OQ Gas Networks SAOG

FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2024

INDEX | | ***Page(s)***

Ernst & Young LLC
P.O. Box 1750, Ruwi 112
5th floor, Landmark Building
Opposite Al Ameen Mosque
Bowsher, Muscat
Sultanate of Oman

Tax Card No. 8218320

Tel: +968 22 504 559
Fax: +968 22 060 810
muscat@om.ey.com
ey.com

C.R. No. 1224013
P.R. No. HMH/15/2015; HMA/9/2015

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF OQ GAS NETWORKS SAOG

Report on the audit of the interim financial statements

Opinion

We have audited the interim financial statements of OQ Gas Networks SAOG (the "Company"), which comprise the statement of financial position as at 30 June 2024, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the six month periods then ended and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying interim financial statements present fairly, in all material respects, the financial position of the Company as at 30 June 2024 and its financial performance and cash flows for the six month period then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

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

Other matters

The financial statements of OQ Gas Networks SAOG for the year ended 31 December 2023 and the condensed interim financial information for the six-month ended 30 June 2023 were audited and reviewed by another auditor, who expressed an unmodified opinion and an unmodified conclusion on those financial statements and financial information on 26 February 2024 and 08 August 2023 respectively.

Key audit matters

Key audit matters are those matters that, in our professional judgment, 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Report on the audit of the interim financial statements (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Recognition of revenue from construction services provided under service concession arrangements.	
(Refer to Notes 2, 3.3(d) and 4 to the financial statements.) The Company's operations are governed by a concession arrangement with the Government of Sultanate of Oman (GOSO) whereby the Company has the exclusive right to "Build-Operate-Transfer (BOT)" the Natural Gas Transportation Network ("Infrastructure") in the Sultanate of Oman. Furthermore, the Company's revenues are regulated under the price control framework established by the Authority for Public Services Regulation (APSR). For BOT arrangements under the scope of IFRS Interpretations Committee ("IFRIC") 12 "Service Concession arrangements", the Company accounted for their construction revenue by reference to the "allowed return on assets" on the construction services delivered in the construction phase. The Company's financial statements include revenue from construction services amounting to RO 18.55 million representing 44% of the Company's total revenue. We focused on auditing the revenue from construction services under BOT arrangements because it can be materially affected by the assumptions and estimates used (i.e. the estimates on projected construction costs and the gross margin). The process of recognizing these costs and revenues involves significant management judgment and estimates, particularly concerning the percentage of completion of construction projects.	Our audit procedures in this area included the following: - Inspecting the agreements relating to the Service Concession and price control framework and discussing with the Company's management their review procedures exercised thereon. - Understood and evaluated the management's policies, key controls and processes in allocation of the considerations for the construction of the infrastructure among the different services as provided by the Company under BOT arrangements. - Assessed the reasonableness of the key assumptions and estimates as applied by management in determining the amounts of construction services revenue by comparing the projected construction costs as applied by management against the total budget costs as approved by management and inspected the relevant signed construction contracts on a sample basis. - Performed test of details on construction cost samples, ensuring documentation accuracy and adherence to accounting policies and completion calculations - Tested the mathematical accuracy of the calculations of the amounts of construction services revenue recognized by the Company. Based on our audit procedures, we found the key assumptions and estimates used by management in determining the recognition amount of construction services revenue to be supportable by the evidence obtained and procedures performed.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF OQ GAS NETWORKS SAOG (CONTINUED)

Report on the audit of the interim financial statements (continued)

Other information

Management is responsible for the other information. Other information consists of the Management's report.

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

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

Responsibilities of management and Audit Committee for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs and their preparation in compliance with the relevant requirements of the Commercial Companies Law of 2019 and the Financial Services Authority (the "FSA") of the Sultanate of Oman, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Audit Committee are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF OQ GAS NETWORKS SAOG (CONTINUED)

Report on the audit of the interim financial statements (continued)

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

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

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

We also provide Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to 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 Audit Committee 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 auditor's 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

We report that the financial statements comply, in all material respects, with the relevant requirements of the Commercial Companies Law of 2019 and FSA of the Sultanate of Oman.

Imtiaz Ibrahim
Muscat
25 September 2024

ارنست ويونغ ش م م
ERNST & YOUNG LLC
C.R. No. 1224013
P.O. Box 1750 - P.C. 112, Sultanate of Oman

OQ Gas Networks SAOG

STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

	Notes	*30 June 2024* ***RO***	*31 December 2023* *RO*
ASSETS			
Non-current assets			
Concession receivables	11	**784,419,588**	772,021,688
Contract assets	12	**230,208,316**	241,190,684
Right of use assets	13	**8,128,743**	8,335,277
Investment properties	14	**3,742,759**	4,735,728
Deferred tax assets	10	**4,058,939**	4,374,629
Total non-current assets		**1,030,558,345**	1,030,658,006
Current assets			
Concession receivables	11	**31,473,504**	29,729,191
Inventories	15	**2,817,942**	2,741,132
Trade and other receivables	16	**15,626,813**	14,784,867
Cash and cash equivalents	17	**22,650,120**	23,770,963
Total current assets		**72,568,379**	71,026,153
TOTAL ASSETS		**1,103,126,724**	1,101,684,159
EQUITY AND LIABILITIES			
Equity			
Share capital	18	**433,062,392**	433,062,392
Legal reserve	18	**38,898,080**	36,131,199
Actuarial reserve		**37,473**	120,640
Retained earnings		**158,568,140**	177,665,996
Total equity		**630,566,085**	646,980,227
Liabilities			
Non-current liabilities			
Term loan	19	**350,437,309**	320,193,115
Employees' end of service benefits	21	**644,476**	512,356
Lease liabilities	22	**8,972,359**	8,887,425
Deferred income	20	**5,346,846**	4,673,519
Deferred tax liabilities	10	**53,290,029**	48,840,723
Total non-current liabilities		**418,691,019**	383,107,138
Current liabilities			
Term loan	19	**9,267,800**	9,275,240
Lease liabilities	22	**206,229**	187,831
Trade and other payables	23	**44,395,591**	62,133,723
Total current liabilities		**53,869,620**	71,596,794
Total liabilities		**472,560,639**	454,703,932
TOTAL EQUITY AND LIABILITIES		**1,103,126,724**	1,101,684,159

These financial statements were approved by the Company's Board of Directors on 25 September 2024 and were signed on their behalf by:

Chairman

Board Member

The attached notes 1 to 35 form part of these financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three- and six-months periods ended 30 June 2024

	Notes	For the three months period ended 30 June 2024 RO (Unaudited/ Unreviewed)	For the three months period ended 30 June 2023 RO (Unaudited/ Unreviewed)	For the six months period ended 30 June 2024 RO (Audited)	For the six months period ended 30 June 2023 RO (Unaudited/ Reviewed)
Income					
Revenue	5	**24,598,727**	21,946,177	**42,080,211**	38,318,710
Finance income	9	**18,844,478**	26,683,005	**38,147,821**	45,149,101
Other income	8	**195,298**	201,067	**554,091**	1,532,979
		43,638,503	48,830,249	**80,782,123**	85,000,790
Expenses					
Contract costs		**(10,690,443)**	(13,520,841)	**(17,212,660)**	(21,984,576)
Operating expenses	6	**(6,532,615)**	(5,139,924)	**(12,446,587)**	(11,220,486)
Administrative expenses	7	**(3,785,937)**	(2,694,218)	**(6,381,578)**	(4,973,078)
Finance cost	9	**(5,971,542)**	(3,339,312)	**(12,307,492)**	(9,370,342)
		(26,980,537)	(24,694,295)	**(48,348,317)**	(47,548,482)
Profit before income tax		**16,657,966**	24,135,954	**32,433,806**	37,452,308
Taxation	10	**(2,556,379)**	(2,507,097)	**(4,764,996)**	(4,371,387)
Profit for the period		**14,101,587**	21,628,857	**27,668,810**	33,080,921
Other comprehensive loss:					
Items that will not be reclassified to profit or loss					
Defined benefit obligation actuarial loss	21	**(83,167)**	(15,269)	**(83,167)**	(15,269)
Items that are or maybe reclassified subsequently to profit or loss					
Effective portion of changes in fair value of cash flow hedges – net of tax	24	**-**	192,594	**-**	385,188
Reclassified to statement of profit or loss on termination of hedge	24	**-**	(8,769,328)	**-**	(8,769,328)
Other comprehensive Income/(Loss) for the period		**(83,167)**	(8,592,003)	**(83,167)**	(8,399,409)
Total comprehensive income for the period		**14,018,420**	13,036,854	**27,585,643**	24,681,512
Basic and diluted earnings per share (Baiza)	27	**0.003**	0.005	**0.006**	0.008

The attached notes 1 to 35 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
For the six-months period ended 30 June 2024

	Notes	*Share capital* *RO*	*Share capital pending registration* *RO*	*Legal reserve* *RO*	*Hedging reserve* *RO*	*Actuarial Reserve* *RO*	*Retained earnings* *RO*	*Total equity* *RO*
At 1 January 2023 (Audited)		336,787,392	-	30,580,020	8,384,140	91,297	232,749,715	608,592,564
Total comprehensive income for the period								
Net profit for the period		-	-	-	-	-	33,080,921	33,080,921
Other comprehensive income								
Changes in fair value of cash flow hedges	24	-	-	-	385,188	-	-	385,188
Reclassified to statement of profit or loss on termination of hedge	24	-	-	-	(8,769,328)	-	-	(8,769,328)
Defined benefit obligation actuarial loss	21	-	-	-	-	(15,269)	-	(15,269)
Total comprehensive income for the period		-	-	-	(8,384,140)	(15,269)	33,080,921	24,681,512
Transfer to legal reserve	18	-	-	3,308,092	-	-	(3,308,092)	-
Transactions with owners of the Company								
Settlement on termination of hedge entered with parent company	24	-	-	-	-	-	(8,769,328)	(8,769,328)
Bonus shares	18	-	96,275,000	-	-	-	(96,275,000)	-
At 30 June 2023 (Unaudited/ Reviewed)		336,787,392	96,275,000	33,888,112	-	76,028	157,478,216	624,504,748

The attached notes 1 to 35 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY (CONTINUED)
For the six-months period ended 30 June 2024

	Notes	*Share capital RO*	*Share capital pending registration RO*	*Legal reserve RO*	*Hedging reserve RO*	*Actuarial Reserve RO*	*Retained earnings RO*	*Total equity RO*
At 1 January 2024		**433,062,392**	-	**36,131,199**	-	**120,640**	**177,665,996**	**646,980,227**
Total comprehensive income for the period								
Net profit for the period		-	-	-	-	-	27,668,810	27,668,810
Other comprehensive income		-	-	-	-	-	-	-
Defined benefit obligation actuarial loss	21	-	-	-	-	(83,167)	-	(83,167)
Total comprehensive income for the period		-	-	-	-	**(83,167)**	**27,668,810**	**27,585,643**
Transfer to legal reserve	18	-	-	**2,766,881**	-	-	**(2,766,881)**	-
Dividends	18	-	-	-	-	-	**(43,999,785)**	**(43,999,785)**
At 30 June 2024		**433,062,392**	-	**38,898,080**	-	**37,473**	**158,568,140**	**630,566,085**

The attached notes 1 to 35 form part of these financial statements.

STATEMENT OF CASH FLOWS
At 30 June 2024

	Notes	*For the six months period ended 30 June* 2024 RO (Audited)	2023 RO (Unaudited/ Reviewed)
OPERATING ACTIVITIES			
Profit before income tax		**32,433,806**	37,452,308
Adjustments for:			
Depreciation	6 & 7	**524,590**	646,013
Provision for obsolete inventories	15	**1,092**	43,959
Provision for employees' end of service benefits	21	**48,953**	133,956
Interest on concession receivables and contract assets	9	**(37,759,631)**	(35,220,000)
Deferred income	8	**(24,342)**	(12,181)
Finance income	9	**(388,190)**	(1,159,773)
Gain transferred on termination of hedge	24	**-**	(8,769,328)
Finance cost	9	**12,307,492**	9,370,342
Working capital changes:			
Decrease in concession receivables	11	**46,347,680**	43,671,707
Decrease in contract asset	12	**7,698,926**	6,098,482
Increase in inventories	15	**(77,902)**	(137,586)
Decrease in trade and other receivables	16	**(841,946)**	(210,582)
Increase in trade and other payables	23	**(19,438,077)**	(5,448,822)
Cash generated from operations		**40,832,451**	46,458,495
Employees' end of service benefits paid	21	**-**	(193,626)
Interest paid		**(11,800,092)**	(6,553,953)
Interest income received on fixed deposits	9	**388,190**	1,159,773
Receipt of connection fee	20	**697,669**	81,444
Net cash generated from operating activities		**30,118,218**	40,952,133
INVESTING ACTIVITIES			
Additions in contract asset		**(17,212,660)**	(21,984,576)
Movement in term deposits		**-**	18,600,000
Net cash used in investing activities		**(17,212,660)**	(3,384,576)
FINANCING ACTIVITIES			
Loan repaid to parent company	19	**-**	(136,710,500)
Repayment of term loan	19	**(4,633,900)**	(252,902,873)
Proceeds from term loan	19	**35,000,000**	333,762,000
Payment of loan issuance costs	19	**-**	(3,799,923)
Payment of lease liabilities	22	**(392,716)**	(565,633)
Dividends paid	18	**(43,999,785)**	-
Net cash used in financing activities		**(14,026,401)**	(60,216,929)
Net (decrease) in cash and cash equivalents		**(1,120,843)**	(22,649,372)
Cash and cash equivalents at 1 January	17	**23,770,963**	48,777,590
CASH AND CASH EQUIVALENTS AT 30 JUNE	17	**22,650,120**	26,128,218

The attached notes 1 to 35 form part of these financial statements.

1 CORPORATE INFORMATION

OQ Gas Networks SAOG ("the Company") was incorporated as a closely held joint-stock company under the Commercial Companies Law of Oman on May 23, 2000. On October 24, 2023, the Company was officially listed on the Muscat Stock Exchange (MSX), following the Parent Company's decision to undertake a secondary sale of up to 49% of its shares through an Initial Public Offering (IPO). As of 2023, OQ SAOC (the "Parent Company"), which is wholly owned by the Government of the Sultanate of Oman via the Oman Investment Authority ("OIA" / "Ultimate Parent Company"), retains a 51% ownership stake in the Company.

The Company's operations were initially governed by the Concession Agreement dated August 22, 2000, ratified by Royal Decree 78/2000 on August 28, 2000. From January 1, 2018, a new revenue and tariff mechanism, the Regulatory Asset Base (RAB), was introduced via an amendment to the August 22, 2000 Tariff and Transportation Agreement ("Amended TTA"). On June 9, 2020, the Company signed an Amended Concession Agreement with the Government of the Sultanate of Oman, which was ratified by Royal Decree 122/2020 on October 28, 2020. This Amended Concession Agreement, which supersedes the Amended TTA, maintains the same terms for determining and charging transportation charges, resulting in no change to the accounting treatment.

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.

The Company holds 100% ownership of Energy Infrastructure Company LLC ("EIC") (Previously Gas Transmission Company LLC ("GTC")) registered in the Sultanate of Oman which is non-operational and hence not consolidated. The Company plans to use EIC 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 (MEM) 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 will be transferred to the Government against purchase consideration equal to the gross value of Regulated Asset Base.

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.

The Company has evaluated the applicability of IFRIC Interpretation 12 Service Concession Arrangements ("IFRIC 12") to the new RAB arrangement effective from 1 January 2018 and concluded that the Concession Agreement falls within the purview of the "financial assets" model as defined in IFRIC 12. Accordingly, effective from 1 January 2018, the Company recognised financial asset and has derecognised the assets recognised under the old arrangement as property, plant and equipment. Also, IFRIC 12, requires the Company to recognise revenue for the construction and operation phases in accordance with International Financial Reporting Standard 15 Revenue from Contracts with Customers ("IFRS 15") (refer to the note 3 and 4 of these financial statements for the accounting policies and judgements applied).

2 SIGNIFICANT AGREEMENTS (continued)

2.1 Concession agreement (continued)

Amended Concession Agreement (continued)
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.

Price Control Regulation
The Company's revenue is regulated under the price control framework established by the Authority for Public Service Regulation (APSR). The current Price Control Regulation 3 (PC3) agreement is effective from January 1, 2024, through December 31, 2027.

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

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

The Company has evaluated the terms of the Concession agreement to determine whether they fall within the scope of IFRIC 12.

2.2 Asset transfer agreements

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

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

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.

3 MATERIAL ACCOUNTING POLICIES

3.1 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 Financial Services Authority (FSA),These financial statements have been prepared on historical cost basis except for derivatives and net defined liability which are measured at fair value.

3 MATERIAL ACCOUNTING POLICIES (continued)

3.2 Adoptions of new and revised International Financial Reporting Standards (IFRS)

New and amended standards and interpretations
A number of new standards, amendments to standards and interpretations are effective for the periods beginning on or after 1 January 2024. Those, which are relevant to the Company, are set out below.

- Amendment to IAS 7 and IFRS 7, Supplier Finance Arrangements; and
- Amendments to IFRS 16, Lease liability in a sale and leaseback;
- Amendments to IAS 1, Classification of liabilities as current or non current and non current liabilities with covenants.

Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7
In May 2023, the IASB issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures to clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.The transition rules clarify that an entity is not required to provide the disclosures in any interim periods in the year of initial application of the amendments. Thus, the amendments had no impact on the Company's financial statements.

Amendments to IFRS 16: Lease Liability in a Sale and Leaseback
In September 2022, the IASB issued amendments to IFRS 16 to specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.The amendments had no impact on the Company's financial statements.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current
In January 2020 and October 2022, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

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

In addition, a requirement has been introduced whereby an entity must disclose when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months. The amendments had no impact on the Company's financial statements.

New and amended IFRSs in issue but not yet effective
The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2023, except for the adoption of new standards effective as of 1 January 2024. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Several amendments apply for the first time in 2024, but do not have an impact on the interim financial statements of the Company.

3.3 Summary of material accounting policies

(a) 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.

3 MATERIAL ACCOUNTING POLICIES (continued)

3.3 Summary of material accounting policies (continued)

(a) Measurement of fair values (continued)

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.

(b) Estimates and judgements

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The areas involving higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in the note 4.

(c) 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.

(d) Service Concession arrangement

As disclosed in note 2 and 4, the Company has applied IFRIC 12 in relation to the Concession Agreement with the Government of Sultanate of Oman.

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

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

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.

(e) 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.

3 MATERIAL ACCOUNTING POLICIES (continued)

3.3 Summary of material accounting policies (continued)

(e) Investment properties (continued)

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

(f) Inventories

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

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

(g) Contribution in aid of construction

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

(h) Financial instruments

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

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

For the transactions that has significant financing component the company has a policy choice to apply either the simplified approach or the general approach in accordance with IFRS 9.

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.

3 MATERIAL ACCOUNTING POLICIES (continued)

3.3 Summary of material accounting policies (continued)

(h) Financial instruments (continued)

Financial assets (continued)

Classification of financial assets (continued)
A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

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

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

Subsequent measurement and gains and losses

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

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.

3 MATERIAL ACCOUNTING POLICIES (continued)

3.3 Summary of material accounting policies (continued)

(h) Financial instruments (continued)

Financial assets (continued)

Amortised cost and effective interest rate method (continued)
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.

3 MATERIAL ACCOUNTING POLICIES (continued)

3.3 Summary of material accounting policies (continued)

(h) Financial instruments (continued)

Financial assets (continued)

Assessment whether contractual cash flows are solely payments of principal and interest (continued)
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.

3 MATERIAL ACCOUNTING POLICIES (continued)

3.3 Summary of material accounting policies (continued)

(h) Financial instruments (continued)

Financial assets (continued)

General approach (continued)

(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.

3 MATERIAL ACCOUNTING POLICIES (continued)

3.3 Summary of material accounting policies (continued)

(h) Financial instruments (continued)

Financial assets (continued)

Derecognition of financial assets

The Company derecognizes a financial asset when:

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

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

Impairment of non-financial assets

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

For assets an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised.

The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

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.

3 MATERIAL ACCOUNTING POLICIES (continued)

3.3 Summary of material accounting policies (continued)

(h) Financial instruments (continued)

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 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.

3 MATERIAL ACCOUNTING POLICIES (continued)

3.3 Summary of material accounting policies (continued)

(h) Financial instruments (continued)

Offsetting
Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Derivative financial instruments and hedge accounting
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 24.

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.

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.

3 MATERIAL ACCOUNTING POLICIES (continued)

3.3 Summary of material accounting policies (continued)

(h) Financial instruments (continued)

Derivative financial instruments and hedge accounting (continued)
Note 24 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.

(i) 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.

Construction of infrastructure
Revenue from construction of the Infrastructure is recognised over time on a surveys of performance completed to date or milestones reached. 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.

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.

3 MATERIAL ACCOUNTING POLICIES (continued)

3.3 Summary of material accounting policies (continued)

(i) Revenue recognition (continued)

Finance income on concession receivables and contract assets

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

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. The revenue for these services is booked overtime.

(j) 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.

(k) 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.

(l) Contract balances

Contract assets
A contract asset is initially recognised for revenue earned from installation services because the receipt of consideration is conditional on successful completion of the installation. Upon completion of the installation and acceptance by the customer, the amount recognised as contract assets is reclassified to trade receivables. Contract assets are subject to impairment assessment.

Trade receivables
A receivable is recognised if an amount of consideration that is unconditional is due from the customer (i.e., only the passage of time is required before payment of the consideration is due).

Contract costs
Contract costs is the cost incurred to fulfil the contract and the relating assets must be amortised on a systematic basis that is consistent with the Company's transfer of the related goods or services to the customer unless there are indications of impairment based on management's estimation of recoverability of contract costs.

Contract liabilities
A contract liability is recognised if a payment is received or a payment is due (whichever is earlier) from a customer before the Company transfers the related goods or services. Contract liabilities are recognised as revenue when the Company performs under the contract (i.e., transfers control of the related goods or services to the customer).

3 MATERIAL ACCOUNTING POLICIES (continued)

3.3 Summary of material accounting policies (continued)

(l) Contract balances (continued)

Contract liabilities (continued)
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.

(m) 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.

(n) 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.

(o) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand that are held for the purpose of meeting short-term cash commitments and are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

3 MATERIAL ACCOUNTING POLICIES (continued)

3.3 Summary of material accounting policies (continued)

(o) Cash and cash equivalents (continued)

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash in bank and at hand, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Company's cash management.

(p) Trade and other payables

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

(q) Dividend distribution

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

(r) Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company as a lessee
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.

3 MATERIAL ACCOUNTING POLICIES (continued)

3.3 Summary of material accounting policies (continued)

(r) Leases (continued)

Lease liability (continued)
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 recognized in profit or loss.

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

(s) Employees' end of service benefits

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

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

The Company also provides end-of-service benefits to its expatriate employees. Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. End-of-service benefits are accrued in accordance with the terms of employment of the Company's employees at the reporting date, having regard to the requirements of the Oman Labour Law 2003 and its amendments subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. The liability for end of service benefits recognized based on actuarial valuation.

3 MATERIAL ACCOUNTING POLICIES (continued)

3.3 Summary of material accounting policies (continued)

(s) Employees' end of service benefits (continued)

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.

(t) 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.

4 CRITICAL JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In preparing these financial statements, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements.

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

Concession Arrangement
The analysis on whether the IFRIC 12 applies to an arrangement involves various factors and depends on the interpretation of contractual arrangement. Therefore, the application of IFRIC 12 requires judgment in relation with, amongst other factors, (i) the identification of certain infrastructures in the scope of IFRIC 12, (ii) the understanding of the nature of the payments in order to determine the classification of the infrastructure as a financial asset 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.

4 CRITICAL JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Critical judgments in applying accounting policies (continued)

Concession Arrangement (continued)
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 judgments and estimates include:

- Development of ECL models, including the various formulas and choice of inputs
- Determining the criteria if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime ECL basis and the qualitative assessment;
- The segmentation of financial assets when their ECL is assessed on a collective basis; and
- Determination of associations between macroeconomic scenarios and, economic inputs, and their effect on probability of default (PDs), exposure at default (EADs) and loss given default (LGDs).

Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models. It has been the Company's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

5 REVENUE

	Notes	***For the three months period ended 30 June***		***For the six months period ended 30 June***	
		2024	*2023*	***2024***	*2023*
		RO	*RO*	***RO***	*RO*
		(Unaudited/ Unreviewed)	*(Unaudited/ Unreviewed)*	***(Audited)***	*(Unaudited/ Reviewed)*
Services transferred over time:					
Construction revenue	12	**11,523,227**	14,488,933	**18,553,525**	23,558,672
Allowance for expenditures and pass through cost		**13,068,460**	7,422,854	**23,519,646**	14,691,756
Project management services		**7,040**	34,390	**7,040**	68,282
		24,598,727	21,946,177	**42,080,211**	38,318,710

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

6 OPERATING EXPENSES

	Notes	*For the three months period ended 30 June*		*For the six months period ended 30 June*	
		2024	*2023*	***2024***	*2023*
		RO	*RO*	***RO***	*RO*
		(Unaudited/ Unreviewed)	*(Unaudited/ Unreviewed)*	***(Audited)***	*(Unaudited/ Reviewed)*
Depreciation	13	**213,319**	199,179	**424,916**	392,091
Employee costs	7.1	**3,254,814**	2,252,201	**6,062,870**	5,043,240
Repair and maintenance		**1,176,568**	713,713	**2,140,778**	2,181,611
Pass through costs*		**1,208,163**	1,284,635	**2,437,146**	2,445,040
Insurance		**516,248**	351,618	**1,030,514**	695,257
Provision of obsolete inventories	15	**1,092**	36,190	**1,092**	43,959
Catering and accommodation		**162,411**	302,388	**349,271**	419,288
		6,532,615	5,139,924	**12,446,587**	11,220,486

* 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 5.

7 ADMINISTRATIVE EXPENSES

	Notes	*For the three months period ended 30 June*		*For the six months period ended 30 June*	
		2024	*2023*	***2024***	*2023*
		RO	*RO*	***RO***	*RO*
		(Unaudited/ Unreviewed)	*(Unaudited/ Unreviewed)*	***(Audited)***	*(Unaudited/ Reviewed)*
Employee costs	7.1	**2,464,074**	1,687,811	**4,171,621**	3,266,348
Depreciation	14	**47,117**	237,600	**99,674**	253,922
Training and business travel		**165,394**	107,775	**284,623**	286,498
Legal and professional		**119,824**	47,019	**411,524**	58,648
Utilities and office expenses		**38,246**	123,076	**114,461**	253,216
Repairs and maintenance		**670,264**	267,535	**816,505**	362,964
Contract services		**83,905**	-62,975	**145,580**	125,612
Bad debt written off		**-**	167,083	**-**	167,083
Other expenses		**197,113**	119,294	**337,590**	198,787
		3,785,937	2,694,218	**6,381,578**	4,973,078

The total fee for audit and non-audit related services incurred to auditors for the period ended 30 June 2024 was RO 15,400.

7 ADMINISTRATIVE EXPENSES (continued)

7.1 Employee cost

Employee related expenses comprise the following:

	Notes	For the three months period ended 30 June 2024 RO (Unaudited/ Unreviewed)	2023 RO (Unaudited/ Unreviewed)	For the six months period ended 30 June 2024 RO (Audited)	2023 RO (Unaudited/ Reviewed)
Wages and salaries		**3,344,319**	2,757,573	**6,520,522**	6,280,078
Current service cost on long term benefits	21	**5,749**	24,070	**48,953**	133,956
Contributions into unfunded defined contribution plan		**313,036**	274,847	**619,930**	545,806
Other benefits		**2,055,784**	883,522	**3,045,086**	1,349,748
		5,718,888	3,940,012	**10,234,491**	8,309,588
Employee cost is classified as below					
Operating expenses	6	**3,254,814**	2,252,201	**6,062,870**	5,043,240
Administrative expenses	7	**2,464,074**	1,687,811	**4,171,621**	3,266,348
		5,718,888	3,940,012	**10,234,491**	8,309,588

8 OTHER INCOME

	Notes	For the three months period ended 30 June 2024 RO (Unaudited/ Unreviewed)	2023 RO (Unaudited/ Unreviewed)	For the six months period ended 30 June 2024 RO (Audited)	2023 RO (Unaudited/ Reviewed)
Tender fee and others		**102,531**	115,388	**380,957**	127,731
Amortization of deferred income	20	**18,252**	6,091	**24,342**	12,181
Income from investment property	25(a)	**74,279**	79,588	**148,556**	1,393,067
Gain on sale of assets		**236**	-	**236**	-
		195,298	201,067	**554,091**	1,532,979

9 FINANCE INCOME AND COST

	Notes	*For the three months period ended 30 June* 2024 RO (Unaudited/ Unreviewed)	2023 RO (Unaudited/ Unreviewed)	*For the six months period ended 30 June* 2024 RO (Audited)	2023 RO (Unaudited/ Reviewed)
Finance income					
Finance income on concession arrangement on:					
Concession receivables	11	**14,651,781**	14,016,355	**29,377,359**	28,525,017
Contract assets	12	**4,028,484**	3,362,198	**8,382,272**	6,694,983
		18,680,265	17,378,553	**37,759,631**	35,220,000
Transfer from OCI on termination of hedge	24	-	8,769,328	-	8,769,328
Interest income on short term deposits		**164,213**	535,124	**388,190**	1,159,773
		18,844,478	26,683,005	**38,147,821**	45,149,101
Finance cost					
Interest on term loan from commercial banks		**6,066,068**	3,933,274	**12,138,642**	6,941,629
Interest on loan from Parent Company	25(c)	-	(2,723,479)	-	32,151
Amortization of deferred finance cost	19	**119,467**	1,993,259	**238,934**	2,119,792
Interest on lease liabilities	22	**138,602**	136,563	**277,666**	274,401
Exchange loss		**(352,595)**	(305)	**(347,750)**	2,369
		5,971,542	3,339,312	**12,307,492**	9,370,342

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

Interest income on short term deposits in Islamic banks is RO 360,181 *(30 June 2023: RO* 331,773*)* and in conventional banks is RO 28,009 *(30 June 2023: RO* 828,000*)*.

10 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% (2023: 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 period is 14.6% (30 June 2023: 11.6%).

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 30 June 2024.

10 TAXATION (continued)

(a) Tax expense

The taxation charge for the year is comprised of:

	For the three months period ended 30 June		*For the six months period ended 30 June*	
	2024	*2023*	***2024***	*2023*
	RO	*RO*	***RO***	*RO*
	(Unaudited/ Unreviewed)	*(Unaudited/ Unreviewed)*	***(Audited)***	*(Unaudited/ Reviewed)*
Deferred tax				
- in respect of current period	**2,556,379**	2,507,097	**4,764,996**	4,371,387
- in respect of prior period	**-**	-	**-**	-
	2,556,379	2,507,097	**4,764,996**	4,371,387
	2,556,379	2,507,097	**4,764,996**	4,371,387

Income tax expense is recognised at an amount determined by multiplying the profit (loss) before tax for the reporting period by management's best estimate of the weighted-average annual income tax rate expected for the full financial year. As such, the effective tax rate in the financial statements may differ from management's estimate of the effective tax rate for the annual financial statements.

(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 three months period ended 30 June		*For the six months period ended 30 June*	
	2024	*2023*	***2024***	*2023*
	RO	*RO*	***RO***	*RO*
	(Unaudited/ Unreviewed)	*(Unaudited/ Unreviewed)*	***(Audited)***	*(Unaudited/ Reviewed)*
Profit before tax	**16,657,966**	24,135,954	**32,433,806**	37,452,308
Tax on accounting profit @15%	**2,498,695**	3,620,393	**4,865,071**	5,617,846
Add / (less) tax effect of:				
Tax exempt revenues	**57,684**	(1,113,296)	**(100,075)**	(1,246,459)
	2,556,379	2,507,097	**4,764,996**	4,371,387

10 TAXATION (continued)

(c) Deferred tax

Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 15% (31 December 2023 - 15%). The deferred tax liability and deferred tax charge in the profit or loss and other comprehensive income are attributable to the following items:

	1 January 2024 *RO*	*Charge to profit or loss* *RO*	*Charged to other comprehensive income* *RO*	*Transferred to retained earnings on termination of hedge* *RO*	*30 June 2024* *RO*
Taxable temporary differences					
Effect of accelerated tax depreciation	47,590,431	4,480,287	-	-	52,070,718
Right of use assets	1,250,292	(30,981)	-	-	1,219,311
Deferred tax liabilities	48,840,723	4,449,306	-	-	53,290,029
Deductible temporary differences					
Brought forward losses	(3,013,341)	331,190	-	-	(2,682,151)
Lease liability	(1,361,288)	(15,500)	-	-	(1,376,788)
Deferred tax assets	(4,374,629)	315,690	-	-	(4,058,939)

10 TAXATION (continued)

(d) Deferred tax (continued)

	1 January 2023 *RO*	*Charge to profit or loss* *RO*	*Charged to other comprehensive income* *RO*	*Transferred to retained earnings on termination of hedge* *RO*	31 December 2023 *RO*
Taxable temporary differences					
Effect of accelerated tax depreciation	39,033,452	8,556,979	-	-	47,590,431
Right of use asset	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 liability	(1,402,444)	41,156	-	-	(1,361,288)
Deferred tax assets	(2,838,186)	(1,536,443)	-	-	(4,374,629)

At the reporting date, the Company has cumulative tax losses of RO 17,619,789 (31 December 2023: RO 20,088,940) available for adjustment from future taxable profits. The management has determined that the cumulative tax losses will expire in 2026 and 2027.

11 CONCESSION RECEIVABLES

	Notes	***30 June 2024*** ***RO***	*31 December 2023* *RO*
At 1 January		**801,750,879**	815,070,529
Acquisition during the period/year*	25	**-**	16,828,427
Transferred from contract assets	12	**30,219,239**	4,174,125
Adjustment for penalties		**-**	(1,447,618)
Transferred to investment property	14	**-**	(3,899,781)
Transferred from investment property	14	**893,295**	-
Finance income during the period/year	9	**29,377,359**	57,869,671
Payments received during the period/year		**(46,347,680)**	(86,844,474)
		815,893,092	801,750,879
Non-current asset		**784,419,588**	772,021,688
Current asset		**31,473,504**	29,729,191
		815,893,092	801,750,879

11 CONCESSION RECEIVABLES (continued)

Concession receivables have effective interest rate of 7.41% (30 June 2023: 7.22%) 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.

* During 2023, the Company acquired infrastructure assets from a related party for RO 16,828,427.

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.

12 CONTRACT ASSETS

	Notes	***Due from shipper RO***	***Due from others RO***	***Total RO***
At 1 January 2024		**240,290,734**	**899,950**	**241,190,684**
Additions during the period	5	**18,553,525**	**-**	**18,553,525**
Transferred to concession receivables upon completion	11	**(30,219,239)**	**-**	**(30,219,239)**
Finance income during the period	9	**8,382,272**	**-**	**8,382,272**
Billed received during the period		**(7,698,926)**	**-**	**(7,698,926)**
At 30 June 2024		**229,308,366**	**899,950**	**230,208,316**

	Due from shipper RO	*Due from others RO*	*Total RO*
At 1 January 2023	182,290,147	1,802,283	184,092,430
Additions during the year	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	(4,174,125)	-	(4,174,125)
Finance income during the year	14,859,938	-	14,859,938
Billed during the year	(13,442,703)	-	(13,442,703)
At 31 December 2023	240,290,734	899,950	241,190,684

(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.

12 CONTRACT ASSETS (continued)

(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 (2023: 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 2023, Ras Markaz Pipeline project of RO 689,845 was transferred to a related party as part of settlement of the shareholder loan agreement.

13 RIGHT-OF-USE ASSET

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

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

	Notes	*Leasehold land RO*	*Motor vehicles RO*	*Building RO*	*Total RO*
At 1 January 2024		**7,932,536**	**-**	**402,741**	**8,335,277**
Additions	*22*	**-**	**197,738**	**20,644**	**218,382**
Depreciation	*6*	**(130,629)**	**(197,738)**	**(96,549)**	**(424,916)**
At 30 June 2024		**7,801,907**	**-**	**326,836**	**8,128,743**
At 1 January 2023		8,140,152	205,296	299,788	8,645,236
Additions	*22*	83,183	220,716	249,477	553,376
Depreciation		(290,799)	(426,012)	(146,524)	(863,335)
At 31 December 2023		7,932,536	-	402,741	8,335,277

14 INVESTMENT PROPERTIES

	Notes	*30 June 2024 RO (Audited)*	*31 December 2023 RO (Audited)*
Cost			
At 1 January		**5, 363,716**	1,160,359
Transfer from concession receivable	11	**-**	4,203,357
Transfer to concession receivable	11	**(1,160,359)**	-
At 30 June / 31 December		**4,203,357**	5,363,716
Accumulated depreciation			
At 1 January		**627,988**	174,576
Depreciation	7	**99,674**	149,836
Transfers from concession receivables	11	**-**	303,576
Transfers to concession receivables	11	**(267,064)**	-
At 30 June / 31 December		**460,598**	627,988
Carrying amount		**3,742,759**	4,735,728

On 31 December 2019, the Head Office 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, the building was transferred back to concession receivable. The fair value of the investment was carried out by management in 2024 resulting in fair value of RO 3.0 million (2023: RO 3.0 million) which is higher than the carrying value.

During the period, the Fahud accommodation building was transferred to investment property because it was no longer use by the Company in rendering services under the concession arrangement. The accommodation is rented out to a related party and the rent is recorded as other income. The fair value assessment of the investment property was carried out by management in 2023 and 2024 resulting in fair value of RO 5.5 million which is higher than the carrying value.

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

14 INVESTMENT PROPERTIES (continued)

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

Property description	***Valuation technique***	***Significant unobservable inputs***	***Inter-relationship between key unobservable inputs and fair value measurement***
Five story commercial building with basement floor, Plot No. 4, Al Khuwair area 41, at Wilayat Bausher.	*Income capitalization:* The valuation model uses the income the property generates to estimate fair value.	***2024*** • Rent per month at RO 33,096 • Annual yield 10.8% *2023* • Rent per month at RO 33,096 • Annual yield 10.8%	The estimated fair value would increase / (decrease) if: • Monthly rent was higher / (lower); • Annual yield is higher / (lower);
80 room accommodation in Fahud		***2024*** • Rent per month at RO 69,360 • Annual yield 15% *2023* • Rent per month at RO 69,360 • Annual yield 15%	The estimated fair value would increase / (decrease) if: • Monthly rent was higher / (lower); • Annual yield is higher / (lower);

15 INVENTORIES

	Notes	***30 June 2024 RO (Audited)***	*31 December 2023 RO (Audited)*
Stores, spares and consumables		**2,834,917**	2,758,441
Less: Provision for obsolete inventories		**(16,975)**	(17,309)
		2,817,942	2,741,132
At 1 January		**17,309**	34,450
Charge for the period	6	**1,092**	15,316
Provision written off		**(1,426)**	(32,457)
At 30 June /31 December		**16,975**	17,309

16 TRADE AND OTHER RECEIVABLES

	Notes	*30 June 2024 RO (Audited)*	*31 December 2023 RO (Audited)*
Receivables from IGC	25 (d)	**12,284,948**	11,226,498
Due from related parties	25 (e)	**804,133**	933,395
		13,089,081	12,159,893
Prepaid insurance		**1,380,234**	144,562
Project management fee receivable from third parties		**1,003,305**	328,425
Advances to employees		**76,403**	74,146
Advances to contractors		**54,512**	675,238
Accrued revenue		**30,312**	49,700
Other receivables		**13,976**	1,373,913
Provision for doubtful debt		**(21,010)**	(21,010)
		15,626,813	14,784,867

Receivable from IGC represents revenue receivable on account of invoices billed to IGC. 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 recognized a provision for doubtful debt of RO 21,010 (2023: RO 21,010) against other receivables and receivable from third parties for project management fees and others.

During 2023, advances to employees of RO 226,627 and project management fee receivable from third parties of RO 2,200 were written off. There are no write-offs in 2024.

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

Movement of allowance for expected credit loss is as follows:

	2024 RO (Audited)	*2023 RO (Audited)*
As at 1 January	**21,010**	-
Reversal for the period / year	-	249,837
Write-off for the year	-	(228,827)
As at 30 June / 31 December	**21,010**	21,010

17 CASH AND CASH EQUIVALENTS

	30 June 2024 RO (Audited)	*31 December 2023 RO (Audited)*
Cash at bank	**22,635,726**	23,759,086
Cash in hand	**14,394**	11,877
	22,650,120	23,770,963

Cash at bank comprises of cash at Islamic banks of RO 9,138,678 (2023: RO 21,824,100) and cash at conventional banks of RO 13,497,048 (2023: RO 1,934,986).

Balances with banks 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.

18 SHARE CAPITAL AND RESERVES

Share capital
The Company's authorized share capital is RO 500,000,000 (31 December 2023: RO 500,000,000).

The paid-up share capital comprises of 4,330,623,920 shares of RO 0.100 each (31 December 2023: 4,330,623,920 shares of RO 0.1 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 capitalization 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:

The shareholding at the reporting date is as follows:

	Number of shares 30 June 2024 (Audited)	***% of share holding 30 June 2024 (Audited)***	*Number of shares 31 December 2023 (Audited)*	*% of share holding 31 December 2023 (Audited)*
OQ SAOC	**2,208,618,200**	**51**	2,208,618,200	51

Legal reserve
Article 132 of the Commercial Companies Law of Sultanate of Oman requires that 10% of the Company's net profit after tax to be transferred to a non-distributable legal reserve until the amount of the legal reserve equals to one-third of the Company's share capital. This reserve is not available for distribution. During the period, RO 2.76 million (30 June 2023: RO 3.31 million) has been transferred to legal reserve.

Dividend
On 7 January 2024, the shareholders approved to pay a dividend of 7.62 baisa per share relating to the third quarter ended on 30 September 2023.

On 18 March 2024, the shareholders approved to pay a final dividend of 2.54 baisa per share relating to the last quarter of the year ended 31 December 2023.

19 TERM LOANS

	Notes	*30 June 2024 RO (Audited)*	*31 December 2023 RO (Audited)*
Term loans		**363,122,200**	333,124,380
Less: unamortized transaction cost		**(3,417,091)**	(3,656,025)
		359,705,109	329,468,355
Analysed as follows:			
Current		**9,267,800**	9,275,240
Non-current		**350,437,309**	320,193,115
		359,705,109	329,468,355

The unamortized transaction cost is as follows:

At January		**3,656,025**	2,108,192
Paid during the period/year		**-**	3,911,799
Amortised during the period/year	9	**(238,934)**	(2,363,966)
At 30 June / 31 December		**3,417,091**	3,656,025

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

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

During the period, the Company made a drawdown of RO 35 million on these facilities. At the reporting date, the unutilized balance of the term loans was RO 91 million (31 December 2023: RO 126 million)

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

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

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

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

20 DEFERRED INCOME

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

	Notes	*30 June 2024 RO (Audited)*	*31 December 2023 RO (Audited)*
At 1 January		**4,673,519**	4,864,801
Contributions received during the period / year		**697,669**	98,683
Contribution reversed during the year		**-**	(265,604)
Recognized as income during the period / year	8	**(24,342)**	(24,361)
At 30 June / 31 December		**5,346,846**	4,673,519

21 EMPLOYEES' END OF SERVICE BENEFIT

The movement in employees' end of service benefits is as follows:

	Notes	*30 June 2024 RO (Audited)*	*31 December 2023 RO (Audited)*
At 1 January		**512,356**	556,772
Paid to related party on transfer of employees		**-**	(241,061)
Received from related party on transfer of employees		**-**	309,950
Charge for the period/year	7.1	**48,953**	100,688
Un-realised actuarial gain		**83,167**	(29,343)
Paid during the period/year		**-**	(184,650)
At 30 June / 31 December		**644,476**	512,356

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

	30 June 2024 RO (Audited)	*31 December 2023 RO (Audited)*
Discount rate	**6%**	6%
Future salary increase	**3%**	3%
Retirement age in years	**60**	60

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

	30 June 2024 RO (Audited)	*31 December 2023 RO (Audited)*
Service cost	**81,057**	100,688

21 EMPLOYEES' END OF SERVICE BENEFIT (continued)

The amount recognised in the statement of other comprehensive income

	30 June 2024 RO (Audited)	*31 December 2023 RO (Audited)*
Actuarial loss/(gain) – Experience adjustment	**83,167**	(29,343)

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

	30 June 2024 RO		*31 December 2023 RO*	
	(Audited) Increase	***(Audited) Decrease***	*(Audited) Increase*	*(Audited) Decrease*
Discount rate (0.50% points)	**(19,309)**	**20,671**	(15,351)	16,027
Projected salary (0.50% points)	**21,204**	**(19,512)**	16,424	(15,861)

22 LEASE LIABILITIES

The movement in lease liabilities is as follows:

		30 June 2024 RO (Audited)	*31 December 2023 RO (Audited)*
As at 1 January		**9,075,256**	9,349,629
Additions during the period / year	13	**218,382**	553,376
Accretion of interest	9	**277,666**	567,490
Payments		**(392,716)**	(1,395,239)
At 30 June / 31 December		**9,178,588**	9,075,256
Anaylsed as:			
Non-current		**8,972,359**	8,887,425
Current		**206,229**	187,831
		9,178,588	9,075,256
Gross lease liabilities		**33,654,318**	21,459,372
Future finance charges		**(24,475,730)**	(12,384,116)
		9,178,588	9,075,256
Interest expense recognised in profit or loss	9	**277,666**	567,490
Total cash flows for leases		**(392,716)**	(1,395,239)

22 LEASE LIABILITIES (continued)

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 29.

23 TRADE AND OTHER PAYABLES

		30 June 2024 RO (Audited)	*31 December 2023 RO (Audited)*
Payables to contractors for construction contracts		**19,221,009**	26,648,517
Trade payables		**7,105,395**	11,220,450
Accrued expenses and provisions		**6,050,564**	7,637,740
Due to related parties	25 (f)	**244,575**	578,795
Interest payable on term loan		**1,141,839**	803,289
Contract liability*		**7,846,532**	12,962,719
Other payables		**2,785,677**	2,282,213
		44,395,591	62,133,723

*The contract liability primarily relates to the billing in excess of revenue from the IGC for which revenue is recognised over time. This will be recognised as revenue, which is expected to occur in the ensuing year. During the period RO: 5,116,187 (31 December 2023: RO Nil) has been recognised as revenue and the Company will adjust the balance by 31 December 2024.

24 DERIVATIVES

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

On 15 June 2023, the Parent Company terminated the interest swap agreement with the Company, at nil purchase consideration, after reassessing its risk management strategy following the refinancing of the Company's borrowings. Both parties were relieved of any obligation and liabilities associated with the agreement.

The loss on the termination of the interest swap agreement has been recognized within equity as an adjustment to the retained earnings.

	Notes	*2024 RO (Audited)*	*2023 RO (Audited)*
Notional amount hedged		-	-
Cumulative changes in hedging reserve			
At 1 January			8,384,140
Gain arising on changes in fair value of hedging instruments during the year		-	453,161
Deferred tax charged to other comprehensive income		-	(67,973)
Gain transferred to statement of profit and loss upon termination of hedge	9	-	(8,769,328)
At 31 December		-	-
Asset / (liability)			
Non-current portion		-	-
Current portion		-	-
		-	-

24 DERIVATIVES (continued)

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

25 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 2023 - RO nil).

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

(a) Details of significant related parties transactions:

	Notes	***30 June 2024 RO (Audited)***	*30 June 2023 RO (Unaudited/ Reviewed)*
Revenue from MEM/IGC			
Construction revenue	*5*	**18,553,525**	23,558,672
Finance income on concession arrangement	*9*	**37,759,631**	35,220,000
Allowance for expenditures and pass through costs	*5*	**23,519,646**	14,691,756
		79,832,802	73,470,428
Transactions of other related parties			
Income from investment property	*8*	**148,556**	1,393,067
Interest on loan from Parent Company	*9*	**-**	32,151
Other income		**310,047**	-
Training cost		**78,993**	-
Fuel gas cost		**2,337,138**	2,174,677
IT related services cost		**726,733**	-

25 RELATED PARTIES (continued)

(b) Key management personnel compensation is as follows:

Key management compensation and board remuneration during the period is as below:

	30 June 2024 RO (Audited)	*30 June 2023 RO (Unaudited/ Reviewed)*
Short term benefits (Wages and salaries)	**61,738**	55,643
Other benefits	**47,654**	33,243
Board remuneration	**87,500**	-
	196,892	88,886

(c) Loan from Parent Company

	30 June 2024 RO (Audited)	*31 December 2023 RO (Audited)*
At 1 January	**-**	137,600,804
Loan repaid during the period / year	**-**	(136,710,500)
Transfers	**-**	(890,304)
At 30 June / 31 December	**-**	-

During 2017, the Company obtained loan from Parent Company of RO 0.89 million for the funding of Ras Markaz Pipeline project. The loan is unsecured and carries an interest at LIBOR plus an agreed margin. On 30 June 2023, the Company novated the loan to a related party against transfer of contract asset 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 million 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 (note 16)

	30 June 2024 RO (Audited)	*31 December 2023 RO (Audited)*
Receivables from Integrated Gas Company	**12,284,948**	11,226,498

(e) Amounts due from Parent Company and other related parties under common control (note 16)

	30 June 2024 RO (Audited)	*31 December 2023 RO (Audited)*
Parent Company	**-**	67,357
Subsidiaries of the Parent Company	**804,133**	866,038
	804,133	933,395

25 RELATED PARTIES (continued)

(f) Amounts due to Parent Company and other related parties under common control (note 23)

	30 June 2024 RO (Audited)	*31 December 2023 RO (Audited)*
Parent Company	**244,575**	375,111
Subsidiaries of the Parent Company	**-**	203,684
	244,575	578,795

26 COMMITMENTS AND CONTIGENCIES

The Company is defending certain actions brought by a contractor in relation to work carried out by him for the Company. Although liability is not admitted, if the defence against the action is unsuccessful, then the Company may be liable for an amount of RO 19.5 million (31 December 2023: RO 19.7 million). Based on legal advice, the Company's management believes that the defence against the action will be successful.

As at 30 June 2024, the Company had commitments pertaining to the capital projects under construction of RO 34.6 million (31 December 2023: RO 42.2 million).

27 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 18).

	For the three months period ended 30 June		***For the six months period ended 30 June***	
	2024 RO (Unaudited/ Unreviewed)	*2023 RO (Unaudited/ Unreviewed)*	***2024 RO (Audited)***	*2023 RO (Unaudited/ Reviewed)*
Profit for the year	**14,101,587**	21,628,857	**27,668,810**	33,080,921
Weighted average number of shares	**4,330,623,920**	4,330,623,920	**4,330,623,920**	4,330,623,920
Basic and diluted earnings per share	**0.003**	0.005	**0.006**	0.008

28 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 3 to the financial statements.

	Notes	*30 June 2024 RO (Audited)*	*31 December 2023 RO (Audited)*
Categories of financial instruments			
Financial assets (at amortised cost)			
Concession receivables	*11*	**815,893,092**	801,750,879
Trade and other receivables excluding advances	*16*	**15,495,898**	14,035,483
Cash and cash equivalents	*17*	**22,650,120**	23,770,963
		854,039,110	839,557,325
Financial liabilities (at amortised cost)			
Term loans	*19*	**359,705,109**	329,468,355
Lease liabilities	*22*	**9,178,588**	9,075,256
Trade and other payables excluding contract liability	*23*	**36,549,059**	49,171,004
		405,432,756	387,714,615

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

29 FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks including the effects of changes in market risk, (including foreign exchange risk and interest rate risk) liquidity risk and credit risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize 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.

29 FINANCIAL RISK MANAGEMENT (continued)

Financial risk factors (continued)

Market risk (continued)

(ii) Interest rate risk (continued)

At the statement of reporting date, the interest rate risk profile of the Company's interest bearing financial instrument was:

	Notes	***30 June 2024 RO (Audited)***	*31 December 2023 RO (Audited)*
Fixed rate instruments			
Term loan from commercial banks	*19*	**129,500,000**	96,750,000
Floating rate instruments			
Term loan from commercial banks	*19*	**233,622,200**	236,374,380

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

Sensitivity analysis for floating rate instruments
For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. At 30 June 2024, 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:

	Notes	***30 June 2024 RO (Audited)***	*31 December 2023 RO (Audited)*
Term loan	*19*	**1,168,111**	2,363,744

Liquidity risk
Liquidity risk is the risk that the Company will not be able to meet obligations as they fall due. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

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.

29 FINANCIAL RISK MANAGEMENT (continued)

Financial risk factors (continued)

Liquidity risk (continued)
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.

30 June 2024 (Audited)	*Carrying amount RO*	*Contractual cash flows RO*	*Up to 1 year RO*	*1 to 5 years RO*	*Over 5 years RO*
Term loans	**359,705,109**	**509,688,026**	**33,335,330**	**149,335,528**	**327,017,168**
Lease liabilities	**9,178,588**	**33,654,319**	**1,216,653**	**4,320,493**	**28,117,173**
Trade and other payables excluding contract liability	**36,549,059**	**36,549,059**	**36,549,059**	**-**	**-**
	405,432,756	**579,891,404**	**71,101,042**	**153,656,021**	**355,134,341**
31 December 2023 (Audited)					
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

Trade payables are interest free and term loan from Commercial banks was ranging from 5.7% and 7.29% (2023: 5.7% and 7.88%).

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

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

As at 30 June 2024, 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.

29 FINANCIAL RISK MANAGEMENT (continued)

Financial risk factors (continued)

Credit risk (continued)
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.

30 June 2024 (Audited)	*External credit rating*	*12-month or lifetime ECL*	*Gross amount (Discounted) RO*	*ECL %*	*Loss allowance RO*	*Net carrying amount RO*
Concession receivables	Ba2	12 months	**815,893,092**	-	-	**815,893,092**
Cash and bank balances	Ba2	12 months	**22,650,120**	-	-	**22,650,120**
Trade and other receivables excluding advances	-	Lifetime	**15,516,908**	-	**21,010**	**15,495,898**
			854,060,120	-	**21,010**	**854,039,110**
31 December 2023(Audited)						
Concession receivables	Ba3	12 months	801,750,879	-	-	801,750,879
Cash and bank balances	Ba3	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

29 FINANCIAL RISK MANAGEMENT (continued)

Financial risk factors (continued)

Credit risk (continued)
As at June 30, 2024 the status of past due balances of financial assets are as follows:

30 June 2024 (Audited)	***Gross amount (Discounted) RO***	***Not due RO***	***Past due Upto 30 days RO***	***Upto 365 days RO***	***Over 365 days RO***
Concession receivables	**815,893,092**	**815,893,092**	-	-	-
Cash and bank balances	**22,650,120**	**22,650,120**	-	-	-
Trade and other receivables excluding advances	**15,495,898**	**14,006,300**	**424,574**	**467,295**	**597,729**
	854,039,110	**852,549,512**	**424,574**	**467,295**	**597,729**

31 December 2023 (Audited)	*Gross amount (Discounted) RO*	*Not due RO*	*Past due Upto 30 days RO*	*Upto 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

Details of basis of ECL allowance on each financial asset is given in note 3 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.

30 CAPITAL RISK MANAGEMENT

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

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

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

The Company's management reviews the capital structure of the Company on a semi-annual basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. The gearing ratio at 30 June 2024 was 35% (2023: 32%).

30 CAPITAL RISK MANAGEMENT (continued)

Gearing ratio
The gearing ratio at year end was as follows:

	30 June 2024 RO (Audited)	*31 December 2023 RO (Audited)*
Net debt	**337,054,989**	305,697,392
Total equity	**630,566,085**	646,980,227
Total capital employed	**967,621,074**	952,677,619
Gearing ratio	**35%**	32%

31 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 statement of financial position, statement of profit and loss and other comprehensive income and also in notes 1 to 4 to these financial statements.

32 RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	At 1 January	*Financing cash inflow*	*Financing cash outflow*	*Non-cash items*	*At 30 June / At 31 December*
30 June 2024 (Audited)					
Term loan from commercial banks	**333,124,380**	**35,000,000**	**(4,633,900)**	**(368,280)**	**363,122,200**
Loan issuance cost	**(3,656,025)**	**-**	**-**	**238,934**	**(3,417,091)**
Finance lease liability	**9,075,256**	**-**	**(392,716)**	**496,048**	**9,178,588**
	338,543,611	**35,000,000**	**(5,026,616)**	**366,702**	**368,883,697**
31 December 2023 (Audited)					
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

33 CLIMATE RELATED RISKS

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

The Company is currently in the process of embedding climate related risks in its Risk Management Framework as part of its commitment towards OQGN's Sustainability strategy, that includes setting proper risk appetite metrics and maintaining policies, processes and controls to incorporate environmental and climate change risks in the management of its risk categories.

The Company acknowledges the need for further efforts to fully integrate climate in the Company's risk assessments and management protocols.

34 SUBSEQUENT EVENT

In a meeting held on 25 September 2024, the board of directors proposed an interim dividend of 5.75 baiza per share for the six month period ended 30 June 2024.

35 GENERAL

Figures have been rounded off to the nearest RO unless otherwise stated.