,828,427**	–
Transferred from contract assets (Note 13)	**4,174,125**	15,737,265
Adjustment for penalties	**(1,447,618)**	(1,708,077)
Transferred to investment property (Note 15)	**(3,899,781)**	–
Finance income during the year (Note 10)	**57,869,671**	57,379,754
Billed during the year	**(86,844,474)**	(85,867,430)
At 31 December	**801,750,879**	815,070,529
Non-current/current:		
Non-current portion	**772,021,688**	782,487,965
Current portion	**29,729,191**	32,582,564
	801,750,879	815,070,529

** During the year, the Company acquired infrastructure assets from a related party for RO 16,828,427 (2022: Nil) (Note 26).*

Concession receivables have effective interest rate of 7.43% (2022: 7.23%) per annum and will be settled/ recovered over the term of the Concession Agreement. Effective interest rate has increased due to increase in future rate of return on regulatory asset base from 7.3% to 7.79% agreed with the regulator under the RAB rules.

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.

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13 Contract assets

2023	Due from shipper RO	Due from others RO	Total RO
At 1 January	**182,290,147**	**1,802,283**	**184,092,430**
Additions during the year (Note 6)	**59,621,210**	**–**	**59,621,210**
Transferred from/(to) receivable from a related party	**1,136,267**	**(902,333)**	**233,934**
Transferred to concession receivables upon completion (Note 12)	**(4,174,125)**	**–**	**(4,174,125)**
Finance income during the year (Note 10)	**14,859,938**	**–**	**14,859,938**
Billed during the year	**(13,442,703)**	**–**	**(13,442,703)**
At 31 December	**240,290,734**	**899,950**	**241,190,684**

2022	Due from shipper RO	Due from others RO	Total RO
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 year, Ras Markaz Pipeline project was transferred to a related party as part of settlement of the loan from Parent Company.

14 Right-of-use assets

The Company leases building, land for various infrastructure and vehicles for operations. Vehicle leases run for a period of three 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	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)	**83,183**	**220,716**	**249,477**	**553,376**
Depreciation (Note 7)	**(290,799)**	**(426,012)**	**(146,524)**	**(863,335)**
At 31 December 2023	**7,932,536**	**–**	**402,741**	**8,335,277**

15 Investment properties

For the year ended 31 December	**2023 OMR**	2022 OMR
Cost		
At 1 January	**1,160,359**	995,372
Additions	**–**	164,987
Transfer from concession receivables	**3,899,781**	–
31 December	**5,060,140**	1,160,359
Accumulated depreciation		
At 1 January	**174,576**	114,336
Charge for year (Note 8)	**149,836**	60,240
31 December	**324,412**	174,576
Carrying amount	**4,735,728**	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 Mn. (2022: RO 3.6 Mn.) which is higher than the carrying value.

During the year, an accommodation was transferred to investment property because it was no longer used 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 Mn. which is higher than the carrying value.

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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 storey commercial building with basement floor, Plot No. 4, Al Khuwair area 41, at Wilayat Bausher.	**2023** **Income capitalisation:** 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** **Income capitalisation:** 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 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

For the year ended 31 December	**2023 RO**	2022 RO
Stores, spares and consumables	**2,758,441**	2,161,656
Less: Provision for obsolete inventories	**(17,309)**	(34,450)
	2,741,132	2,127,206

Movement in provision for obsolete stock is as follows:

For the year ended 31 December	**2023 RO**	2022 RO
At 1 January	**34,450**	16,399
Charge for the year (Note 7)	**15,316**	24,955
Provision written off	**(32,457)**	(6,904)
At 31 December	**17,309**	34,450

17 Trade and other receivables

For the year ended 31 December	**2023 RO**	2022 RO
Receivables from IGC [Note 26 (d)]	**11,226,498**	–
Receivable from MEM [Note 26 (d)]	**–**	11,350,422
Due from related parties [Note 26 (e)]	**933,395**	11,476,880
	12,159,893	22,827,302
Project management fee receivable from third parties	**328,425**	482,424
Provision for doubtful debt	**(21,010)**	–
Advances to contractors	**675,238**	5,272,132
Advances to employees	**74,146**	188,336
Accrued revenue	**49,700**	–
Other receivables	**1,518,475**	1,765,800
	14,784,867	30,535,994

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 at reporting date, the Company had recognised a provision for doubtful debt of RO 21,010 (2022: nil) against other receivables and receivable from third parties for project management fees and others.

During the year, advances to employees of RO 226,627 (2022: nil) and project management fee receivable from third parties of RO 2,200 (2022: nil) were written off.

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

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Movement of allowance for expected credit loss is as follows:

For the year ended 31 December	**2023 RO**	2022 RO
As at 1 January	**–**	316,332
Allowance/(reversal) for expected credit loss (Note 29)	**249,837**	(316,332)
Write-off for the year	**(228,827)**	–
As at 31 December	**21,010**	–

18 Cash and cash equivalents

For the year ended 31 December	**2023 RO**	2022 RO
Cash at bank	**23,759,086**	48,769,555
Cash in hand	**11,877**	8,035
Cash and cash equivalents	**23,770,963**	48,777,590

Cash at bank comprises cash at Islamic banks of RO 21,824,100 (2022: RO 19,586,180) and cash at conventional banks of RO 1,934,986 (2022: RO 29,183,375).

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 year, the Company encashed all the term deposits to repay the loan from Parent Company 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

Share capital

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

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

On 26 June 2023, the shareholders in an Ordinary General Meeting approved the issue of 96,275,000 bonus shares of RO 1 each through capitalisation of retained earnings.

On 19 June 2023, the Board of Directors approved reduction in the par value of the share from RO 1 to RO 0.100 increasing the number of shares by 3,897,561,528 shares.

Details of shareholders who hold 10% or more of the Company's shares are as follows:

	Number of shares 31 December 2023	**Percentage of share holding 31 December 2023**	Number of shares 31 December 2022	Percentage of share holding 31 December 2022
OQ SAOC	**2,208,618,200**	**51.00**	335,810,932	99.71

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 year, RO 5.55 Mn. (2022: RO 4.56 Mn.) has been transferred to legal reserve.

21 Term loans

For the year ended 31 December	**2023 RO**	2022 RO
Term loan	**333,124,380**	252,902,873
Less: unamortised transaction cost	**(3,656,025)**	(2,108,192)
	329,468,355	250,794,681
Analysed as follows:		
Current	**9,275,240**	30,869,616
Non-current	**320,193,115**	219,925,065
	329,468,355	250,794,681
The unamortised transaction cost is as follows:		
At January	**2,108,192**	2,614,323
Paid during the year	**3,911,799**	–
Amortised during the year (Note 10)	**(2,363,966)**	(506,131)
At 31 December	**3,656,025**	2,108,192

Term loan I

On 19 June 2023, the Company entered into two unsecured conventional term financing facilities of RO 60 Mn., denominated in Omani Rial and RO 86.65 Mn. (USD 225 Mn.), 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 Mn., denominated in Omani Rial and RO 152.11 Mn. (USD 395 Mn.), denominated in US Dollars. During the year, the Company made a drawdown of RO 338 Mn. on these facilities primarily to repay the existing loan facilities and the loan from Parent Company.

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 7th anniversary of the US Dollars denominated facilities.

Interest

Interest on Omani Rial denominated facilities is payable at the fixed rate of 5.70% per annum until the 4th anniversary and thereafter at the base rate (the monthly "Private Sector RO Time Deposit" rate as published in the most recent CBO Bulletin) plus 2% per annum, while interest on US Dollars 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 Mn. (RO 308 Mn.) 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 recognised in the statement of financial position is as follows:

For the year ended 31 December	**2023 RO**	2022 RO
At 1 January	**4,864,801**	4,148,058
Contributions received during the year	**98,683**	752,484
Contribution reversed during the year	**(265,604)**	–
Recognised as income during the year (Note 9)	**(24,361)**	(35,741)
At 31 December	**4,673,519**	4,864,801

23 Employees' end of service benefits

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

For the year ended 31 December	**2023 RO**	2022 RO
At 1 January	**556,772**	406,990
Paid to related party on transfer of employees (Note 26)	**(241,061)**	–
Received from related party on transfer of employees (Note 26)	**309,950**	–
Charge for the year (Note 8.1)	**100,688**	116,288
Unrealised actuarial loss	**(29,343)**	210,020
Paid during the year	**(184,650)**	(176,526)
At 31 December	**512,356**	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:

For the year ended 31 December	2023 RO	2022 RO
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:

For the year ended 31 December	2023 RO	2022 RO
Service cost	100,688	116,288

The amount recognised in the statement of other comprehensive income

For the year ended 31 December	2023 RO	2022 RO
Actuarial loss – Experience adjustment	(29,343)	210,020

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.

For the year ended 31 December	2023 RO		2022 RO	
	Increase	Decrease	Increase	Decrease
Discount rate (0.50% points)	(15,351)	16,027	(14,091)	14,513
Projected salary (0.50% points)	16,424	(15,861)	14,688	(14,458)

24 Leases liabilities

The movement in lease liabilities is as follows:

For the year ended 31 December	2023 RO	2022 RO
At 1 January	9,349,629	4,668,677
Additions during the year (Note 14)	553,376	5,003,434
Accretion of interest (Note 10)	567,490	688,898
Payments	(1,395,239)	(1,011,380)
At 31 December	9,075,256	9,349,629

For the year ended 31 December	2023 RO	2022 RO
Analysed as:		
Current	187,831	308,905
Non-current	8,887,425	9,040,724
	9,075,256	9,349,629
Gross lease liabilities	21,459,372	22,268,967
Future finance charges	(12,384,116)	(12,919,338)
	9,075,256	9,349,629
Interest expense recognised in profit or loss (Note 10)	567,490	688,898
Total cash flows for leases	1,395,239	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

For the year ended 31 December	2023 RO	2022 RO
Payables to contractors for construction contracts	26,648,517	31,634,285
Trade payables	11,220,450	8,005,196
Accrued expenses and provisions	7,637,740	10,457,910
Due to related parties [Note 26 (f)]	578,795	10,856,208
Interest payable on term loan	803,289	511,561
Contract liability*	12,962,719	4,524,332
Other payables	2,282,213	1,933,584
	62,133,723	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 year RO: Nil (31 December 2022: RO Nil) has been recognised as revenue and the Company will adjust the balance by 31 December 2024.*

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 recognised 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:

For the year ended 31 December	2023 RO	2022 RO
Revenue from MEM/IGC		
Construction revenue (Note 6)	59,621,210	53,047,850
Finance income on concession arrangement (Note 10)	72,729,609	68,462,378
Allowance for expenditures (Note 6)	24,403,041	23,562,441
Allowance for pass-through cost (Note 6)	4,817,684	4,528,070
	161,571,544	149,600,739
Rent (Note 9)	1,739,412	–
Interest on shareholder loan (Note 10)	32,151	7,066,272
Acquisition of concession receivable (Note 12)	16,828,427	–
End of service benefits paid to related party on transfer of employees (Note 23)	(241,061)	–
End of service benefits received from related party on transfer of employees (Note 23)	309,950	–
Fuel gas	4,359,180	4,123,306
Training	217,043	–
IT related services	1,040,039	–

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:

For the year ended 31 December	2023 RO	2022 RO
Cost allocation expenses - (Note 8)	–	(8,893,001)
Cost allocation income - (Note 9)	–	4,481,145
	–	(4,411,856)

(b) Key management personnel compensation is as follows:

No remuneration was paid to the Board of Directors by the Company before the listing. Remuneration of the Board, following the listing is RO 75,000.

Key management compensation paid during the year is as below:

For the year ended 31 December	2023 RO	2022 RO
Short term benefits (wages and salaries)	111,287	80,132
Post-employment benefits	34,293	24,692
	145,580	104,824

(c) Loan from Parent Company

For the year ended 31 December	2023 RO	2022 RO
At 1 January	137,600,804	137,600,804
Loans repaid during the year	(136,710,500)	–
Transfer to a related party	(890,304)	–
At 31 December	–	137,600,804

During 2017, the Company obtained loan from Parent Company of RO 0.89 Mn. 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 of RO 689,845 (Note 13) and cash settlement of RO 200,459.

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

(d) Receivables from IGC/MEM (Note 17)

For the year ended 31 December	2023 RO	2022 RO
Receivables from MEM	–	11,350,422
Receivables from Integrated Gas Company SAOC	11,226,498	–

(e) Amounts due from related parties under common control (Note 17)

For the year ended 31 December	2023 RO	2022 RO
Parent Company	67,357	–
Subsidiaries of the Parent Company	866,038	11,413,523
Associates of the Parent Company	–	63,357
	933,395	11,476,880

(f) Amounts due to related parties under common control (Note 25)

For the year ended 31 December	2023 RO	2022 RO
Parent Company	375,111	10,690,804
Subsidiaries of the Parent Company	203,684	165,404
	578,795	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 recognised within equity as an adjustment to the retained earnings.

For the year ended 31 December	**2023 RO**	2022 RO
Notional amount hedged	**–**	127,545,120
Cumulative changes in hedging reserve		
At 1 January	**8,384,140**	2,612,704
Gain arising on changes in fair value of hedging instruments during the 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 (Note 10)	**(8,769,328)**	–
At 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.

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 Mn. (31 December 2022: RO 28.9 Mn.). Based on legal advice, the Company's management believes that the defense against the action will be successful.

As at 31 December 2023, the Company had commitments pertaining to the capital projects under construction of RO 42.2 Mn. (31 December 2022: RO 67.0 Mn.).

29 Impairment expense

For the year ended 31 December	**2023 RO**	2022 RO
Allowance (reversal) for expected credit loss (Note 17)	**249,837**	(316,332)

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Notes to the financial statements

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 20).

For the year ended 31 December	**2023 RO**	2022 RO
Profit for the year (RO)	**55,511,788**	45,596,224
Weighted average number of shares (Note 20)	**4,330,623,920**	4,330,623,920
Basic and diluted earnings per share (Baiza)	**12.82**	10.53

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 31 December 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**

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.

For the year ended 31 December	**2023 RO**	2022 RO
Categories of financial instruments		
Financial assets (at amortised cost)		
Concession receivables (Note 12)	**801,750,879**	815,070,529
Trade and other receivables excluding advances (Note 17)	**14,035,483**	25,075,526
Short-term deposits (Note 19)	**–**	18,600,000
Cash and bank balances (Note 18)	**23,770,963**	48,777,590
Financial assets (at fair value through OCI)		
Cash flow hedges (Note 27)	**–**	9,863,695
	839,557,325	917,387,340
Financial liabilities (at amortised cost)		
Term loans (Note 21)	**329,468,355**	250,794,681
Loan from Parent Company [Note 26 (c)]	**–**	137,600,804
Lease liabilities (Note 24)	**9,075,256**	9,349,629
Trade and other payables excluding contract liability (Note 25)	**49,171,004**	63,398,744
	387,714,615	461,143,858

The carrying amounts of financial asset and financial liabilities recognised 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 programme 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.

(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:

For the year ended 31 December	**2023 RO**	2022 RO
Fixed rate instruments		
Term loan from commercial banks (Note 21)	**96,750,000**	–
Short-term deposits	**–**	(18,600,000)
	96,750,000	(18,600,000)
Floating rate instruments		
Loan from Parent Company [Note 26 (c)]	**–**	137,600,804
Term loan from commercial banks (Note 21)	**236,374,380**	252,902,873
Notional value of hedge	**–**	(127,545,120)
	236,374,380	262,958,557

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 31 December 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:

For the year ended 31 December	**2023 RO**	2022 RO
Loan from Parent Company [Note 26 (c)]	**–**	1,376,008
Term loan from commercial banks (Note 21)	**2,363,744**	2,529,028
Hedge (Note 27)	**–**	(1,275,450)
	2,363,744	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.

2023	**Carrying amount RO**	**Contractual cash flows RO**	**Up to 1 year RO**	**1 to 5 years RO**	**Over 5 years RO**
Term loans	**329,468,355**	**473,597,426**	**15,905,997**	**130,969,714**	**326,721,715**
Lease liabilities	**9,075,256**	**21,459,372**	**620,221**	**2,273,611**	**18,565,540**
Trade and other payables excluding contract liability	**49,171,004**	**49,171,004**	**49,171,004**	**–**	**–**
	387,714,615	**544,227,802**	**65,697,222**	**133,243,325**	**345,287,255**

2022	Carrying amount RO	Contractual cash flows RO	Up to 1 year RO	1 to 5 years RO	Over 5 years RO
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 excluding contract liability	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 31 December 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.

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

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.

2023	**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**	**801,750,879**	**–**	**–**	**801,750,879**
Cash and bank balances	**Ba2**	**12 months**	**23,770,963**	**–**	**–**	**23,770,963**
Trade and other receivables excluding advances	**–**	**Lifetime**	**14,056,493**	**–**	**21,010**	**14,035,483**
			839,578,335	**–**	**21,010**	**839,557,325**

2022	External credit rating	12-month or lifetime ECL	Gross carrying amount RO	ECL %	Loss allowance RO	Net carrying amount RO
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	18,600,000	–	–	18,600,000
Trade and other receivables excluding advances	–	Lifetime	25,075,526	–	–	25,075,526
			907,523,645	–	–	907,523,645

As at 31 December 2023 the status of past due balances of financial assets are as follows:

2023	**Carrying amount RO**	**Not due RO**	**Past due up to 30 days RO**	**Up to 365 days RO**	**Over 365 days RO**
Gross carrying amount:					
Concession receivables	**801,750,879**	**801,750,879**	**–**	**–**	**–**
Cash and bank balances	**23,770,963**	**23,770,963**	**–**	**–**	**–**
Trade and other receivables excluding advances	**14,035,483**	**13,105,883**	**2,463**	**415,926**	**511,211**
	839,557,325	**838,627,725**	**2,463**	**415,926**	**511,211**

2022	Carrying amount RO	Not due RO	Past due up to 30 days RO	Up to 365 days RO	Over 365 days RO
Gross carrying amount:					
Concession receivables	815,070,529	815,070,529	–	–	–
Cash and bank balances	48,777,590	48,777,590	–	–	–
Term deposits	18,600,000	18,600,000	–	–	–
Trade and other receivables excluding advances	25,075,526	13,239,848	1,078,347	1,292,233	9,465,098
	907,523,645	895,687,967	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 31 December 2023 was 32% (2022: 35%).

Gearing ratio

The gearing ratio at year end was as follows:

For the year ended 31 December	**2023 RO**	2022 RO
Net debt	**305,697,392**	321,017,895
Total equity	**646,980,227**	608,592,564
Total capital employed	**952,677,619**	929,610,459
Gearing ratio %	**32**	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 the Company's liabilities arising from financing activities including both cash and non-cash changes:

2023	**At 1 January**	**Financing cash inflow**	**Financing cash outflow**	**Non-cash items**	**At 31 December**
Term loan from commercial banks	**252,902,873**	**337,762,000**	**(257,540,493)**	**–**	**333,124,380**
Loan issuance cost	**(2,108,192)**	**–**	**(3,911,799)**	**2,363,966**	**(3,656,025)**
Loan from Parent Company	**137,600,804**	**–**	**(136,710,500)**	**(890,304)**	**–**
Finance lease liability	**9,349,629**	**–**	**(1,395,239)**	**1,120,866**	**9,075,256**
	397,745,114	**337,762,000**	**(399,558,031)**	**2,594,528**	**338,543,611**

2022	At 1 January	Financing cash inflow	Financing cash outflow	Non-cash items	At 31 December
Term loan from commercial banks	281,958,504	–	(29,144,368)	88,737	252,902,873
Loan issuance costs	(2,614,323)	–	–	506,131	(2,108,192)
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

36 Subsequent events

In the Ordinary General Meeting held on 7 January 2024, the shareholders approved to pay a dividend of 7.62 Baisa per share amounting to RO 33,000,000 relating to the third quarter ended on 30 September 2023.

In a meeting held on 26 February 2024, the Board of Directors proposed a final dividend of 2.54 baisa per share relating to the last quarter of the year ended 31 December 2023.

APPENDIX

Glossary of terms

CAPEX	Capital expenditure
CCUS	Carbon Capture Utilisation and Storage
CO_2	Carbon dioxide
CSI	Corporate Social Investment
E&P	Exploration and Production
EBITDA	Earnings Before Interest, Taxes, Depreciation, and Amortisation
EOR	Enhanced Oil Recovery
EPC	Engineering, Procurement, and Construction
ERP	Enterprise Resource Planning
ESG	Environmental, Social, and Governance
GHG	Greenhouse Gases
H_2	Hydrogen
HDO	Hydrogen Development Oman
HSSE	Health, Safety, Security and Environment
ICV	In-country value
IPO	Initial Public Offering
ISO	International Organisation for Standardisation
JV	Joint Venture
KPI	Key Performance Indicator
LNG	Liquefied Natural Gas
Ltd.	Limited liability company
LTI	Lost Time Injury
MEM	Ministry of Energy and Minerals
MMBTU	Million British Thermal Units
MMSCM	Million Standard Cubic Meters
MVIF	Motor Vehicle Incident Frequency
NGL	Natural Gas Liquids
NGSA	Natural Gas Supply Agreements
NOC	National Oil Company
O&M	Operations and Maintenance
OHSAS	Occupational Health and Safety Assessment Series
OLNG	Oman LNG
OPEX	Operating expense
PDO	Petroleum Development Oman
QHSSE	Quality, Health, Safety, Security, and Environment
RAB	Regulatory Asset Base
SAOC	Societe Anonyme Omanaise Close
SCADA	Supervisory Control and Data Acquisition
SCM	Standard Cubic Meters
SCOPE 1	All direct emissions from owned or controlled sources
SCOPE 2	Indirect emissions from the generation of purchased electricity, steam, heating and cooling
SME	Small and Medium Enterprises
SOGL	South Oman Gas Line
SWOT	Strengths, Weaknesses, Opportunities, and Threats
TRIF	Total Recordable Injury Frequency

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1644130

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KPMG

Legal form

Public Joint-stock Company

Stock exchange listing

Muscat Security Exchange

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