OQ Group

OQGN

PROSPECTUS

OQ Gas Networks SAOG
(under transformation)

P.O. Box 799,
Postal Code 133,
Al Khuwair,
Muscat, Sultanate of Oman

Initial Public Offering of 2,122,005,720 Offer Shares

Category I
Subscription Price Range:
Bzs 131 to Bzs 140 per Offer Share

Category II
Subscription Price:
Discounted Maximum Price of Bzs 126 per Offer Share, calculated as the Maximum Price of Bzs 140 less a discount of 10 per cent.

Category I Offer Period:
26 September 2023 to 9 October 2023

Category II Offer Period:
26 September 2023 to 5 October 2023

(Parallel Offering)

CMA Administrative Decision No. KH/78/2023
issued on 17 September 2023

Issue Manager: bank muscat

Joint Global Coordinators: bank muscat, EFG Hermes, AN INTERNATIONAL BANK

Collection Agents: ahlibank, BankDhofar, bank muscat, Bank Nizwa, Horizons Capital Markets, EFG Hermes Oman LLC, NBO, Oman Arab Bank, Sohar International, U Capital, United Securities

His Majesty Sultan Haitham bin Tarik

OQ Gas Networks SAOG

(under transformation)
P.O. Box 799,
Postal Code 133,
Al Khuwair,
Muscat, Sultanate of Oman

Initial Public Offering of 2,122,005,720 Offer Shares
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2,122,005,720 existing ordinary shares (the "**Offer Shares**") of the total 4,330,623,920 ordinary shares of OQ Gas Networks SAOG (under transformation) the ("**Company**") with a value of Bzs 100 each ("**Shares**") are being offered in an offering (the "**Offer**") by OQ SAOC ("**OQ**"), Oman Energy Trading Company Limited ("**OETCL**") and Oman Oil Services Limited ("**OOSL**") (each a "**Selling Shareholder**" and, together, the "**Selling Shareholders**"). The Company and the Selling Shareholders reserve the right to amend the size of the Offer at any time prior to the end of the Offer Subscription Period (as defined below) in their sole discretion, subject to applicable laws and the approval of the Capital Market Authority of Oman (the "**CMA**"). The Company will not receive any of the proceeds of the sale of the Offer Shares, all of which will be paid to the Selling Shareholders.

The Offer comprises an offering of Offer Shares: (i) in Oman in accordance with Omani laws (including the SAOG Executive Regulations); and (ii)(a) outside the United States to certain institutional investors in reliance on Regulation S ("**Regulation S**") under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), and (b) in the United States to certain qualified institutional buyers (each a "**QIB**") as defined in, and in reliance on, Rule 144A under the Securities Act ("**Rule 144A**") or another exemption from the registration requirements of the Securities Act.

Prior to the Offer, there has been no public market for the Offer Shares. The Company will apply for the Offer Shares to be listed on the Muscat Stock Exchange (the "**MSX**") under the symbol "**OQGN**" (the "**Admission**"). There will be no conditional dealings in the Offer Shares prior to Admission. It is expected that Admission will become effective and that dealings in the Offer Shares will commence on the MSX on or about 24 October 2023, or such other date (the "**Listing Date**") as may be notified by the Joint Global Coordinators (as defined below).

All investors other than Category II investors will be allotted Offer Shares at the same Offer Price, which will be determined based on the Category I bookbuilding process. Category II investors will be allotted Offer Shares at the Offer Price less a discount of 10 per cent.

The Company has received irrevocable commitments from the Anchor Investors (as defined below) subject to the terms contained in the Anchor Investment Agreements (as defined in "*Chapter XX — Subscription and Sale — Anchor Investors*") to subscribe to the Offer at the Maximum Price (as defined below). The following table provides details regarding such subscriptions:

Name of Anchor Investor	Number of Shares Subscribed at the Maximum Price	Subscription Amount at the Maximum Price (OMR)	% of Offer
Saudi Omani Investment Company[(1)]	212,200,572	29,708,080	10%
Fluxys International SA/NV	212,200,572	29,708,080	10%
Falcon Investments LLC[(2)]	212,200,572	29,708,080	10%
Total	**636,601,716**	**89,124,240**	**30%**

Note:
(1) Saudi Omani Investment Company is a wholly owned entity of the Public Investment Fund of the Kingdom of Saudi Arabia.
(2) Falcon Investments LLC is a subsidiary of Qatar Investment Authority, the sovereign wealth fund of the State of Qatar.

Please refer to "*Chapter VIII – Shareholding Details*" for more details on the Anchor Investors.

Investing in the Offer Shares involves significant risks. Prospective investors should read this document in its entirety and, in particular, prospective investors are advised to examine all of the risks that are relevant in connection with an investment in the Offer Shares. See "*Chapter IV— Risk Factors*" for a discussion of certain risks and other factors that should be considered before making an investment decision with respect to the Offer.

The Offer Shares have not been, and will not be, registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States and, subject to certain limited exceptions, may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The Offer Shares are being offered and sold outside the United States in reliance on Regulation S and within the United States only to QIBs in reliance on Rule 144A or another exemption from, or transaction not subject to, the registration requirements of the Securities Act. Rule 144A under the Securities Act provides a non-exclusive safe harbour from the registration requirements of the Securities Act and permits offers and sales of securities in the United States to purchasers who are qualified institutional buyers, or "QIBs", subject to satisfaction of certain other conditions. Securities purchased under Rule 144A are "restricted securities" within the meaning of Rule 144 under the Securities Act, and consequently purchasers under Rule 144A must comply with the applicable transfer restrictions. For a description of these and certain further restrictions on offers, sales and transfers of the Shares and the distribution of this Prospectus, see "*Selling Restrictions*" below and "*Chapter XIX—Subscription Conditions and Procedures*".

The Offer Shares are offered by the Joint Global Coordinators and the Collection Agents named herein on behalf of the Selling Shareholders when, as and if delivered to, and accepted by them, subject to their right to reject orders in whole or in part.

Investors will be required to make full payment for the subscribed Offer Shares to the Collection Agents and the Collection Agents shall transfer the subscription proceeds to the Issue Manager, at least two Oman business days prior to the Settlement Date (as defined below), or such earlier date as required by the Joint Global Coordinators, and delivery of the Offer Shares is expected to be made on the Settlement Date through the book-entry facilities operated by the Muscat Clearing & Depository Company SAOC ("**MCDC**").

The CMA assumes no responsibility for the accuracy and adequacy of the statements and information contained in this prospectus (the "**Prospectus**") nor will it have any liability for any damage or loss resulting from the reliance upon or use of any part of the same by any person. This Prospectus has been prepared in accordance with the requirements as prescribed by the CMA. This is an unofficial English language translation of the Prospectus prepared in the Arabic language and approved by the CMA in accordance with CMA Administrative Decision No. KH/78/2023 issued on 17 September 2023.

This Prospectus does not constitute an offer to sell or an invitation by or on behalf of the Company to subscribe to any of the Offer Shares in any jurisdiction outside of Oman where such distribution is, or may be, unlawful.

The Offer Shares may be illiquid and prospective investors in the Offer Shares may be required to bear the financial risks of this investment for an indefinite period of time and should conduct their own due diligence on the securities. If you do not understand the contents of this Prospectus, you should consult an authorised financial adviser.

THE COMPANY

OQ Gas Networks SAOG
(under transformation)
P.O. Box 799, P.C. 133, Al Khuwair,
Muscat, Sultanate of Oman

SELLING SHAREHOLDERS

OQ SAOC	Oman Energy Trading Company Limited	Oman Oil Services Limited
P.O. Box 261 Postal Code 118, Muscat Sultanate of Oman	Clarendon House, 2 Church Street, Hamilton, HM 11, Bermuda	Clarendon House, 2 Church Street, Hamilton, HM 11, Bermuda

ISSUE MANAGER

Bank Muscat SAOG
P.O. Box 134, Postal Code 112
Ruwi, Sultanate of Oman

JOINT GLOBAL COORDINATORS

Bank Muscat SAOG	EFG-Hermes UAE Limited
P.O. Box 134, Postal Code 112 Ruwi Sultanate of Oman	301, The Exchange, DIFC, P.O. Box 30727, Dubai United Arab Emirates acting in conjunction with **EFG Hermes UAE LLC** Office 106, The Offices 3 One Central, DWTC P.O. Box 112736, Dubai United Arab Emirates

An international bank

COLLECTION AGENTS

Ahli Bank SAOG P.O. Box 545, Postal Code 116 Mina al Fahal, Muscat Sultanate of Oman	**Bank Dhofar SAOG** P.O. Box 1507, Postal Code 112, Ruwi, Muscat Sultanate of Oman	**Bank Muscat SAOG** P.O. Box 134, Postal Code 112 Seeb, Muscat Sultanate of Oman	**Bank Nizwa SAOG** P.O. Box 1423, PC 133, Al Khuwair, Muscat, Sultanate of Oman
EFG Hermes Oman LLC (Vision Capital) P.O. Box 712, PC 114, Ruwi, Muscat Sultanate of Oman	**Horizon Capital Markets SAOC** P.O. Box 685, PC 115, Ruwi, Muscat Sultanate of Oman	**National Bank of Oman SAOG** P.O. Box 751, Postal Code 112 Ruwi, Muscat Sultanate of Oman	**Oman Arab Bank SAOG** P.O Box 2240, Postal Code 130, AL-Udhayabah, Muscat Sultanate of Oman
Sohar International SAOG P.O. Box 44, Postal Code 114, Hai Al Mina, Muscat Sultanate of Oman	**Ubhar Capital SAOC** P.O. Box 1137, Postal Code 111, Muscat, Sultanate of Oman	**United Securities LLC** P.O. Box 2566, Postal Code 112 Muscat Sultanate of Oman	

LEGAL ADVISERS TO THE COMPANY

As to Omani Law	*As to English and United States Law*
Al Busaidy, Mansoor Jamal & Co Barristers & Legal Consultants P.O. Box 686, Postal Code 112 Ruwi, Sultanate of Oman	**White & Case LLP** 5 Old Broad Street London EC2N 1DW United Kingdom

LEGAL ADVISERS TO THE JOINT GLOBAL COORDINATORS, THE ISSUE MANAGER AND THE COLLECTION AGENTS

As to Omani Law	*As to English and United States Law*
MAQ Legal (Al Maamary, Al Abri & Co.) The Office, Tower A PO Box 1963, Post Code 130 Bousher, Muscat, Sultanate of Oman	**Linklaters** One Silk Street, London EC2Y 8HQ United Kingdom

INDEPENDENT AUDITOR

KPMG LLC
Children's Public Library Building,
4th Floor, Shatti Al Qurum,
P.O. Box 641, Postal Code 112,
Muscat, Sultanate of Oman

The Capital Market Authority (the "CMA") assumes no responsibility for the accuracy and adequacy of the statements and information contained in this Prospectus nor will it have any liability for any damage or loss resulting from the reliance upon or use of any part of the same by any person. This Prospectus has been prepared in accordance with the requirements as prescribed by the CMA. This is an unofficial English language translation of the Prospectus prepared in the Arabic language and approved by the CMA in accordance with Administrative Decision no. KH/78/2023 issued on 17 September 2023.

This Prospectus does not constitute an offer to sell or an invitation by or on behalf of the Company to subscribe to any of the Shares in any jurisdiction outside of Oman where such distribution is, or may be, unlawful.

IMPORTANT INFORMATION

The aim of this Prospectus is to present material information that may assist investors to make an appropriate decision as to whether or not to invest in the Offer Shares pursuant to the Offer.

To the best of knowledge and belief of the Company and its Board members, this Prospectus includes all material information and data, and does not contain any misleading information or omit any material information that would have a positive or negative impact on an investor's decision of whether or not to invest in the Offer Shares.

The Board members are jointly and severally responsible for the completeness and accuracy of the information contained in this Prospectus. To the best of the knowledge and belief of the Board members, who have taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is accurate and complete in all material respects and no material facts, the omission of which would make misleading any statements of fact or opinion herein, have been omitted.

None of the Joint Global Coordinators (as defined herein), the Collection Agents (as defined herein) or any of their respective affiliates, directors, officers, employees or agents accepts any responsibility whatsoever for, or makes any representation or warranty, express or implied as to the accuracy, completeness or verification of the information set forth in this Prospectus, and nothing in this Prospectus is, or shall be relied upon as a promise or representation in this respect, whether as to the past or future. None of the Joint Global Coordinators, the Collection Agents nor their respective affiliates, directors, officers, employees or agents assumes any responsibility for the accuracy, completeness or verification of the Prospectus and, accordingly, disclaims, to the fullest extent permitted by applicable law, any and all liability whether arising in tort, contract or otherwise which it may otherwise have in respect of this Prospectus or any such statement.

The information contained in this Prospectus may not be published, duplicated, copied or disclosed in whole or in part or otherwise used for any purpose other than in connection with the Offer, without the prior written approval of the Company, the Selling Shareholders and the Joint Global Coordinators.

This Prospectus does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to purchase or subscribe for, any securities other than the securities to which it relates or any offer or invitation to sell or issue, or any solicitation of any offer to purchase or subscribe for, such securities by any person in any circumstances in which such offer or solicitation is unlawful.

THIS PROSPECTUS CONTAINS INFORMATION THAT IS SUBJECT TO COMPLETION AND CHANGE. NO OFFER OF SECURITIES WILL BE MADE AND NO INVESTMENT DECISION SHOULD BE MADE ON THE BASIS OF THIS PROSPECTUS ALONE, BUT ONLY ON THE BASIS OF THIS PROSPECTUS AS FINALISED AND COMPLETED BY THE PRICING STATEMENT (AS DEFINED BELOW).

Recipients of this Prospectus are authorised solely to use this Prospectus for the purpose of considering the acquisition of the Offer Shares, and may not reproduce or distribute this Prospectus, in whole or in part, and may not disclose any of the contents of this Prospectus or use any information herein for any purpose other than considering an investment in the Offer Shares. Such recipients of this Prospectus agree to the foregoing by accepting delivery of this Prospectus.

Prior to making any decision as to whether to subscribe for the Offer Shares, prospective investors should carefully read this Prospectus in its entirety and, in particular, the section titled "*Risk Factors*" when considering an investment in the Company. Prospective investors should not consider this Prospectus a recommendation by the Company to purchase the Offer Shares. Every investor is responsible for obtaining his or her own independent professional advice on an investment in the Offer Shares and for conducting an independent valuation of the information and assumptions contained herein using appropriate analysis or projections. All equity investments carry market risks to varying degrees. The value of any security can fall as well as rise depending on the market conditions. Potential investors should read "*Chapter IV— Risk Factors*" of this Prospectus for an outline of important risk factors impacting the Company's business and the industry it operates in.

In making an investment decision, prospective investors must rely upon their own examination, analysis and enquiry of the Company, the terms of this Prospectus and the Offer, including the merits and risks involved in making an investment. The prospective investors also acknowledge that: (i) they have not relied on the Joint Global Coordinators or the Collections Agents or any person affiliated with the Joint Global Coordinators or the Collections Agents in connection with any investigation of the accuracy of any information contained in this Prospectus or their investment decision; (ii) they have relied only on the information contained in this Prospectus as finalised and completed by the Pricing Statement (as defined below); and (iii) that no person has been authorised to give any information or to make any representation concerning the Company or its subsidiaries or the Offer Shares (other than as contained in this Prospectus) and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Company, the Selling Shareholders, Joint Global Coordinators or the Collections Agents. Neither the delivery of this Prospectus nor any sale made hereunder shall under any circumstances imply that there has been no change in the Company's affairs or that the information set forth in this Prospectus is correct as of any date subsequent to the date hereof.

None of the Company, the Selling Shareholders, the Joint Global Coordinators or Collection Agents, or any of their respective representatives, is making any representation to any prospective investor in the Shares regarding the legality of an investment in the Shares by such prospective investor under the laws applicable to such prospective investor. The contents of this

Prospectus should not be construed as legal, financial, or tax advice. Each prospective investor should consult his, her or its own legal, business, financial or tax adviser for legal, business, financial or tax advice applicable to an investment in the Shares.

None of the Company, the Selling Shareholders, the Joint Global Coordinators or Collection Agents accepts any responsibility for the accuracy, completeness or verification of any information reported by the press or other media, nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press or other media, regarding the Offer or the Company. None of the Company, the Selling Shareholders, the Joint Global Coordinators or the Collection Agents makes any representation as to the appropriateness, accuracy, completeness, reasonableness, verification or reliability of any such information or publication.

Bank Muscat SAOG, EFG-Hermes UAE Limited, EFG Hermes UAE LLC (acting in conjunction with EFG-Hermes UAE Limited) and another international bank have been appointed as joint global coordinators (the "**Joint Global Coordinators**") of the Offer and Bank Muscat SAOG has been appointed as issue manager of the Offer (the "**Issue Manager**"). Bank Muscat SAOG is authorised and regulated by the Central Bank of Oman (the "**CBO**") and the CMA. EFG-Hermes UAE Limited is authorised and regulated by the Dubai Financial Services Authority. EFG Hermes UAE LLC is authorised and regulated by the UAE Securities and Commodities Authority. Ahli Bank SAOG, Bank Dhofar SAOG, Bank Muscat SAOG, Bank Nizwa SAOG, EFG Hermes Oman LLC (Vision Capital), Horizons Capital Markets SAOC, National Bank of Oman SAOG, Oman Arab Bank SAOG, Sohar International SAOG, Ubhar Capital SAOC and United Securities LLC have been appointed as collection agents (the "**Collection Agents**").

The Joint Global Coordinators and the Collection Agents are acting exclusively for the Company and the Selling Shareholders and no one else in connection with the Offer and will not regard any other person (whether or not a recipient of this document) as their respective clients in relation to the Offer and will not be responsible to anyone other than the Company and the Selling Shareholders for providing the protections afforded to their respective clients nor for giving advice in relation to the Offer or any transaction or arrangement referred to herein.

In connection with the offer of the Offer Shares, each of the Joint Global Coordinators and the Collection Agents and any of their respective affiliates, may take up a portion of the Offer Shares in the Offer as a principal position and in that capacity may retain, purchase or sell for its own account Offer Shares or related investments and may offer or sell such Offer Shares or related investments otherwise than in connection with the Offer. Accordingly, references in the Prospectus to the Offer Shares being offered or placed should be read as including any offering or placement of Offer Shares to any of the Joint Global Coordinators and the Collection Agents or any of their respective affiliates acting in such capacity. In addition, certain of the members of Joint Global Coordinators and Collection Agents or their affiliates may enter into financing arrangements (including swaps, warrants or contracts for differences) with prospective investors in connection with which such members of the Joint Global Coordinators and Collection Agents or their affiliates may from time to time acquire, hold or dispose of Offer Shares. None of the Joint Global Coordinators nor the Collection Agents intends to disclose the extent of any such investments or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

No person has been authorised to make any statements or provide information in relation to the Company or the Offer Shares other than the persons whose names are indicated in this Prospectus. Where any person, other than a person authorised by the Company or the Joint Global Coordinators and Collection Agents, makes any statement or provides information, it should not be taken as authorised by the Company or the Joint Global Coordinators and the Collection Agents.

The Offer relates to securities to be listed on the MSX and potential Applicants should be aware that this Prospectus and any other documents or announcements relating to the Offer have been or will be prepared solely in accordance with the disclosure requirements applicable to a company listed on the MSX, and such requirements may differ from those applicable in any other jurisdiction.

Shariyah Review Bureau ("**SRB**") is a Shariah Advisory firm licensed by the Central Bank of Bahrain. It has issued a pronouncement confirming that, in its view, based on the circumstances as at the date of this pronouncement, the Offer is Sharia compliant in accordance with pertinent Sharia principles of the AAOIFI Sharia standards as of the date of this Prospectus. The pronouncement is not intended to be and does not constitute a legal, financial, or investment advice and SRB shall not bear any liability in this context. Investors are advised to conduct their own due diligence and consult with their own Sharia advisors before making any investment decisions based on the pronouncement.

NOTICE TO INVESTORS

The distribution of this Prospectus and the offer of the Offer Shares may, in certain jurisdictions, be restricted by law or may be subject to prior regulatory approvals. No action has been made or will be taken by the Company, the Selling Shareholders, the Joint Global Coordinators or the Collection Agents to permit a public offering of the Offer Shares or to permit the possession or distribution of this Prospectus (or any other offering or publicity materials relating to the Offer Shares) in any jurisdiction where action for that purpose may be required, other than Oman.

This Prospectus does not constitute an offer or an invitation by or on behalf of the Company to any person in any jurisdiction outside Oman to subscribe to any of the Offer Shares where such offer or invitation would be unlawful. This Prospectus may not be distributed in any jurisdiction where such distribution is, or may be, unlawful. The Company, the Joint Global Coordinators and the Collection Agents require persons into whose possession this Prospectus comes, to inform themselves of and observe, all such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. None of the Company, the Joint Global Coordinators or the Collection Agents or any of their respective directors, managers, accountants, advisers and employees accept any legal responsibility for any violation of any such restrictions on the sale, offer to sell or solicitation to subscribe for the Offer Shares by any person, whether or not a prospective Applicant, in any jurisdiction outside Oman where such sale, offer to sell or solicitation to subscribe would be unlawful.

The Offer Shares are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under applicable securities laws and regulations and CML Executive Regulations. **Applicants should be aware that they may be required to bear the financial risks of this investment for an indefinite period of time,** ***see "Selling Restrictions" below*****.**

SELLING RESTRICTIONS

Other than in Oman, no action has been taken or will be taken in any jurisdiction that would permit a public offering of the Offer Shares or the possession, circulation or distribution of this Prospectus or any other material relating to the Company or the Offer Shares, in any country or jurisdiction where action for that purpose is required. Accordingly, the Offer Shares may not be offered or sold, directly or indirectly, nor may this Prospectus or any other offering material or advertisement or other document or information in connection with the Offer Shares be distributed or published, in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction.

United States

The Offer Shares have not been and will not be registered under the Securities Act or under any applicable securities laws or regulations of any state of the United States for offer or sale as part of their distribution and may not be offered or sold within the United States unless the Offer Shares are registered under the Securities Act or an exemption from the registration requirements of the Securities Act is available.

In the United States, the Offer Shares will be sold only to persons reasonably believed to be "qualified institutional buyers" as defined in Rule 144A. Such offers and sales will be made pursuant to Rule 144A or another exemption from, or in a transaction not subject to, the requirements of the Securities Act. All offers and sales of the Offer Shares outside the United States will be made in compliance with Regulation S under the Securities Act and in accordance with applicable law.

In addition, until 40 days after the commencement of the Offer, an offer or sale of Offer Shares within the United States by any dealer (whether or not participating in the Offer) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A or pursuant to another exemption from, or in a transaction not subject to, the registration under the Securities Act.

United Kingdom

No Offer Shares have been offered or will be offered pursuant to the Offer to the public in the UK prior to the publication of a prospectus in relation to the Offer Shares which has been approved by the Financial Conduct Authority in the UK in accordance with the UK Prospectus Regulation and the Financial Services and Markets Act 2000 (the "**FSMA**"), except that offers of Offer Shares may be made to the public in the UK at any time under the following exemptions under the UK Prospectus Regulation and the FSMA:

(i) to any legal entity which is a qualified investor as defined under Article 2 of the UK Prospectus Regulation;

(ii) to fewer than 150 natural or legal persons (other than qualified investors as defined under the UK Prospectus Regulation), subject to obtaining the prior consent of the Joint Global Coordinators for any such offer; or

(iii) in any other circumstances falling within Section 86 of the FSMA,

provided that no such offer of Offer Shares shall require the Company or any Joint Global Coordinator or Collection Agent to publish a prospectus pursuant to Section 85 of the FSMA or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation. For the purposes of this provision, the expression an "offer to the public" in relation to the Offer Shares in the United Kingdom means the communication in any form and by any means of sufficient information on the terms of the offer and any Offer Shares to be offered so as to enable an investor to decide to purchase, or subscribe for, any Offer Shares.

This Prospectus is only being distributed to, and is only directed at, persons who are qualified investors as defined under the UK Prospectus Regulation and who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**Order**"), (ii) are persons falling within Article 49(2)(a) to (2d) of the Order, (iii) are outside the UK, or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as the "**Relevant Persons**"). The Offer Shares are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such Offer Shares will be engaged only with the Relevant Persons. Any person who is not a Relevant Person should not act or rely on this Prospectus or any of its contents.

The Offer Shares are not intended to be offered, sold or otherwise made available to, and should not be offered, sold or otherwise made available to, any retail investor in the United Kingdom. For these purposes, a "retail investor" means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "**EUWA**"); (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of the UK Prospectus Regulation.

European Economic Area

In relation to each member state of the European Economic Area (the "**EEA**") which has implemented the Prospectus Regulation (each a "**Relevant Member State**"), no Offer Shares have been offered or will be offered pursuant to the Offer to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Offer Shares which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Regulation, except that Offer Shares may be offered to the public in that Relevant Member State at any time under the following exemptions under the Prospectus Regulation, if they are implemented in that Relevant Member State:

(i) to any legal entity which is a qualified investor as defined under Article 2 of the Prospectus Regulation;

(ii) to fewer than 150 natural or legal persons (other than qualified investors as defined under the Prospectus Regulation), subject to obtaining the prior consent of the Joint Global Coordinators for any such offer; or

(iii) in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of Offer Shares shall result in a requirement for the publication by the Company or any Joint Global Coordinator or Collection Agent to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation or any measure implementing the Prospectus Regulation in a Relevant Member State, and each person who initially acquires any Offer Shares or to whom any offer is made under the Offer will be deemed to have represented, acknowledged and agreed that it is a "qualified investor" as defined in the Prospectus Regulation.

For the purposes of this provision, the expression an "offer to the public" in relation to the Offer Shares in any Relevant State means the communication in any form and by any means of sufficient information on the terms of the offer and any Offer Shares to be offered so as to enable an investor to decide to purchase or subscribe for any Offer Shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Regulation in that Relevant Member State; the expression "Prospectus Regulation" means Regulation (EU) 2017/1129 and includes any relevant implementing measure in each Relevant Member State.

In the case of any Offer Shares being offered to a financial intermediary as that term is used in Article 5(1) of the Prospectus Regulation, each such financial intermediary will be deemed to have represented, acknowledged and agreed that the Offer Shares acquired by it in the Offer have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, persons in circumstances which may give rise to an offer to the public other than their offer or resale in a Relevant Member State to qualified investors, in circumstances in which the prior consent of the Joint Global Coordinators has been obtained to each such proposed offer or resale. The Company, the Selling Shareholders, the Joint Global Coordinators, the Collection Agents and their respective affiliates will rely (and the Company and the Selling Shareholders each acknowledge that the Joint Global Coordinators, the Collection Agents and their respective affiliates and others will rely) upon the truth and accuracy of the foregoing representations, acknowledgements and agreements and will not be responsible for any loss occasioned by such reliance. Notwithstanding the above, a person who is not a qualified investor and who has notified the Joint Global Coordinators and the Collection Agents of such fact in writing may, with the consent of the Joint Global Coordinators, be permitted to subscribe for or purchase Offer Shares.

Kingdom of Bahrain

The Offer Shares have not been offered or sold, and will not be offered or sold, to any person in the Kingdom of Bahrain except on a private placement basis to persons who are "accredited investors". For this purpose, an "accredited investor" means:

(i) an individual holding financial assets (either singly or jointly with a spouse) of US$ 1,000,000 or more;

(ii) a company, partnership, trust or other commercial undertaking which has financial assets available for investment of not less than US$ 1,000,000; or

(iii) a government, supranational organisation, central bank or other national monetary authority or a state organisation whose main activity is to invest in financial instruments (such as a state pension fund).

This offer does not constitute an offer of securities in the Kingdom of Bahrain in terms of Article 81 of the Central Bank and Financial Institutions Law 2006 (Decree Law No. 64 of 2006). This Prospectus and related offering documents have not been and will not be registered as a prospectus with the Central Bank of Bahrain. Accordingly, no securities may be offered, sold or made the subject of an invitation for subscription or purchase nor will this Prospectus or any other related document or material be used in connection with any offer, sale or invitation to subscribe or purchase securities, whether directly or indirectly, to persons in the Kingdom of Bahrain, other than to accredited investors for an offer outside Bahrain.

The Central Bank of Bahrain has not reviewed, approved or registered this Prospectus or related offering documents and it has not in any way considered the merits of the securities to be offered for investment, whether in or outside the Kingdom of Bahrain. Therefore, the Central Bank of Bahrain assumes no responsibility for the accuracy and completeness of the statements and information contained in this document and expressly disclaims any liability whatsoever for any loss howsoever arising from reliance upon the whole or any part of the content of this document.

State of Kuwait

This Prospectus is provided on an exclusive basis to the specifically intended recipient thereof, upon that person's request and initiative, and for the recipient's personal use only and is not intended to be available to the public.

This Prospectus has not been licensed for offering, promotion, marketing, advertisement or sale in the State of Kuwait by the Kuwaiti Capital Markets Authority or any other relevant Kuwaiti government agency. The offering, promotion, marketing, advertisement or sale of the Shares in the State of Kuwait on the basis of a private placement or public offering is, therefore, prohibited in accordance with Decree Law No. 31 of 1990 and the implementing regulations thereto, as amended, and Law No. 7 of 2010 and the Executive Bylaws for Law No. 7 of 2010, as amended, which govern the issue, offer, marketing and sale of securities in the State of Kuwait ("**Kuwait Securities Laws**").

Hence, the Offer Shares have not been and will not be offered, sold, promoted or advertised in the State of Kuwait except on the basis that an offer is made in compliance with the Kuwait Securities Laws, no private or public offering of the Shares is or will be made in the State of Kuwait, no agreement relating to the sale of the Offer Shares will be concluded in the State of Kuwait, and no marketing or solicitation or inducement activities are being used to offer or market the Shares in the State of Kuwait.

Any distribution of this Prospectus shall be at the liability of the distributor.

State of Qatar

The Offer Shares have not been and will not be offered, sold or delivered, at any time, directly or indirectly in the State of Qatar in a manner that would constitute a public offering. No application has been or will be made for the Offer Shares to be listed or traded on the Qatar Stock Exchange or in the Qatar Financial Centre. This Prospectus has not been licensed for offering, promotion, marketing, advertisement or sale in the State of Qatar or in the Qatar Financial Centre or the inward marketing of an investment fund or an attempt to do business, as a bank, an investment company or otherwise in the State of Qatar or in the Qatar Financial Centre. This Prospectus has not been, and will not be, reviewed or approved by or registered or filed with the Qatar Financial Markets Authority, the Qatar Financial Centre Regulatory Authority or Qatar Central Bank and may not be publicly distributed. This Prospectus is intended for the original recipient only and must not be provided to any other person. This Prospectus is not for general circulation in the State of Qatar and may not be reproduced or used for any other purpose.

United Arab Emirates (excluding the ADGM and the DIFC)

This Prospectus is strictly private and confidential and is being distributed to a limited number of investors and must not be provided to any person other than the original recipient and may not be reproduced or used for any other purpose. If you are in any doubt about the contents of this Prospectus, you should consult an authorised financial adviser.

By receiving this Prospectus, the person or entity to whom it has been issued understands, acknowledges and agrees that neither the Offer Shares nor this Prospectus have been approved by the UAE Central Bank, the UAE Ministry of Economy, the UAE Securities and Commodities Authority or any other authorities in the United Arab Emirates. The Joint Global Coordinators and the Collection Agents have not received authorisation or licensing from the UAE Central Bank, the UAE Ministry of Economy, the UAE Securities and Commodities Authority or any other authorities in the United Arab Emirates to market or sell the Offer Shares within the United Arab Emirates. No marketing or offer of the Offer Shares has been or will be made from within the United Arab Emirates and no subscription to the Offer Shares may or will be consummated within the United Arab Emirates, in each case other than in compliance with the laws of the United Arab Emirates. It should not be assumed that any Joint Global Coordinator or Collection Agent is a licensed broker, dealer or investment adviser under the laws applicable in the United Arab Emirates, or that either advises individuals resident in the United Arab Emirates as to the appropriateness of investing in or purchasing or selling securities or other financial products. The Offer Shares may not be offered or sold directly or indirectly to the public in the United Arab Emirates. This Prospectus does not constitute a public offer of securities in the United Arab Emirates in accordance with the UAE Commercial Companies Law, Federal Law No. 32 of 2021 (as amended) or otherwise.

Nothing contained in this Prospectus is intended to constitute investment, legal, tax, accounting or other professional advice. This Prospectus is for your information only and nothing in this Prospectus is intended to endorse or recommend a particular course of action. You should consult with an appropriate professional for specific advice rendered on the basis of your situation.

Abu Dhabi Global Market (ADGM)

This Prospectus relates to an Offer which is not subject to any form of regulation or approval by the Financial Services Regulatory Authority ("**FSRA**") of the Abu Dhabi Global Market ("**ADGM**"). The FSRA has not approved this document nor does it have any responsibility for reviewing or verifying any document or other documents in connection with this Offer. Accordingly, the FSRA has not approved this document or any other associated documents nor taken any steps to verify the information set out in this document, and has no responsibility for it.

The Offer Shares have not been offered and will not be offered to any persons in the ADGM except on the basis that an offer is:

(i) an "Exempt Offer" in accordance with the FSRA Financial Services and Markets Regulations and Markets Rules; and

(ii) made only to persons who are "Authorised Persons" or "Recognised Bodies" (as such terms are defined in the Financial Services and Markets Regulations 2015 ("**FSMR**")) or persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 18 of the FSMR) in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated.

The FSRA has not taken steps to verify the information set out in this Prospectus, and has no responsibility for it. If you do not understand the contents of this Offer or are unsure whether the securities to which the Offer relates are suitable for your individual investment objectives and circumstances, you should consult an authorised financial adviser.

Dubai International Financial Centre (DIFC)

This Prospectus relates to an Offer which is not subject to any form of regulation or approval by the Dubai Financial Services Authority ("**DFSA**"). The DFSA has not approved this Prospectus nor does it have any responsibility for reviewing or verifying any document in connection with the Offer. Accordingly, the DFSA has not approved this Prospectus or any other associated documents nor taken any steps to verify the information set out in this Prospectus, and has no responsibility for it.

The Offer Shares have not been offered and will not be offered to any persons in the Dubai International Financial Centre ("**DIFC**") except on the basis that an offer is:

(i) an "Exempt Offer" in accordance with the Markets Rules module of the DFSA; and

(ii) made only to persons who meet the "Deemed Professional Client" criteria set out in the DFSA Rulebook, Conduct of Business Module, who are not natural persons.

This Prospectus must not, therefore, be delivered to, or relied on by, any other type of person. The Offer to which this document relates may be illiquid and/or subject to restrictions on its resale. Prospective purchasers should conduct their own due diligence on the Offer.

The DFSA has not taken steps to verify the information set out in this Prospectus, and has no responsibility for it. If you do not understand the contents of this Offer or are unsure whether the securities to which this the Offer relates are suitable for your individual investment objectives and circumstances, you should consult an authorised financial adviser.

Kingdom of Saudi Arabia

This Prospectus may not be distributed in the Kingdom of Saudi Arabia (the "**KSA**"), except to such persons as are permitted under the Rules on the Offer of Securities and Continuing Obligations issued by the Capital Market Authority of the KSA pursuant to a resolution of its board number 3-123-2017 dated 27 December 2017, as amended (the "**Saudi Regulations**").

The Capital Market Authority of the KSA does not make any representation as to the accuracy or completeness of this Prospectus, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Prospectus. Prospective purchasers of the securities offered hereby should conduct their own due diligence on the accuracy of the information relating to the securities. If a prospective purchaser does not understand the contents of this Prospectus, they should consult an authorised financial adviser.

The Offer Shares must not be advertised, offered or sold and no memorandum, information circular, brochure or any similar document has or will be distributed, directly or indirectly, to any person in the KSA other than as permitted by the Saudi Regulations.

The offer of the Offer Shares in the KSA shall not constitute a "public offer" pursuant to the Saudi Regulations. Prospective investors are informed that Article 14 of the Saudi Regulations places restrictions on secondary market activity with respect to the Offer Shares. Any resale or other transfer, or attempted resale or other transfer, made other than in compliance with the Saudi Regulations shall not be recognised by the Company.

Switzerland

The offering of the Shares in Switzerland is exempt from requirement to prepare and publish a prospectus under the Swiss Financial Services Act ("**FinSA**") because the shares are offered to less than 500 investors and the shares will not be admitted to trading on any trading venue (exchange or multilateral trading facility) in Switzerland. This document does not constitute a prospectus or a similar document pursuant to FinSA, and no such prospectus has been or will be prepared for or in connection with the offering of the shares.

Japan

The Offer Shares have not been and will not be registered under the Financial Instruments and Exchange Law, as amended (the "**FIEL**"). This Prospectus is not an offer of securities for sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or entity organised under the laws of Japan) or to others for reoffer or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements under the FIEL and otherwise in compliance with such law and any other applicable laws, regulations and ministerial guidelines of Japan.

Canada

The Offer Shares may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Shares must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this prospectus (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 (or, in the case of securities issued or guaranteed by the government of a non-Canadian jurisdiction, section 3A.4) of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the underwriters are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this Offer.

Brazil

The offer and sale of the Offer Shares have not been and will not be registered with the Brazilian Securities Commission (Comissão de Valores Mobiliários, or "**CVM**") and, therefore, will not be carried out by any means that would constitute a public offering in Brazil under CVM Resolution No 160, dated 13 July 2022, as amended ("**CVM Resolution 160**") or unauthorized distribution under Brazilian laws and regulations. The Offer Shares will be authorized for trading on organized non-Brazilian securities markets and may only be offered to Brazilian Professional Investors (as defined by applicable CVM regulation), who may only acquire the Offer Shares through a non-Brazilian account, with settlement outside Brazil in a non-Brazilian currency. The trading of these Securities on regulated securities markets in Brazil is prohibited.

Other Jurisdictions

Should this Prospectus be received by any person in any jurisdiction not mentioned in the foregoing, the receiving party should disregard this Prospectus in cases where the receipt of this Prospectus or its distribution is, or may be, unlawful. The Company, the Selling Shareholders, the Joint Global Coordinators and the Collection Agents require persons into whose possession this Prospectus comes, to inform themselves of and observe, all relevant investing restrictions in their jurisdiction. None of the Company, the Selling Shareholders, the Joint Global Coordinators or the Collection Agents accept any legal responsibility for any violation of any such restrictions on the sale, offer to sell or solicitation to subscribe for the Offer Shares by any person, whether or not a prospective investor, in any jurisdiction outside Oman where such sale, offer to sell or solicitation to subscribe would be unlawful.

FORWARD-LOOKING STATEMENTS

This Prospectus contains certain "forward-looking statements", which relate to, among other things, the Company's plans, objectives, goals, targets, strategies, future operational performance and anticipated developments in markets in which the Company operates and in which it may operate in the future. These forward-looking statements involve known and unknown risks and uncertainties, many of which are beyond the Company's control and all of which are based on the Company's current beliefs and expectations about future events. These forward-looking statements generally can be identified by the use of forward-looking terminology, including terms such as "aim", "anticipate", "assume", "believe", "could", "expect", "estimate", "goal", "intend", "may", "objective", "plan", "potential", "predict", "project", "shall", "should", "will", "will continue", "will pursue", "would", or the negative thereof, other variations thereon or comparable terminology. Similarly, statements that describe the Company's strategies, objectives, plans or goals are also forward-looking statements. They appear in a number of places throughout this Prospectus and include statements regarding intentions, beliefs and current expectations concerning, among other things, the Company's results of operations, financial condition, liquidity, prospects, growth, strategies, backlog, dividend policy and the industry in which the Company operates. In particular, the statements under the headings regarding the Company's strategy and other future events or prospects in the following sections are forward-looking statements: "*Chapter II—Summary Information Relating to the Company", "Chapter IV—Risk Factors", "Chapter X—Regulatory Framework", "Chapter XI— Industry Overview"* and "*Chapter XII—Description of the Company and Business Overview".*

All forward-looking statements are subject to risks, uncertainties and assumptions that could cause actual outcomes, including among other things, the Company's result of operations, financial condition, cash flows, liquidity, financial projections and growth to differ materially from those contemplated by the relevant forward-looking statement. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable at this time, it cannot assure you that such expectations will prove to be correct. Given these uncertainties, you are cautioned not to place undue reliance on such forward-looking statements.

Important factors that could cause actual results to differ materially from the Company's expectations are contained in cautionary statements in this Prospectus, including, without limitation, in conjunction with the forward-looking statements included in this Prospectus and specifically under the section entitled " *Chapter IV—Risk Factors"* or the underlying assumptions. These factors include, but are not limited to:

- an inability to estimate future performance;
- the impact of operational, technical and electrical malfunctions, and any breakdown in the NGTN, and the impact of any failure or interruption in, or breach of, the Company's information technology systems;
- significant gas delivery interruptions;
- an inability to maintain and upgrade the NGTN assets and infrastructure;
- an inability to successfully manage existing and new regulatory requirements that are imposed in relation to the Company's business;
- changes to the RAB Framework (as defined below) applicable to the Company's business;
- an inability to agree with the Regulator on favourable Allowed RAB Revenues (as defined below), including the WACC (as defined below) rate or any reconciliations for any Price Control Period (as defined below);
- a decline in gas demand in Oman;
- an inability to expand the Company's business (both within gas transportation or to the transportation of new products);
- an inability to obtain necessary financing to fund capital expenditure projects;
- an inability to meet payment obligations;
- climate change and the decarbonisation impact on the Company's operations;

- a change in the monetary and/or interest policies of Oman, local and/or international inflation or local and/or international interest rates;
- fluctuations in foreign exchange rates, equity prices or other rates or prices;
- the performance of the financial markets in Oman;
- general political, economic and business conditions in Oman which may have an impact on the Company's business activities; and
- other risks set out in "*Chapter IV– Risk Factors*".

The above list is not exhaustive and for a further discussion of factors that could cause actual results to differ, see "*Chapter IV– Risk Factors*" of this Prospectus.

By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could be materially different from those that have been estimated. The forward-looking statements contained in this Prospectus speak only as at the date of this Prospectus. None of the Company, Selling Shareholders, Joint Global Coordinators or Collection Agents or any of their respective affiliates has any obligation to update or otherwise revise any statements in this Prospectus to reflect circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions prove incorrect or future gains or losses differ materially from the estimates made in this Prospectus. The Company, the Selling Shareholders, the Joint Global Coordinators and the Collection Agents expressly disclaim any obligation or undertaking to update these forward-looking statements contained in this Prospectus to reflect any change in their expectations or any change in events, conditions or circumstances on which such statements are based, unless required to do so by applicable law.

Under no circumstances should the inclusion of such forward-looking statements in this Prospectus be regarded as a representation or warranty by the Company, the Selling Shareholders, the Joint Global Coordinators or the Collection Agents or any other person with respect to the achievement of the results set out in such statements.

After listing on the MSX, the Company will adhere to the disclosure rules and regulations issued by the CMA, which includes making timely disclosure regarding the Company's results of operation. The Company advises Applicants to track any information or announcements made by it after listing through the MSX website at *www.msx.om* in the event they subscribe for Offer Shares and become Shareholders.

PRESENTATION OF FINANCIAL, INDUSTRY AND MARKET DATA

Financial Data

The Company's audited financial statements as at and for the years ended (i) 31 December 2022 (which include the comparative financial information as at and for the year ended 31 December 2021) (the "**2022 Annual Financial Statements**"), (ii) 31 December 2021 (which include the comparative financial information as at and for the year ended 31 December 2020) (the "**2021 Annual Financial Statements**", and together with the 2022 Annual Financial Statements, the "**Annual Financial Statements**"), and the Company's unaudited condensed interim financial statements as at and for the six months ended 30 June 2023, together with the comparative financial information for the six months ended 30 June 2022 (the "**Interim Financial Statements"**, and together with the Annual Financial Statements, the "**Financial Statements**") are set out in "*Chapter XXV— Historical Financial Statements* " of this Prospectus.

The Annual Financial Statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board, the CCL and CCL Executive Regulations.

The Interim Financial Statements have been prepared in accordance with the requirements of International Accounting Standard 34, "Interim Financial Reporting" ("**IAS 34**").

The Company's financial year commences on 1 January and ends on 31 December. In this Prospectus, any discrepancy in any table between the total and the sum of the relevant amounts listed is due to rounding.

Comparability of the Company's Financial Information

The presentation of certain corresponding figures for the year ended 31 December 2021 in the 2022 Annual Financial Statements has been changed in order to conform with the presentation of the figures for the year ended 31 December 2022 and are accordingly different from those included in the 2021 Annual Financial Statements. Such changes do not affect previously reported profit before income tax, profit for the period, shareholders' equity or net cash flow. These changes are explained below:

- **Statement of profit or loss and other comprehensive income**: Provision for obsolete stock for the year ended 31 December 2021 was presented as part of impairment expense in the 2021 Annual Financial Statements but has been re-presented as part of operating expenses in the statement of profit or loss and other comprehensive income in the 2022 Annual Financial Statements;

- **Statement of financial position**: (a) Capital contributions in aid of construction received from customers as at 31 December 2021 were presented as part of trade and other receivables in the 2021 Annual Financial Statements but have been re-presented as a separate line item as deferred income in the 2022 Annual Financial Statements; and (b) deferred tax assets as at 31 December 2021 were presented as part of deferred tax liability in the 2021 Annual Financial Statements but have been re-presented in a separate line item in the 2022 Annual Financial Statements following the early adoption of amendments to IAS 12; and

- **Statement of cash flows**: Construction margin on the contract assets for the year ended 31 December 2021 was presented as part of cash flows from investing activities in the 2021 Annual Financial Statements, but has been re-presented as part of cash flows from operating activities in the 2022 Annual Financial Statements.

See Note 35 to the 2022 Annual Financial Statements for further information on the change in presentation in the financial information for the year ended 31 December 2021 in the 2022 Annual Financial Statements. The financial information for the year ended 31 December 2020 has been extracted from the 2021 Annual Financial Statements, which financial statements were not updated to conform to the presentation in the 2022 Annual Financial Statements. Therefore, the financial information for the year ended 31 December 2020 does not reflect the changes in presentation noted above and is not directly comparable to the financial information in the 2022 Annual Financial Statements. If the financial information for the year ended 31 December 2020 had been updated to conform to the presentation in the 2022 Financial Statements, such adjustments would not have been considered material.

Non-IFRS Information and Certain Other Financial and Operational Data

Non-IFRS Information

The Company presents in this Prospectus certain measures to assess the financial performance of its business that are not measures of financial performance under IFRS or other generally accepted accounting principles. These selected non-IFRS financial measures comprise Adjusted Free Cash Flow, Adjusted Net Debt, Adjusted Net Working Capital, Capital Expenditure, Construction Margin, EBITDA, EBITDA Margin and Total Debt (the "**Non-IFRS measures**").

The Company has presented these Non-IFRS Measures because it believes these are helpful to prospective investors and financial analysts in highlighting trends in the overall business of the Company and are used as supplemental measures of performance and liquidity.

None of the Non-IFRS Measures are a measurement of performance or liquidity under IFRS or any other generally accepted accounting principles and you should not consider these Non-IFRS Measures as an alternative to financial measures determined in accordance with IFRS or other generally accepted accounting principles. Non-IFRS Measures have limitations as analytical tools, and prospective investors should not consider them in isolation or as substitutes for analysis of the Company's financial performance reported in accordance with IFRS. Further, other companies, including those in the same industry, may calculate similarly titled financial measures differently from the Company.

The Non-IFRS Measures are Management's responsibility and are based on the Company's review of its financial results and estimates. Accordingly, the above information has not been audited or reviewed by any independent third-party, such as independent auditors, consultants or experts, and are to be read in conjunction with the historical information presented, but is not intended to form part of the Company's statement of financial position or profit or loss and other comprehensive income up to the date hereof. Prospective investors should not place undue reliance on the Non-IFRS Measures contained in this Prospectus.

The Company defines:

- "Adjusted Free Cash Flow" as cash generated from operations before deducting income tax paid, employees' end of service benefits paid, interest paid, interest income received on fixed deposits and receipt of Connection Fee minus Capital Expenditure;
- "Adjusted Net Debt" as the Total Debt minus cash and cash equivalents and short term deposits;
- "Adjusted Net Working Capital" as the sum of inventories, trade and other receivables, advances to contractors minus trade and other payables;
- "Capital Expenditure" as the sum of payments for acquisition of assets, additions in contract assets and payment to the Government on acquisition assets;
- "Construction Margin" as the difference between construction revenue and construction costs divided by construction costs, expressed as a percentage;
- "EBITDA" as profit for the period before interest income on short term deposits, finance cost, taxation and depreciation expenses;
- "EBITDA Margin" as EBITDA for the period divided by income, expressed as a percentage; and
- "Total Debt" as the sum of term loans and loans from the Parent Company.

Certain Operational Data

This Prospectus also contains a discussion of certain key performance indicators ("**KPIs**") of the Company, including total gas delivery, gas availability, recovery time, total recordable incident frequency and motor vehicle incident frequency (each as defined below). These KPIs are derived from Management estimates and are based on operational, and not financial, data. These KPIs do not form part of the Company's financial reporting records and have not been audited or reviewed by any independent third-party such as independent auditors, consultants or experts. The computation methodology of these KPIs may not be comparable to the similar measures reported by other companies or by market reports or experts. Management believes that each of these measures is a useful indicator of the Company's business and performance.

The Company defines:

- "Gas availability" as the percentage of the undelivered volume of gas by the total delivered volume in a given year;
- "Motor Vehicle Incident Frequency" or "MVIF" as the number of vehicle incidents multiplied by one million divided by the total kilometres driven;
- "Recovery time" as the total asset downtime divided by number of trips;
- "Total gas delivery" as the aggregate of all gas consumption recorded for all gas consumers through the NGTN; and
- "Total Recordable Injury Frequency" or "TRIF" as the number of total recordable injuries multiplied by one million and divided by the total man-hours.

Regulatory Measures

The Company also presents in this Prospectus certain regulatory measures that are derived from its regulatory financial statements. The Company prepares the regulatory financial statements for submission to the Regulator in compliance with the requirements of the RAB Rules in accordance with the Amended Concession Agreement to enable the Regulator to perform the Annual Reconciliation (as defined below) to determine the Allowed RAB Revenues for the next year and RSP Reconciliation (as defined below) in order to determine the Allowed RAB Revenues for the next pre-determined revenue setting price control period ("**Price Control Period**"). The regulatory financial statements are not included in this Prospectus. The main differences between the regulatory financial statements and the Financial Statements prepared in accordance with IFRS is that IFRIC 12 (which is adopted for the preparation of the Financial Statements in accordance with IFRS) results in:

- recognition in the Financial Statements of concession receivables and contract assets in the statement of financial position instead of property, plant and equipment;
- recognition in the Financial Statements of construction revenue and construction costs on the construction activity in the statement of profit or loss and other comprehensive income instead of depreciation allowance revenue and depreciation expense; and
- recognition in the Financial Statements of finance income on concession receivables and contract assets in the statement of profit or loss and other comprehensive income instead of Allowed Return on Capital.

In the preparation of the regulatory financial statements pursuant to the RAB Rules, all adjustments under IFRIC 12 are reversed and property, plant and equipment related depreciation and income under the RAB Rules are recognised. The Company presents in this Prospectus selected regulatory measures derived from these regulatory financial statements prepared by Management, as the Company believes that these regulatory measures are useful as an additional tool to help the Company and prospective investors form an informed view on the Company's financial performance. The selected regulatory measures presented in this Prospectus are Regulated Revenue, Regulated Adjusted Income, Regulated Adjusted EBITDA, Regulated Adjusted EBITDA Margin, Regulated Asset Base, Adjusted Net Debt-to-Regulated Adjusted EBITDA, Adjusted Net Debt-to-Regulated Asset Base and Regulated Adjusted Cash Conversion ("**Regulatory Measures**"). The Regulatory Measures are calculated by the Company based on figures derived from the regulatory financial statements, which are prepared in accordance with the RAB Rules pursuant to the Amended Concession Agreement. The Regulatory Measures of the Company should be read only in conjunction with the underlying IFRS financial numbers. See "*Chapter XIII — Selected Historical Financial Information*".

The Company has presented the Regulatory Measures because it believes these are helpful to investors and financial analysts in highlighting trends in the overall business of the Company and are used as supplemental measures of performance and liquidity.

None of the Regulatory Measures are a measurement of performance or liquidity under IFRS or any other generally accepted accounting principles and you should not consider these Regulatory Measures as an alternative to financial measures determined in accordance with IFRS or other generally accepted accounting principles.

Regulatory Measures have limitations as analytical tools, and prospective investors should not consider them in isolation or as substitutes for analysis of the Company's financial performance reported in accordance with IFRS. Further, other companies, including those in the same industry, may calculate similarly titled financial measures differently from the Company.

The Regulatory Measures are Management's responsibility and are divided into two categories, namely (i) Regulatory Measures that are directly derived from the regulatory financial statements, and (ii) Regulatory Measures that are calculated using figures derived from the regulatory financial statements. Accordingly, the Regulatory Measures have not been audited or reviewed in accordance with IFRS by any independent third-party such as independent auditors, consultants or experts, and are to be read in conjunction with the historical information presented, but is not intended to form part of the Company's statement of financial position or profit or loss and other comprehensive income in accordance with IFRS up to the date hereof. Prospective investors should not place undue reliance on the Regulatory Measures contained in this Prospectus.

The following Regulatory Measures are derived directly from the Company's regulatory financial statements, which are prepared by the Company for submission with the Regulator and are not included in this Prospectus, and are defined as follows:

- "Regulated Revenue" as the sum of (i) allowed return on capital (driven by the Company's weighted average cost of capital ("**WACC**") and the Regulated Asset Base) ("**Allowed Return on Capital**"), (ii) depreciation allowance ("**Depreciation Allowance**"), (iii) taxation allowance ("**Taxation Allowance**"), (iv) allowed operating expenditures ("**Allowed Operating Expenditure**"), and (v) allowed pass-through expenditure ("**Pass-through Expenditures**"), subject to (vi) annual reconciliation of the planned and actual values of the Allowed RAB Revenues (i.e., the sum of the planned value of Allowed RAB Revenue and other revenues generated from RAB resources) and Pass-through Expenditures (the "**Annual Reconciliation**") and (vii) Price Control Reconciliation (referred to as revenue setting period reconciliation in the RAB Rules) of the planned and actual values for the Allowed Return on Capital, Depreciation Allowance and Taxation Allowance ("**RSP Reconciliation**");

- "Regulated Adjusted Income" as the sum of Regulated Revenue (as defined above), other income and interest income received on fixed deposits; and

- "Regulated Asset Base" as the sum of the closing balance of (i) Fixed Assets, calculated as the opening balance of fixed assets plus additions and transfers from construction work in progress ("**CWIP**") to Fixed Assets minus depreciation, transfers from Fixed Assets to investment property and penalty adjustments during the period, and (ii) CWIP, calculated as the opening balance of CWIP plus additions and transfer between CWIP and other assets minus transfers from CWIP to Fixed Assets, transfers from related party to CWIP, and penalty adjustments during the period.

The following Regulatory Measures are calculated using figures derived from the Company's regulatory financial statements and are defined as follows:

- "Regulated Adjusted EBITDA" as the sum of profit for the period before interest income on short term deposits, finance cost, taxation and depreciation expenses, plus construction cost, receipts against concession receivables, receipts against contract assets (due from the Shipper), minus construction revenue, interest on concession receivables and contract assets (which are derived from the Financial Statements in accordance with IFRS) and other adjustments (derived from the regulatory financial statements);

- "Regulated Adjusted EBITDA Margin" as Regulated Adjusted EBITDA divided by Regulated Adjusted Income for the period, expressed as a percentage;

- "Regulated Adjusted Cash Conversion" as Adjusted Free Cash Flow divided by Regulated Adjusted EBITDA. Adjusted Free Cash Flow is defined under "– *Non-IFRS Information*" above, with the underlying figures for the calculation of Adjusted Free Cash Flow being the same in the Financial Statements in accordance with IFRS and the regulatory financial statements;

- "Adjusted Net Debt-to-Regulated Adjusted EBITDA" as Adjusted Net Debt divided by Regulated Adjusted EBITDA. Adjusted Net Debt is defined under "– *Non-IFRS Information*" above, with the underlying figures for the calculation of Adjusted Net Debt being the same in the Financial Statements in accordance with IFRS and the regulatory financial statements; and

- "Adjusted Net Debt-to-Regulated Asset Base" as Adjusted Net Debt divided by Regulated Asset Base. Adjusted Net Debt is defined under "– *Non-IFRS Information*" above, with the underlying figures for the calculation of Adjusted Net Debt being the same in the Financial Statements in accordance with IFRS and the regulatory financial statements.

Currency of Presentation

In this Prospectus, all references to "OMR" and/or "Omani Rial" are to the legal currency of Oman, and all references to "US$" and/or "US Dollars" are to the legal currency of the United States of America. Conversions of amounts from Omani Rials to US Dollars in this Prospectus are solely for the convenience of the reader. The Omani Rial has been pegged to the US Dollar since June 1986. Unless otherwise specified, conversions of amounts between Omani Rials and US Dollars have been made at an exchange rate of US$1.00 = OMR 0.3851.

Industry and Market Data

The Company has included in this Prospectus market data and other market information derived from industry publications, surveys or studies conducted by Management, third-party market consultants and market research firms, or publicly available information, in each case from sources that are generally believed to be reliable. The Company cannot assure you that any of the assumptions underlying any statements regarding the gas transportation or the oil and gas market or gas supply and demand dynamics are accurate or correctly reflect the Company's position in such market. Market data and statistics are inherently predictive and speculative and are not necessarily reflective of actual market conditions. Such data and statistics are based on market research, which itself is based on sampling and subjective judgments by both the researchers and the respondents, as well as information publicly available related to the size of the market, including judgments about what types of products and transactions should be included in the relevant market.

In addition, certain statistics, information relating to the Company's business and markets (including, amongst others, gas demand, gas supply and gas reserves) and other industry data in this Prospectus are based on a report, data and information prepared by Gas Strategies Group Limited ("**Market Consultant**") for the Company in connection with the Offer (collectively, the "**Market Report**"). The Market Report is dated 18 July 2023 and as such, addresses matters stated therein at that time or at the times otherwise specified therein and does not take into account any changes or developments which may have occurred since then. The Market Report contains the Market Consultant's forward-looking views, which were derived from its assumptions regarding the anticipated development of the market relevant to the Company. As of the date of this Prospectus, the Market Consultant has given, and not withdrawn, its consent for the use of its name and the statements in the manner and format set out in this Prospectus.

The Company also commissioned Deloitte & Touche (M.E.) & CO. LLC ("**Deloitte**") to prepare a report on the Company's regulatory framework and comparison to other similar RAB frameworks (the "**RAB Framework Report**"). The RAB Framework Report has been developed through a review of the Company's relevant RAB framework documents, discussion with the Company and a review of public information from other relevant jurisdictions, which Deloitte has not verified. Unless otherwise specifically stated, the information contained in "*Chapter X—Regulatory Framework*" comprises one or more extracts from the RAB Framework Report.

Industry and market data is subject to change and cannot always be verified with complete certainty due to limits in the availability and reliability of raw data, the voluntary nature of the data gathering process and other limitations and uncertainties inherent in any survey of market size. External sources have been used for some of the information about the Company's peers in comparative jurisdictions, which have not been contacted to verify the accuracy or the completeness of the information included herein. While the Company believes that the information and data from third-party sources contained in this Prospectus, including information and data derived from public sources or provided by the Market Consultant, is reliable, such information and data has not been independently verified by the Company, the Board, the Joint Global Coordinators, the Collection Agents or the Selling Shareholders, and none of them bears any liability for the accuracy or completeness of such information or data. Accordingly, the market, economic, and industry data and statistics and any other information from such third-party sources included in this Prospectus should be viewed with caution.

In addition, in certain instances in this Prospectus, the Company has included its own estimates, assessments, adjustments and judgments in preparing market information, which have not been verified by an independent third-party. Such information is to a certain degree, subjective. While the Company believes that its own estimates, assessments, adjustments and judgments are reasonable and that the market information prepared by the Company approximately reflects the industry and the market in which the Company operates, there is no assurance that the

Company's own estimates, assessments, adjustments and judgments are the most appropriate for making determinations relating to market information or that market information prepared by other sources will not differ materially from the market information included herein.

Rounding

Certain data in this Prospectus, including financial, statistical and operating information, has been rounded. As a result of the rounding, the totals of data presented in this Prospectus may vary slightly from the actual arithmetic totals of such data. Percentages in tables have been rounded and accordingly may not add up to 100 per cent.

Sharia Compliance

Certain of the Company's financing arrangements are Sharia-compliant and references in relation thereto in this Prospectus to "interest", "lender", "borrower", "repayment", "loans", "borrowings" or similar non-Sharia compliant terms in relation thereto should be interpreted as references to "profit", "rental", "finance costs", "financier", "obligor", "payment", "financings", etc. as applicable.

No Incorporation of Website Information

The contents of the Company's website, any available public information or statements or any website directly or indirectly linked to these websites have not been verified and do not form part of, and are not incorporated by reference into, this Prospectus, and prospective investors should not rely on the foregoing.

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Chapter I

Abbreviations and Definitions

2021 Annual Financial Statements	The Company's audited financial statements as at and for the year ended 31 December 2021 (which includes the comparative financial information as at and for the year ended 31 December 2020).
2022 Annual Financial Statements	The Company's audited financial statements as at and for the year ended 31 December 2022 (which includes the comparative financial information as at and for the year ended 31 December 2021).
Admission	The listing of the Shares on MSX under the symbol "**OQGN**".
AGM	An annual general meeting of the Shareholders.
Allowed RAB Revenues	The maximum revenue, determined by the Regulator, which the Company may earn from transportation of gas on behalf of the Shippers during each Price Control Period.
Amended Concession Agreement	The amended concession agreement dated 9 June 2020 between the Company and the Government, acting through MEM and the MOF, which was ratified by Royal Decree 122/2020 dated 28 October 2020, as amended.
Anchor Investor(s)	Investors identified as anchor investors in "*Chapter VIII – Shareholding Details*" being Saudi Omani Investment Company, Fluxys International SA/NV and Falcon Investments LLC.
Annual Financial Statements	The 2021 Annual Financial Statements and 2022 Annual Financial Statements.
Applicant	A Category I Applicant or Category II Applicant.
Application	The application form used to apply for Offer Shares pursuant to the terms of this Prospectus.
Application Revision Form	The application form used by a Category I Applicant to revise the bids submitted in the Category I Offer, pursuant to the terms of this Prospectus.
Application Money	The amount to be paid by each Applicant at the time of submission of an Application as specified in "*Chapter XIX – Subscription Conditions and Procedures*" of this Prospectus.
APSR	Authority for Public Services Regulation, renamed and reconstituted by Royal Decree 78/2020, as amended (formerly known as "AER" (Authority for Electricity Regulation)).

Articles	The articles of association of OQGN, as registered with the MOCIIP.
Auditor	KPMG LLC.
Base Year	The year preceding the first year of the relevant Price Control Period.
Basis of Allotment	The basis on which the Offer Shares will be allotted to Applicants under the Offer and which is described in "*Chapter XIX – Subscription Conditions and Procedures*" of this Prospectus.
BCM	Billion cubic metres.
BCM/yr	Billion cubic metres per year.
Bid Amount	Bid price multiplied by the total Offer Shares demanded at the bid price.
Board/Board of Directors	The board of directors of OQGN.
BP	BP Exploration (Epsilon) Limited.
BTU	British Thermal Units.
Bzs	Omani Baizas, the lawful currency of Oman with 1,000 Baizas being 1 Omani Rial (OMR).
Category I Application Money	The highest Bid Amount from all the bids in the Application in Category I. Refer to "*Chapter XIX– Subscription Conditions and Procedures*" for an illustration of the calculation of Category I Application Money.
Category II Application Money	The amount to be paid by each Category II Applicant at the time of submission of his/her Application at a fixed price as specified in "*Chapter XIX – Subscription Conditions and Procedures*" of this Prospectus.
Category I Applicants	Local Applicants and Non-Local Applicants (as defined below) who apply for Offer Shares in the Category I Offer for a minimum of 100,000 Offer Shares and in multiples of 100 Shares thereafter.
Category II Applicants	Omani and non-Omani individuals who apply for Offer Shares in the Category II Offer for a minimum of 1,000 Offer Shares and in multiples of 100 Shares thereafter.
Category I Offer	Category I Offer as set out in "*Chapter XIX – Subscription Conditions and Procedures*".
Category I Offer Closing Date	The closing date of the Category I Offer, which is described in "*Chapter XIX – Subscription Conditions and Procedures*" of this Prospectus.
Category I Offer Opening Date	The opening date with respect to the Category I Offer, which is described in "*Chapter XIX – Subscription Conditions and Procedures*" of this Prospectus.

Category II Offer	Category II Offer as set out in "*Chapter XIX – Subscription Conditions and Procedures*".
Category II Offer Closing Date	The closing date of the Category II Offer, which is described in "*Chapter XIX – Subscription Conditions and Procedures*" of this Prospectus.
Category II Offer Opening Date	The opening date with respect to the Category II Offer, which is described in "*Chapter XIX – Subscription Conditions and Procedures*" of this Prospectus.
CBO	The Central Bank of Oman.
CCL	The Commercial Companies Law of Oman issued by Royal Decree 18/2019, as amended.
CCL Executive Regulations	The Commercial Companies Regulations issued by MOCIIP Decision No.146/2021.
CCUS	Carbon capture, utilisation and storage.
Chairman	The chairman of the Board.
CMA	The Capital Market Authority of Oman.
CML Executive Regulations	Regulations issued by the CMA under the Decision 1/2009 – issuing "*Executive Regulation of the Capital Market Law"*, as amended.
Code	The CMA Code of Corporate Governance for Public Joint Stock Companies issued by the CMA.
Collection Agents	Banks and brokers appointed to collect bids and subscriptions for the Offer.
Commercial Register	The commercial register maintained by the MOCIIP pursuant to the Commercial Register Law issued by Royal Decree 3/1974, as amended.
Concession Agreement	The concession agreement dated 22 August 2000 between the Company and the Government, acting through MEM and the MOF, which was ratified by Royal Decree 78/2000, as amended.
Connection Fees	Fees paid by Connected Parties to cover the costs associated with establishing or modifying a Connection.
Connection Fee Statement	One or more documents showing the basis on which the Connection Fee is to be determined in respect of both entry and exit Connections.
Connected Party	A party, other than the Company, that is a party to a Connection Agreement, pursuant to which such party connects to the NGTN, including both gas producers and gas consumers.
Connection	A connection between the NGTN and the facilities of the Connected Party at which gas is delivered to, or off-taken from, the NGTN.

Connection Agreements	The agreements between the Company and a Connected Party with respect to a Connection to the NGTN.
Discounted Maximum Price	Bzs 126, being the Maximum Price less a discount of 10 per cent.
DPS	Dividend per Share.
E-IPO Application	The Application pursuant to the E-IPO Mechanism.
E-IPO Broker Platform	The platform available to the brokers to create the E-IPO Application for Category II Applicants.
E-IPO Mechanism	The mechanism to apply for the Offer Shares through one of the 'E-IPO channels' offered by Collection Agents.
E-IPO Platform	The platform available to the Category II Applicants to create the E-IPO Application.
EA	The Environment Authority, previously the Ministry of Environment and Climate Affairs of Oman renamed and reconstituted pursuant to Royal Decree 106/2020, as amended.
EEA	European Economic Area.
EGM	An extraordinary general meeting of the Shareholders.
FAERC	Financial Affairs and Energy Resources Council.
Financial Statements	The Annual Financial Statements together with the Interim Financial Statements.
Financial Year/FY	The period of twelve months starting on 1 January and ending on 31 December of a calendar year.
gas	natural gas.
GCC	The Cooperation Council for the Arab States of the Gulf, comprising Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and United Arab Emirates.
GDP	Gross Domestic Product.
GHG	Greenhouse Gas.
Government	The Government of Oman.
HSE	Health, Safety and Environment.
IAS	International Accounting Standards.
ICV	In-country value.
IFRIC 12	Interpretation on accounting treatment of Service Concession Arrangement issued by the IFRS Interpretations Committee (previously the International Financial Reporting Interpretations Committee, IFRIC), after approval by the International Accounting Standards Board.

IFRS	International Financial Reporting Standards.
IGC	Integrated Gas Company SAOC.
Independent Director	Shall have the meaning attributed to it under the Code.
Information Centre	Information centre of the MSX.
Institutional Settlement Agreement	The institutional settlement agreement between the Company, the Selling Shareholders, the Joint Global Coordinators and the Collection Agents dated 18 September 2023 with respect to the Offer Shares.
Interim Financial Statements	The Company's unaudited interim financial statements as at and for the six months ended 30 June 2023, together with the comparative financial information for the six months ended 30 June 2022.
Investor Number	The investor number issued by the MCDC to investors holding investor accounts with the MCDC.
IPO	The initial public offering of the Offer Shares pursuant to the Offer.
Issue Manager	Bank Muscat SAOG.
Issued Share Capital	The issued share capital of the Company, which amounts to OMR 433,062,392 divided into 4,330,623,920 Shares.
JMC	RAB-Joint Management Committee formed by a ministerial decision of Minister of Energy and Minerals (previously Minister of Oil and Gas) in the MEM, to act as interim Regulator for RAB implementation.
Joint Global Coordinators	Bank Muscat SAOG, EFG-Hermes UAE Limited, EFG Hermes UAE LLC (acting in conjunction with EFG-Hermes UAE Limited) and another international bank.
kms	Kilometres.
km^2	Square kilometres.
KPIs	Key performance indicators.
Law on Environment	Royal Decree No. 114/2001 issuing the Law on Conservation of the Environment and Prevention of Pollution, as amended.
LIBOR	London Interbank Offered Rate.
Listing Date	The date on which Admission will become effective and that dealings in the Shares will commence on the MSX, expected to be up to three Oman business days after the Settlement Date, or such other date as may be notified by the Joint Global Coordinators.
LNG	Liquefied natural gas.
Local Applicants	Juristic persons (non-individuals) who are registered in Oman and who apply for Offer Shares in the Category I Offer.

m	Metres.
m^2	Square metres.
Management	The senior management team of OQGN.
Market Consultant	Gas Strategies Group Limited.
Market Report	Report, data and information prepared by the Market Consultant for the Company in connection with the Offer.
Maximum Price	The maximum price of the Price Range.
MCDC	Muscat Clearing and Depository Company SAOC.
MEM	Ministry of Energy and Minerals, previously the Ministry of Oil and Gas, renamed and reconstituted pursuant to Royal Decree 96/2020, as amended.
Memorandum	The memorandum of association of OQGN, as registered with the MOCIIP.
MENA	Middle East and North Africa.
Ministry of Commerce, Industry and Investment Promotion/MOCIIP	The Ministry of Commerce, Industry and Investment Promotion, previously the Ministry of Commerce and Industry/MOCI, renamed and reconstituted pursuant to Royal Decree 97/2020, as amended.
Ministry of Finance/MoF	The Ministry of Finance of Oman.
Ministry of Housing and Urban Planning/MOHUP	The Ministry of Housing and Urban Planning of Oman, previously the Ministry of Housing, renamed and reconstituted pursuant to Royal Decree 93/2020, as amended.
Ministry of Labour/MOL	The Ministry of Labour of Oman, previously the Ministry of Manpower, renamed and reconstituted pursuant to Royal Decree 89/2020, as amended.
MMcm	Million cubic metres.
Modification Procedures	The procedures for the modification of the Transportation Code and the RAB Rules.
MSX	The Muscat Stock Exchange, formerly known as the Muscat Securities Market, operated by the Muscat Stock Exchange Company SAOC, renamed and reconstituted pursuant to Royal Decree 5/2021, as amended.
mt	Metric tonnes.
Natural Gas Transportation Network/NGTN	Gas transportation and ancillary facilities owned by the Company (as augmented, replaced or repaired from time to time).
NCSI	National Centre for Statistics and Information of Oman.
NGSA	Natural Gas Sales Agreement.

Non-Local Applicants	Regional / international juristic persons (non-individuals) who apply for Offer Shares in the Category I Offer and are not registered in Oman.
OETCL	Oman Energy Trading Company Limited.
Offer	The offer for sale of 2,122,005,720 Shares owned by the Selling Shareholders, with a Price Range of Bzs 131 to Bzs 140; the IPO is split into Category I Offer, Anchor Investors and Category II Offer as described in this Prospectus.
Offer Period	The period between the Offer Opening Date and the Offer Closing Date (inclusive of both days) including any extension as permitted by the CMA.
Offer Price	The price from within the Price Range discovered under the Offer in accordance with "*Chapter XIX – Subscription Conditions and Procedures*" which shall also be the price for the Category II Offer.
Offer Proceeds	The proceeds of the Offer that will be available to the Selling Shareholders.
Offer Shares	The Shares that are offered for subscription in the Offer.
OGM	An ordinary general meeting of the Shareholders.
OIA	Oman Investment Authority, established pursuant to Royal Decree 61/2020, as amended.
Oman	The Sultanate of Oman.
Omani Rial/OMR	Omani Rials, the lawful currency of Oman with OMR 1 divided into 1,000 Baiza (Bzs).
OOSL	Oman Oil Services Limited.
OQ/Parent Company	OQ SAOC.
OQ LPG	OQ LPG (SFZ) SAOC.
OQGN/The Company	OQ Gas Networks SAOG (under transformation) (formerly known as Oman Gas Company SAOC).
OXY	Occidental Petroleum Corporation.
PDO	Petroleum Development Oman LLC.
PEIE/Madayn	Public Establishment for Industrial Estates.
Price Control Period	Block of years for setting the Allowed RAB Revenues, as determined by the Regulator (referred to as revenue setting period in the RAB Rules).
Price Control Period 1	From 1 January 2018 to 31 December 2020.
Price Control Period 2	From 1 January 2021 to 31 December 2023.

Price Control Period 3	From 1 January 2024 and ending on 31 December 2026 or another date as may otherwise be determined by the Regulator.
Price Range	Bzs 131 to Bzs 140 per Offer Share applicable to the Category I Offer.
Pricing Date	The pricing date of the Offer, which is expected to be on or around 12 October 2023.
Pricing Memorandum	The pricing memorandum to the Institutional Settlement Agreement.
Pricing Statement	A statement containing the Offer Price and certain other information.
PTTEP	PTT Exploration and Production Public Company Limited.
RAB	Regulatory Asset Base.
RAB Framework	RAB legal and tariff framework established pursuant to the Amended Concession Agreement, the RAB Rules, Transportation Code and the Regulator's Terms of Reference.
RAB Revenue Rules	The rules for determining the Allowed RAB Revenues, which form part of the Amended Concession Agreement.
RAB Rules	The RAB Revenue Rules and the RAB Tariff Rules.
RAB Tariff Rules	The rules for determining the transportation charges payable by Shippers under the Transportation Code.
Regulated Documents	The RAB Rules, the Transportation Code and the Modification Procedures.
Regulator	APSR, or an independent regulator established and empowered by Royal Decree to specifically regulate gas transportation in the future.
Regulator's Terms of Reference	The terms of reference setting out the Regulator's composition, constitution, goals, functions and powers to regulate gas transportation and administer the RAB Rules.
SAOC	*Société-Anonyme-Omanaise-Closed*, an Omani closed joint stock company.
SAOG	*Société-Anonyme-Omanaise-Générale*, an Omani public stock company.
SAOG Executive Regulations	The regulation for Public Joint Stock Companies issued by CMA Decision No.27/2021.
SCADA	Supervisory control and data acquisition.
SCM	Standard cubic metres.
Securities Law	The Securities Law of Oman promulgated by Royal Decree 46/2022, as amended.

Selling Shareholders	OETCL, OOSL and OQ.
Settlement Date	The date of (i) delivery of the Shares through the book-entry facilities operated by the MCDC to the account numbers of investors, and (ii) transfer of the net proceeds by the Issue Manager to the escrow account of the MCDC; such date is expected to be up to six Oman business days after the Pricing Date, or such earlier date as may be notified by the Joint Global Coordinators.
SFZC	Salalah Free Zone Company.
Share	An ordinary share of the Company with a value of Bzs 100.
Shareholder	A shareholder of the Company.
Shipper	Any party to the Transportation Framework Agreement in the capacity as a shipper of gas.
SOFR	Secured overnight financing rate.
Takeover Code	The code providing rules to govern the takeover of SAOG's issued by CMA Decision 2/2019, as amended.
Tariff and Transportation Agreement	Tariff and Transportation Agreement dated 22 August 2000.
TRA	Telecommunications Regulatory Authority.
Transportation Code	The code setting out the terms and conditions in respect of the provision of transportation services through the NGTN.
Transportation Charges	The gas transportation charges the Company receives from the Shipper for transporting gas through the NGTN.
Transportation Framework Agreement	Transportation Framework Agreement entered into between the Company and the Government (acting by the Ministry of Oil and Gas) dated 9 February 2020 giving effect to the Transportation Code and making it legally binding upon the Company and the Government.
US/USA	United States of America.
US$/USD	US Dollars, the lawful currency of the United States of America.
WACC	Weighted average cost of capital.

Chapter II

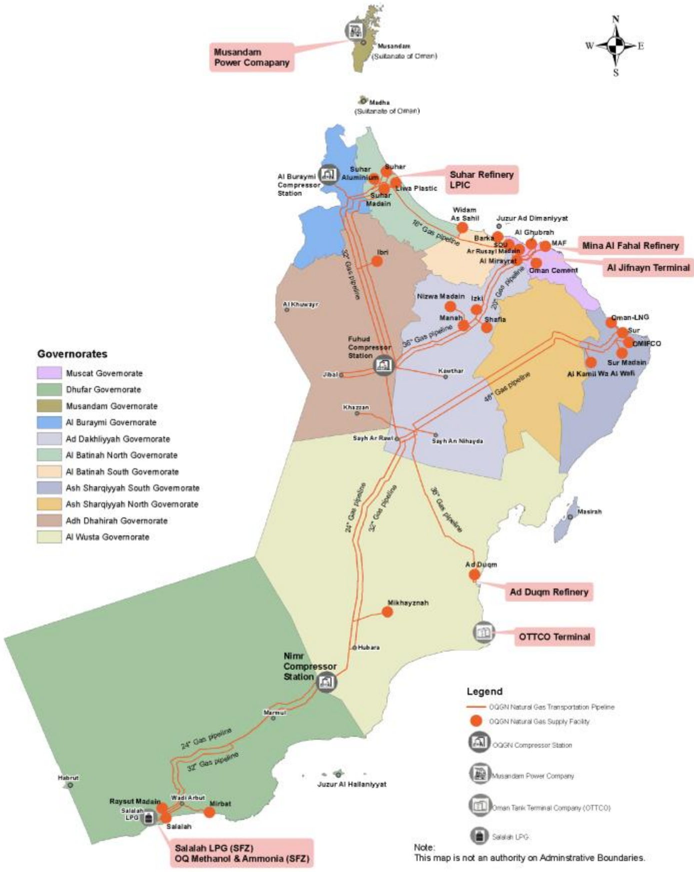
Summary Information Relating to the Company

This summary highlights information contained elsewhere in this Prospectus. It does not contain all the information that prospective investors should consider before investing in the Offer Shares. All prospective investors should read the entire Prospectus carefully, including the Financial Statements set out in "Chapter XXV- Historical Financial Statements" of this Prospectus. All prospective investors should specifically read "Chapter IV- Risk Factors" of this Prospectus for more information about important risk factors that should be considered before applying for Offer Shares.

Overview

The Company holds a natural monopoly over the essential gas transportation infrastructure in Oman and is the exclusive owner and operator of the NGTN, serving critical roles in Oman as the asset owner, operator and maintenance and transportation provider of gas through the NGTN. The NGTN is a comprehensive gas transportation network encompassing a system of pipelines, metering facilities, compressor stations, gas supply stations and block-valve stations. The NGTN serves as an essential link connecting gas producers with gas consumers operating in various essential sectors requiring gas as a critical production feedstock or for power generation, such as LNG, power generation and water desalination, oil and gas and industrial and commercial (e.g., petrochemical, fertiliser, aluminium and steel plants).

The Company transports gas, through the NGTN on behalf of the Shipper, which buys gas from gas producers and sells it to gas consumers. At present, there is only one Shipper, IGC, although additional Shippers may be introduced in the future. In 2022, the Company transported 39.4 BCM of gas, from six gas producers to a diverse consumer base of approximately 130 gas consumers through approximately 4,031 kms of gas pipelines, supported by three compressor stations and 25 gas supply stations, providing uninterrupted gas supply in 2022. Set out below is a simplified map of the NGTN.



The Company operates under a 50-year concession expiring in 2070 granted by the Government under the Amended Concession Agreement and an established RAB Framework, which has been in place since 1 January 2018. The RAB Framework provides a regulated revenue system pursuant to which the Company charges Transportation Charges to the Shipper, as well as Connection Fees to Connected Parties that require the Company to build a Connection to the NGTN. The RAB Framework aims to provide a predictable tariff-setting regime that should allow a relatively stable and cost-reflective revenue stream, with Allowed RAB Revenues not affected by changes in the price and volume of gas transported during a Price Control Period, which is currently set for a period of three years. The Regulator determines the maximum revenue that the Company may earn from gas transportation (i.e., the Allowed RAB Revenues) based on several building blocks set out in the Amended Concession Agreement. The Transportation Charges charged to the Shipper are then derived from the Allowed RAB Revenues as approved by the Regulator and the network capacity booked by the Shipper. A large majority of the Company's income in 2022 was received from the Shipper.

Further, the Company prepares the Financial Statements in accordance with IFRS and applies IFRIC 12 (Service Concession Arrangements), pursuant to which the Company recognises financial assets (concession receivables and contract assets) instead of property, plant and equipment in the statement of financial position and recognises revenue and cost for construction of contract assets and finance income on the concession receivables and contract assets instead of Allowed Return on Capital in the statement of profit or loss and other comprehensive income. For the year ended 31 December 2022, the Company earned income of OMR 160.4 million and profit of OMR 45.6 million, had a Net Profit Margin of 28.4% and contract assets and concession receivables of OMR 997.4 million. For the six months ended 30 June 2023, the Company earned income of OMR 85.0 million and profit of OMR 33.1 million, had a Net Profit Margin of 38.9% and contract assets and concession receivables of OMR 1,002.2 million.

The Company also prepares regulatory financial statements pursuant to the RAB Rules, whereby all adjustments under IFRIC 12 are reversed and property, plant and equipment and related depreciation expense and income and Allowed Return on Capital are recognised under the RAB Rules. For the year ended 31 December 2022, the Company's Regulated Adjusted Income derived from the regulatory financial statements and Regulated Adjusted EBITDA were OMR 136.0 million and OMR 96.4 million, respectively, and its Regulated Asset Base was OMR 972.1 million as at 31 December 2022. For the six months ended 30 June 2023, the Company's Regulated Adjusted Income and Regulated Adjusted EBITDA were OMR 76.0 million and OMR 59.3 million, respectively, and its Regulated Asset Base was OMR 975.6 million as at 30 June 2023. See "*Presentation of Financial, Industry and Market Data—Non-IFRS Information and Certain Other Financial and Operational Data — Regulatory Measures*" and *"Chapter XIII— Selected Historical Financial Information*" for further information.

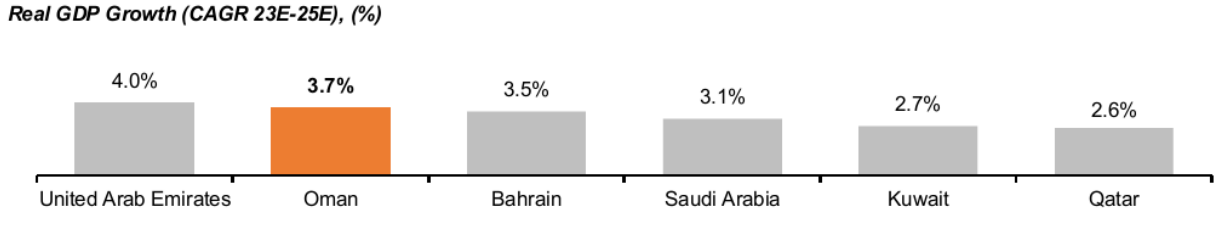
The Company's growing and successful gas operations are reflected by the increase of its gas deliveries from 17.0 BCM during its year of incorporation in 2000 (when it was known as Oman Gas Company SAOC) to 39.4 BCM in 2022, while achieving an average gas availability of 99.998% since 1 January 2013.

Competitive Strengths

The Company's competitive strengths include the following:

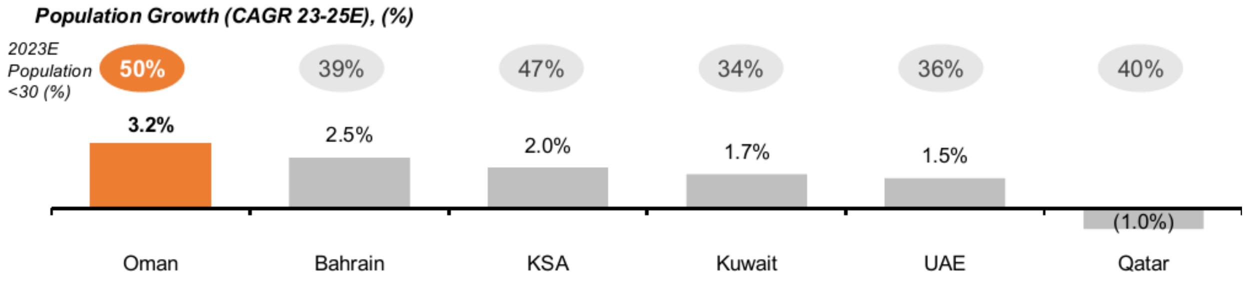
Attractiveness of Oman as an investment destination underpinned by stability and economic growth

Oman has a strong GDP outlook amongst emergent economies in the region. The chart below shows Oman's expected real GDP growth against other emergent economies in the region:



Source: IMF World Economic Outlook

Oman's economy is supported by a young and growing population. The chart below shows the expected population growth and percentage of population below the age of 30 in Oman against other economies in the region:



Source: IMF World Economic Outlook

Oman's economy has a positive outlook with a long-term vision. Oman's favourable economic outlook is evidenced in various ratings including a Ba2 rating with positive outlook from Moody's in May 2023, BB rating with positive outlook from Fitch in April 2023, and BB rating with positive outlook from S&P global in March 2023. The launch of Oman Vision 2040, which is a national comprehensive 20-year plan to create a competitive developed economy, aims for the rationalisation of government expenditures, ensuring Oman is on track to achieve sustainable fiscal surplus with an economic diversification strategy and the introduction of new sources of revenue.

Natural monopoly over critical gas transportation infrastructure under a 50-year concession (up to 2070)

Following the acquisition of the Government-owned gas transportation assets effective 1 January 2018 in connection with the initial implementation of the RAB Framework and the subsequent asset transfers to further consolidate NGTN assets under the Company, the Company has developed into a critical element of the energy infrastructure and industrial ecosystem in Oman with a pipeline network spanning across approximately 4,031 kms as at 31 December 2022. As the sole and exclusive operator of the NGTN under the Amended Concession Agreement, the Company benefits from a natural monopoly over gas transportation to gas consumers in Oman. The Company has been granted exclusive rights on the operation and maintenance of the NGTN and a right of first offer on any future gas transportation infrastructure concessions by the Government until 2070. The Amended Concession Agreement provides that if the Government decides to grant any further concessions to own or acquire any gas transportation facility, such concession must first be offered to the Company on terms acceptable to both the Government and the Company. Given that gas is currently amongst the most important energy sources in Oman, the NGTN serves a critical purpose in Oman's gas ecosystem, transporting feedstock to essential sectors in Oman and fuelling more than 90% of the electricity generation in 2020, which is expected to continue to play a critical role through Oman's energy transition (*Source: Market Report*)**.** The NGTN also transports gas feedstock to certain companies in petrochemicals industries, which in turn form an integral part of Oman's economy.

Indispensable role as the link between core Omani gas producers and gas consumers, with stable long-term demand and supply

With a mandate to act as the exclusive operator and owner of the NGTN, the Company plays the critical role of connecting gas producers with consumers and transporting gas produced to consumers across key industries in Oman. Leveraging Oman's substantial gas reserves estimated by the Market Consultant to be 692 BCM in 2022 and a reserves-to-production ratio estimated at approximately 20 years (*Source: Market Report*), the Company transported 39.4 BCM from six gas producers to approximately 130 consumers across critical industries in Oman in 2022.

International gas producers have been operating in Oman for more than 15 years and supplying gas pursuant to NGSAs with the Government (now through the IGC), which is in turn transported to gas consumers by the Company on behalf of the Government. In 2022, six gas producers fed 39.8 BCM of gas into the NGTN, namely PDO, BP, Dolphin Energy, OXY, OQ Exploration and Production ("**OQEP**") and Ara Petroleum. The following chart sets forth an overview of the gas fed into the NGTN in 2022 by gas producer:

Gas Producers (2022)	BCM	%
Petroleum Development Oman	21.1	53%
BP	15.5	39%
Dolphin Energy	2.0	5%
Others[(1)]	1.2	3%
Total	**39.8**	**100%**

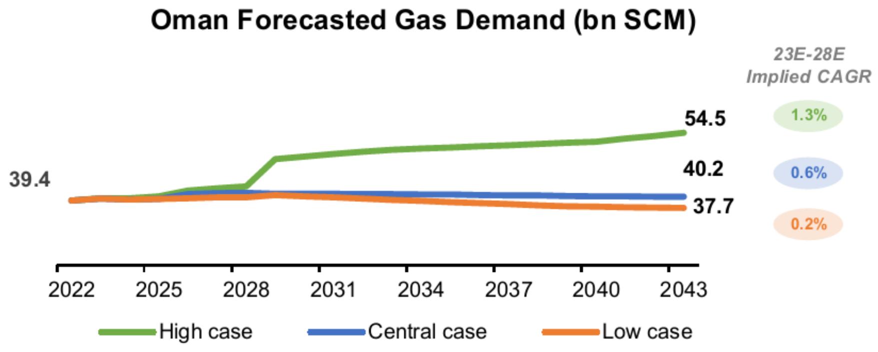
Notes:

(1) Others include OXY, OQEP, Ara Petroleum.

The Company transported 39.4 BCM of gas to approximately 130 consumers across various critical industries in Oman in 2022, with the LNG sector comprising the largest consumer sector of the Company's transported gas, followed by the industrial and commercial sector, the power and desalination sector and the oil and gas sector, as further described in the chart below.

Gas Consumers (2022)	BCM	%
LNG	17.3	44%
Industrial & Commercial	10.3	26%
Power & Desalination	7.6	19%
Oil & Gas	4.2	11%
Total	**39.4**	**100%**

The Company's operations are underpinned by Oman's growing demand for gas, which is forecasted to range between 37.7 BCM and 54.5 BCM by 2043 with a rise in economic activity and industrialisation across Oman's critical sectors, including LNG, power and desalination, oil and gas and industrial and commercial (*Source: Market Report).* These end-markets benefit from strong demand drivers, underpinned by population growth, economic development and Oman's development strategy. The following chart illustrates Oman's forecasted gas demand until 2043.



Source: Market Report

Established regulatory framework underpinning predictable cash flows with Allowed RAB Revenues not affected by fluctuations in gas prices or volume of the gas transported

The Regulator sets the Company's Allowed RAB Revenues and is responsible for the general oversight over the Company's operations pursuant to the Regulated Documents. The APSR is an experienced regulator, with multi-sector regulatory oversight, including the electricity, water, wastewater and gas transportation sectors, with an objective to ensure Oman's public services are accessible and efficient, balancing between the interests of consumers, the Government and investors.

The Company adopted the RAB Framework in 2018, marking the first Price Control Period under the RAB Framework, which expired in 31 December 2020. The second Price Control Period commenced on 1 January 2021 and will expire on 31 December 2023. The Company is in the process of discussing the Allowed RAB Revenues and values of the relevant building blocks for Price Control Period 3 with the Regulator, which will start on 1 January 2024 and may contemplate a four-year Price Control Period compared to the current three-year term of Price Control Period 2. The RAB Framework provides a regulated revenue system, whereby the Company charges Transportation Charges to the Shipper as well as Connection Fees to Connected Parties that require the Company to build a new Connection to the NGTN or modify an existing Connection. The Allowed RAB Revenues are determined by the Regulator using a building block approach, with the key building blocks comprising the Allowed Return on Capital (driven by the Company's WACC and the Regulated Asset Base), the Allowed Operating Expenditure, Pass-through Expenditures, a Depreciation Allowance and a Tax Allowance, subject to Annual Reconciliation and RSP Reconciliation of certain building blocks.

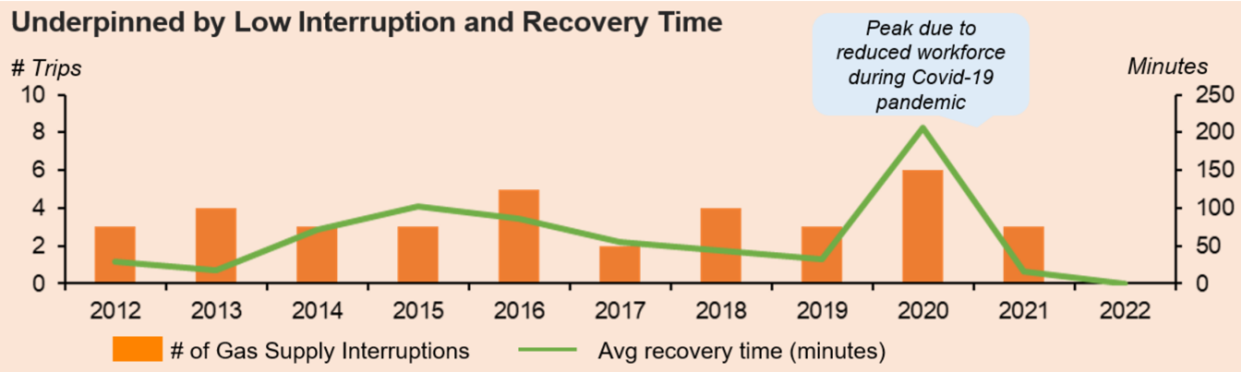
The RAB Framework allows lower risk and more predictable returns with the aim of driving reliable, stable and cost-reflective revenue. Accordingly, the RAB Framework enables the Company to charge Transportation Charges based on the Allowed RAB Revenues agreed with the Regulator, which is based on the aforementioned building blocks and is not dependent on the price of gas transmitted, thus eliminating the Company's exposure to gas price fluctuations and reducing exposure to the volume of gas transported. The RAB Framework allows for adjustments in the Allowed Operating Expenditure for inflation and provides incentives for cost efficiencies, thus enabling a predictable cash flow profile. In order to incentivize the Company to operate efficiently, the Company is permitted to retain efficiency gains (e.g., lower operating expenditure within a Price Control Period, compared to the Allowed Operating Expenditure determined at the start of such Price Control Period, whereas the Company will be required to bear the cost of any operating expenditure that is higher than the Allowed Operating Expenditure).

Strong operating track record with consistent gas availability, minimal interruptions and international certifications

The Company prioritizes maintaining high standards of operation and maintenance, which is reflected in the Company's operational track-record, with 99.998% gas availability over the last 10 years. The quality of the Company's assets has been recognised by international bodies as the Company has received important international certifications relating to certain of its network assets, such as ISO 9001:2015 Quality Management Systems, ISO 14001:2015 Environmental Management Systems, ISO 45001:2018 on Occupational Health and Safety Management Systems and ISO 55001:2014 on Asset Management standards.

Availability of the NGTN without interruptions is one of the key requirements from the consumers' perspective, which provides confidence to the consumers in the reliability of the NGTN. The Company is singularly focused on maintaining the high quality of the NGTN. The pipeline network is connected through the SCADA network and is regularly monitored and controlled by the Company to allow process and operational continuity and stability. Furthermore, skilled teams are located across the regional offices, where the NGTN is situated to mobilize and address any interruptions.

The reliability of the NGTN is illustrated by one of the best gas availability KPIs achieved by the Company in 2022, when it recorded no gas supply interruptions and accordingly recorded nil recovery time, which is the lowest in the Company's operating history. The following chart sets forth the development of the Company's gas supply interruptions and average recovery time between 2012 and 2022.

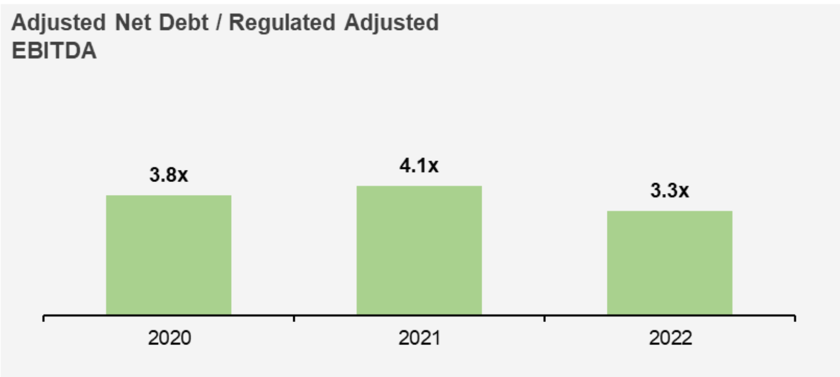


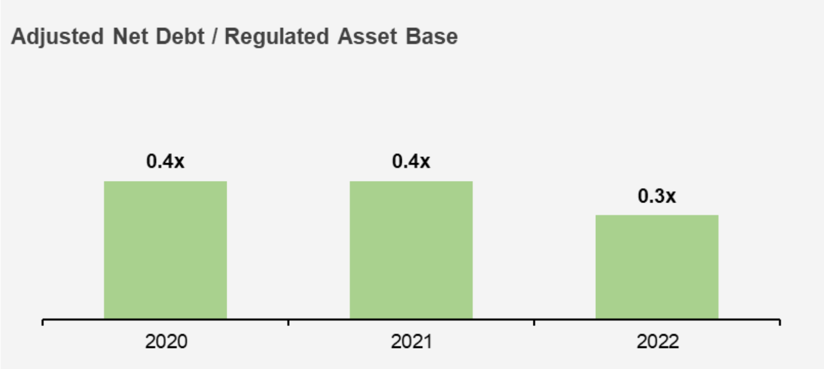
Stable financial performance with a growing asset base and efficient capital structure

The implementation of the RAB Framework supports the Company in achieving stable profitability margins with resilient performance and stability against the volatility in commodity prices and gas volumes transported during the Price Control Period.

Over the past three years, the Company earned income of OMR 166.1 million in 2020, OMR 157.5 million in 2021, OMR 160.4 million in 2022 and OMR 85.0 million for the six months ended 30 June 2023, and generated profit of OMR 59.3 million for 2020, OMR 43.1 million in 2021, OMR 45.6 million for 2022 and OMR 33.1 million for the six months ended 30 June 2023. Further, the Company achieved EBITDA of OMR 83.2 million in 2020 (EBITDA Margin of 50.1%), OMR 66.7 million in 2021 (EBITDA Margin of 42.4%), OMR 71.3 million in 2022 (EBITDA Margin of 44.5%) and OMR 46.3 million (EBITDA Margin of 54.5%) for the six months ended 30 June 2023.

The Company's Regulated Asset Base, one of the key drivers of its financial performance under the RAB Framework, increased from OMR 923.1 million as at 31 December 2020 to OMR 953.2 million and, OMR 972.1 million and OMR 975.6 million as at 31 December 2021 and 2022 and 30 June 2023, respectively, primarily driven by the addition of new assets. The Company earned Regulated Adjusted Income derived from the regulatory financial statements of OMR 134 million in 2020, OMR 132 million in 2021 OMR 136 million in 2022 and OMR 76.0 million for the six months ended 30 June 2023, resulting from an increase in Regulated Asset Base due to acquisition of new pipeline assets and capital expenditures, which was partially offset by a decrease in the WACC in Price Control Period 2 to 7.30% compared to 8.12% in Price Control Period 1 and one-off costs, with 2022 profitability remaining relatively stable, as the Company achieved attractive Regulated Adjusted EBITDA Margins of 77.1% in 2020, 70.1% in 2021, 70.9% in 2022 and 78.0% in the six months ended 30 June 2023. This was despite adverse macroeconomic conditions during the period, including the oil price shock in 2020 and the COVID-19 pandemic, reflecting the resilience of the RAB Framework against external shocks. The Company has also maintained an efficient capital structure as illustrated in the following charts, which set forth the Company's Adjusted Net Debt-to-Regulated Adjusted EBITDA and Adjusted Net Debt-to-Regulated Asset Base during the periods indicated. See "*Presentation of Financial, Industry and Market Data—Non-IFRS Information and Certain Other Financial and Operational Data — Regulatory Measures"* and "*Chapter XIII — Selected Historical Financial Information*".





The Company's strategy entails maintaining a conservative and healthy long-term capital structure to enable strong shareholder returns in line with the Company's cash flows and growth. In June 2023, the Company entered into the Refinancing Facilities in order to improve the Company's long-term capital structure, with a strategy to provide sufficient capacity to finance the Company's committed capital expenditure, allow maintenance of key debt metrics within investment grade rating parameters by international rating agencies, and provide flexibility to meet future financing requirements as well as prudent currency and interest rate risk management. The Company's strategy contemplates maintaining a strong liquidity position through adequate minimum cash balances and amortising debt repayments, supported by the Company's cash flows.

Experienced management team with a strong track record of successful project deliveries

The Company is led by an experienced Management with a strong track record of successful delivery of projects within the gas sector. The Management combines private and public experience in the oil and gas sector industry and corporate finance. The Company is led by the Managing Director, Mr. Mansoor Al Abdali, the Vice President of Finance, Mr. Khalid Al Qassabi, the Vice President of Business Development and Commercial, Mr. Saif Al Hosni and other senior management team members who have been involved in Company's evolution as a critical gas infrastructure asset in Oman and have overseen the Company's expansion, including execution of major projects, acquisition of additional NGTN assets and the implementation and development of the RAB Framework.

Strategy

The Company's strategies include the following:

Strong growth prospects through Regulator-approved near-term network expansion and long-term transformative growth initiatives

The Company's growth strategy comprises three key pillars, namely (i) continued investment in NGTN growth, debottlenecking and upgrades, (ii) acquisition of gas transportation assets and (iii) expansion into transportation of other energy sources. The Company's organic growth strategy revolves around continuing to solidify its position as a critical gas transportation infrastructure company in Oman. The Company's revenue growth is linked to the expansion of the NGTN and its Regulated Asset Base. Historically, the Company has maintained a track-record of increasing its Regulated Asset Base, a key driver of its financial performance, since implementation of the RAB Framework through transfer of assets and acquisitions. The Company aims to continue its growth trajectory in the near-term and long-term driven by multiple levers. The Company is in the process of executing a number of projects with estimated completion dates during the remainder of 2023 and 2024, which have been approved by the Regulator. The estimated costs relating to the portion of the projects that is expected to be completed in 2023 have been taken into account in the Capital Expenditure Allowance of OMR 61.9 million for 2023. The projects comprise a mix of (i) Growth Capital Expenditure projects, comprising major development projects to expand the Company's NGTN and connection projects to make gas connections available to various consumers; and (ii) Sustaining Capital Expenditure projects, comprising upgrade and maintenance works to maintain the quality of the Company's network assets and improve gas transportation to critical sectors of the Omani economy. Additionally, the Company may consider Acquisition Capital Expenditure projects, comprising the acquisition of gas transportation pipelines and other assets, on a case-by-case basis.

Utilisation of the Company's strengths and market position to play an essential role in energy transition in Oman by facilitating hydrogen and captured carbon transportation and storage

The Government's long-term growth and energy transition strategy contemplates ambitious strategies to build a hydrogen-centric economy and aims to increase green hydrogen production to within the range of 1.0 mtpa to 1.25 mtpa by 2030, 3.25 mtpa to 3.75 mtpa by 2040 and 7.5 mtpa to 8.5 mtpa by 2050. As part of Oman's Vision 2040 to build a hydrogen-centric economy and diversify the economy into non-hydrocarbon sources, Oman has set an ambitious goal to become a key green hydrogen producer and exporter globally, which represents a potential expansion opportunity for the Company. To lead Oman's ambitious green hydrogen strategy, the Government has established Hydrogen Oman S.P.C. ("**Hydrom**"), a subsidiary of Energy Development Oman SAOC and has indicated the intention to make significant investments to support these ambitious plans. To realise this ambition, the Government has estimated approximately US$ 140 billion worth of investment in renewables, production capacity, storage, transport and other assets would be required to reach the 2050 production target of 7.5 mtpa to 8.5 mtpa. The Government has taken multiple steps in furtherance of this strategy, including the establishment of Hydrom, award of projects and signing of commercial term sheets with developers. The Company and Hydrom signed a non-binding, non-exclusive memorandum of understanding in June 2023 to cooperate and share knowledge to support Hydrom's mandate to oversee the planning and development of the hydrogen infrastructure associated with green hydrogen in Oman.

The Company's growth strategy contemplates expanding into the transportation and storage of hydrogen. While this strategy is still at a nascent stage and the regulatory framework for hydrogen transportation has not been introduced, to the extent that the Company is allocated the responsibility to become a transporter of hydrogen by the Government and relevant regulator in the future, the first phase of such expansion may entail establishment of a common hydrogen pipeline infrastructure to connect hydrogen upstream and export facilities in Duqm and Salalah and a connection between the domestic industrial centre in Sohar and the northern hydrogen hub. Further, carbon capture, utilisation and storage ("**CCUS**") is amongst the key global decarbonisation pillars in carbon dioxide reduction. The Government's energy transition strategy contemplates prioritising CCUS, a key decarbonisation pillar, as a key enabler of the net zero target by 2050. The Company's growth strategy also contemplates potentially expanding into transportation and storage of captured carbon. To the extent that the Company is allocated the responsibility to become a transporter of captured carbon in the future, expansion into the transportation of captured carbon may in the future entail the establishment of a separate carbon dioxide transportation network that connects the relevant carbon dioxide emission sources in Sohar, Sur, Duqm and Salalah with the carbon dioxide storage locations.

Forward looking organisation with ESG embedded in its strategy

Oman has an ambitious sustainability agenda outlined in Oman Vision 2040 and the Company has developed a sustainability strategy that is aligned with Oman's national vision.

Oman's sustainability agenda aims to achieve 7% GHG emissions reduction by 2030 compared to 2021 and net zero emissions by 2050. Furthermore, Oman strives to become one of the top 20 countries in the environmental performance index by 2040 by making additional estimated investments of, approximately US$ 190 billion to achieve net zero emissions by 2050, and of approximately US$ 230 billion to become a hydrogen exporter, and the Company strives to play a key role in those initiatives. Oman also strives to achieve 30% of its GDP from green power capacity expansion by 2050. With a goal of embedding this agenda in its internal plans and strategies, the Company has recently formed a dedicated sustainability team, including certain senior staff members, which is tasked with overseeing and leading sustainability initiatives and to explore new initiatives to be considered under the Company's sustainability strategy, with the sustainability performance being subject to review by the management-led sustainability committee and the Board.

With respect to environmental performance and management, the Company is committed to contribute to the Environment and Natural Resources Priority in Oman Vision 2040. In addition, the Company strives to minimize its climate-related impact. In recognition of the quality of the Company's environmental management systems, the Company has received ISO 14001:2015 Environmental Management Systems certification. The Company achieved GHG emissions intensity at 0.19 gCO2eq/MJ during the same year. The Company also plans to monitor and report in the future its GHG emissions intensity and gas flaring and is also working on developing a decarbonisation strategy, in line with Oman's Net Zero plan by 2050. In order to align with Oman's commitment towards decarbonisation, the

Company completed the 2021 GHG baseline exercise in 2022, has implemented the GHG accounting tools including scope 1, 2 and 3 emissions inventory, and monitors GHG emissions across the NGTN assets.

The Company is committed to safeguarding and enriching lives with a strategy to closely monitor its HSE indicators, provide regular employee HSE training and engaging with the local communities and providing support to the local economy. On the social front, safety of the Company’s employees is a key priority.

For further details in relation to the Company’s competitive strengths and strategy, please see “*Chapter XII – Description of the Company and Business Overview*” of this Prospectus.

Chapter III

General Information on the Offer and the Company

Name	OQ Gas Networks SAOG (under transformation).
Commercial registration number	1644130.
Date of registration	23 May 2000.
Registered office	P. O. Box 799, PC 133 Al Khuwair, Muscat Governorate Sultanate of Oman.
Principal place of business/headquarters	Al Khuwair/ Bousher/ Muscat Governorate, Sultanate of Oman.
Duration	Unlimited.
Financial Year	Commences on 1 January and ends on 31 December each year.
Issued share capital	OMR 433,062,392 divided into 4,330,623,920 Shares with a value of Bzs 100 per Share.
Number of Shares offered for subscription (Offer Shares)	2,122,005,720 Shares, representing 49 per cent of the Company's total Issued Share Capital.
Type of Shares offered for subscription	All the Shares issued by the Company and the entire equity capital of the Company consist only of ordinary shares. Each single Share carries the right to one vote at any general meeting, including any AGM, OGM or EGM.
Offer Price	The final offer price for the Offer Shares, which will be discovered through a book building in the Category l Offer. The Offer Price shall be determined within the limits of the Price Range as determined in "*Chapter XIX– Subscription Conditions and Procedures*".
Percentage of the total Issued Share Capital on Offer	49 per cent of the Issued Share Capital of the Company.
Names of Selling Shareholders and number of Shares being sold	• OQ: 2,109,449,800 Shares, representing 99.41 per cent of the Offer Shares. • OETCL: 6,277,960 Shares, representing 0.30 per cent of the Offer Shares. • OOSL: 6,277,960, representing 0.30 per cent of the Offer Shares.
Purpose of the IPO	The Company and the Selling Shareholders are undertaking the IPO as part of the divestiture of a minority stake in the Company by the Selling Shareholders in accordance with the Government's privatisation programme.
Persons eligible for the Category I Offer Shares	Category I Applicants, as described in "*Chapter XIX – Subscription Conditions and Procedures*" of this Prospectus.
Persons eligible for the Category II Offer Shares	Category II Applicants, as described in "*Chapter XIX – Subscription Conditions and Procedures*" of this Prospectus.

Persons prohibited from subscribing to the Offer

The following Applicants shall not be permitted to subscribe to the Offer:

- Sole proprietorship establishments: The owners of sole proprietorship establishments may only submit Applications in their personal names.
- Trust accounts: Customers registered under trust accounts may only submit Applications in their personal names (except in specific circumstances detailed in "*Chapter XIX – Subscription Conditions and Procedures*" of this Prospectus).
- Selling Shareholders: The selling shareholders of the Company may not subscribe to the Offer Shares in the IPO.
- Multiple Applications: An investor may not submit more than one Application.
- Joint Applications: Investors may not submit applications in the name of more than one individual (including on behalf of legal heirs).
- Related Parties: The related parties of the Company may not participate in the Category I Offer of the IPO, except where such relationship is due to common shareholding or control exercised by the administrative apparatuses of the Government or their primary activity is investment related.

Proposed allocation procedure

The allocation of the Offer Shares will be made as follows:

<u>Category I Applicants (non-individual investors):</u>

- 848,802,288 Offer Shares have been allocated for Category I Applicants, as follows:
  - 20 per cent of the Offer Shares (equivalent to 50 per cent of the Category I Offer Shares i.e., 424,401,144 Offer Shares) shall be reserved for subscription by Local Applicants. The allocation of Offer Shares to Local Applicants shall be made on a proportionate basis.
  - 20 per cent of the Offer Shares (equivalent to 50 per cent of the Category I Offer Shares i.e., 424,401,144 Offer Shares) shall be available for subscription by Non-Local Applicants. Allocation of Offer Shares to Non-Local Applicants shall be determined by the Selling Shareholders in consultation with the Joint Global Coordinators.

<u>Anchor Investors (non-individual / institutional investors):</u>

- 636,601,716 Offer Shares have been allocated for Anchor Investors, being 30 per cent of the Offer. The allotment to Anchor Investors has been confirmed by the Selling Shareholder as presented in "*Chapter VIII – Shareholding Details*" and "*Chapter XX – Subscription and Sale*" of this Prospectus.

	<u>Category II Applicants (individual investors):</u> • 636,601,716 Offer Shares have been allocated for Category II, being 30 per cent of the Offer (allocation to Category II Applicants to be made on a proportionate basis). If the aggregate demand in Category II is less than or equal to 30 per cent of the Offer, then after full allocation to the Category II Applicants, the balance of the Offer Shares will be made available to the Category I Applicants in the respective proportion outlined above for allocation at the Offer Price, if there is oversubscription in Category I. If the aggregate demand in Category II is greater than 30% of the Offer Shares, the CMA may decide that a minimum number of Category II Offer Shares be distributed equally among Category II Applicants, and the remaining Category II Offer Shares shall be allocated on a pro-rata basis.
Minimum limit for subscription by each Applicant	Category I Applicants: 100,000 Offer Shares and in multiples of 100 Offer Shares thereafter. Category II Applicants: 1,000 Offer Shares and in multiples of 100 Shares thereafter.
Maximum limit for subscription by each Applicant	• Category I Applicants: No maximum limit. • Category II Applicants: No maximum limit.
Maximum limit for subscription by each Anchor Investor	424,401,144 Offer Shares (equivalent to 20% of the Offer Shares).
Offer Opening Date	26 September 2023.
Offer Closing Date	9 October 2023.
Date of EGM for approval of the IPO	25 July 2023.
Issue Manager	**Bank Muscat SAOG** P.O. Box 134, Postal Code 112 Ruwi Sultanate of Oman
Joint Global Coordinators	**Bank Muscat SAOG** P.O. Box 134, Postal Code 112 Ruwi, Sultanate of Oman **EFG-Hermes UAE Limited** 301, The Exchange, DIFC, P.O. Box 30727, Dubai United Arab Emirates acting in conjunction with **EFG Hermes UAE LLC** Office 106, The Offices 3 One Central, DWTC P.O. Box 112736, Dubai United Arab Emirates *and another international bank as part of a consortium of international banks.*

Collection Agents	**Ahli Bank SAOG** P.O. Box 545, Postal Code 116 Mina al Fahal, Muscat, Sultanate of Oman **Bank Dhofar SAOG** P.O. Box 1507, Postal Code 112, Ruwi, Muscat, Sultanate of Oman **Bank Muscat SAOG** P.O. Box 134, Postal Code 112 Seeb, Muscat, Sultanate of Oman **Bank Nizwa SAOG** P.O. Box 1423, PC 133, Al Khuwair, Muscat, Sultanate of Oman **EFG Hermes Oman LLC (Vision Capital)** P.O. Box 712, PC 114, Ruwi, Muscat, Sultanate of Oman **Horizon Capital Markets SAOC** P.O. Box 685, PC 115, Ruwi, Muscat, Sultanate of Oman **National Bank of Oman SAOG** P.O. Box 751, Postal Code 112 Ruwi, Muscat, Sultanate of Oman **Oman Arab Bank SAOG** P.O Box 2240, Postal Code 130, Al Udhayabah, Muscat, Sultanate of Oman **Sohar International SAOG** P.O. Box-44, Postal Code 114, Hai Al Mina, Muscat, Sultanate of Oman **Ubhar Capital SAOC** P.O. Box 1137, Postal Code 111, Muscat, Sultanate of Oman **United Securities LLC** P.O. Box 2566, Postal Code 112 Muscat, Sultanate of Oman
Auditor	**KPMG LLC** Children’s Public Library Building 4th Floor, Shatti Al Qurum PO Box 641, PC 112 Sultanate of Oman
Legal Adviser to the Company as to Omani Law	**Al Busaidy, Mansoor Jamal & Co.** Barristers & Legal Consultants P.O. Box 686 Postal Code 112 Ruwi, Sultanate of Oman

Legal Adviser to the Company as to U.S. and English law	**White & Case LLP** 5 Old Broad Street London EC2N 1DW United Kingdom
Legal Advisor to the Joint Global Coordinators, Issue Manager and Collection Agents as to Omani Law	**MAQ Legal** **(Al Maamary, Al Abri & Co.)** Suite No. 704, Tower A The Office Building PO Box 1963, Postal Code 130 Bousher, Muscat, Sultanate of Oman
International Legal Advisor to the Joint Global Coordinators, Issue Manager and Collection Agents as to US and English Law	**Linklaters LLP** One Silk Street, London EC2Y 8HQ United Kingdom

Chapter IV

Risk Factors

Investing in and holding the Shares involves financial risk. Prospective investors in the Shares should carefully review all of the information contained in this Prospectus and should pay particular attention to the following risks associated with an investment in the Company and the Shares, that should be considered together with all other information contained in this Prospectus. If one or more of the following risks were to arise, the Company's business, financial condition, results of operations, prospects or the price of the Shares could be materially and adversely affected, and investors could lose all or part of their investment. The risks set out below may not be exhaustive and do not necessarily include all of the risks associated with an investment in the Company and the Shares. Additional risks and uncertainties not currently known to the Company or which the Company currently deems immaterial may arise or become material in the future and may have a material adverse effect on the Company's business, results of operations, financial condition, cash flows, prospects or the price of the Shares.

Risks relating to the Company and its Business

1. The Company's Allowed RAB Revenues are determined based on a regulatory asset base framework administered by the Regulator, which is outside of the Company's control.

The Company's financial condition and results of operations may fluctuate due to a number of factors, many of which are beyond the Company's control, including the determination of the Allowed RAB Revenues by the Regulator for each Price Control Period, the Regulator's views on the treatment of any additional capital expenditure, costs or revenue, the Company's ability to expand the NGTN and its Regulated Asset Base. The RAB Framework is implemented pursuant to the terms of the amended concession agreement ratified in October 2020 by virtue of Royal Decree 122/2020 ("**Amended Concession Agreement**"). The Amended Concession Agreement sets out the rules for calculation of the maximum revenue that the Company may earn from transportation of gas on behalf of the Shippers (the "**Allowed RAB Revenues**") (the "**RAB Revenue Rules**") and the rules determining the Transportation Charges payable by the Shippers under the Transportation Code (calculated as a function of the Allowed RAB Revenues and the booked transportation capacity) (the "**Transportation Charges**") (the "**RAB Tariff Rules**", and together with the RAB Revenue Rules, the "**RAB Rules**").

Under the RAB Framework, the Regulator sets the Allowed RAB Revenues that the Company may earn during each Price Control Period, prior to the commencement of such Price Control Period following discussions with the Company. The Company is permitted to generate (i) Allowed RAB Revenues through Transportation Charges collected from Shippers, and (ii) Connection Fees payable by Connected Parties. The Company's current Price Control Period (Price Control Period 2) commenced on 1 January 2021 and is due to expire on 31 December 2023 and Price Control Period 3 is expected to commence on 1 January 2024. For purposes of the Regulator's determination of the Allowed RAB Revenues, the Company is required to comply with certain submission requirements to the Regulator, including forecasts for the next Price Control Period during the year preceding the first year of the relevant Price Control Period ("**Base Year**"). The Company submits its proposed Allowed RAB Revenues and related submissions during the Base Year, in addition to annual submissions in connection with the Annual Reconciliation process. See "*Chapter X— Regulatory Framework – Allowed RAB Revenues – Building blocks*" for further information on the Company's submissions to the Regulator. The determination of the Allowed RAB Revenues entails discussions between the Company and the Regulator and the Company cannot guarantee the outcome of the Price Control Period determination, which is subject to the final determination of the Regulator following such negotiations. The Regulator may or may not agree with the information submitted by the Company for setting the Allowed RAB Revenues, which could result in the Regulator setting lower Allowed RAB Revenues than the Company expects or believes is appropriate, thereby potentially reducing the amount of Transportation Charges that the Company may charge during a Price Control Period.

The Company is in the process of negotiating the Allowed RAB Revenues and values for the relevant building blocks for Price Control Period 3, which will start on 1 January 2024 and may contemplate a four-year Price Control Period compared to the currently applicable three-year Price Control Period 2. If the Regulator decides to exclude any planned expenditures or costs submitted by the Company in the calculation for Price Control Period 3 or with respect to any future Price Control Periods, or if the Regulator decreases the Allowed Operating Expenditure, WACC or other allowances and consequently the Allowed RAB Revenues, the Company could experience smaller than expected increases or even decreases in Transportation Charges than the Company collects for its services, which could have a material adverse effect on the Company's business, financial condition, results of operations and prospects. There is no guarantee that the determination of the Allowed RAB Revenues or the WACC for Price Control Period 3, which is expected to be finalised around November 2023, or any future Price Control Period will be aligned with the Company's submissions or will be favourable to the Company.

2. The terms and restrictions on revenue and cost recognition under the RAB Framework impacts the Company's results of operations.

Due to the structure of the RAB Framework, which sets the Allowed RAB Revenues for a Price Control Period, the Company may not be able to reflect all changes under the RAB Framework (even if ultimately approved by the Regulator) in its actual expenses in any Price Control Period due to the periodic nature of the regulatory review. While the Company may apply for an increase in Allowed RAB Revenues within the same Price Control Period or the next Price Control Period as part of the RSP Reconciliation process, in the event that costs rise, there can be no assurance that the Regulator will approve requested increases on time or at all. Moreover, even if the Regulator recognises an increase in the Company's costs or other factors affecting the Allowed RAB Revenues, any agreed change by the Regulator in the Allowed RAB Revenues would typically only become effective from the following Price Control Period, except in special circumstances existing outside the Company's control, as determined by the Regulator.

Under the RAB Framework, the capital expenditure allowance is approved by the Regulator for the relevant Price Control Period ("**Capital Expenditure Allowance**"), based on capital expenditure projections submitted by the Company and reviewed by the Regulator in the Base Year, which is subject to ex-post reconciliation for over or under spend in the subsequent Price Control Periods. Where a project is delivered at a lower cost compared to the allowance approved by the Regulator (i.e., there is an underspend), the actual Capital Expenditure costs spent are added to the Regulated Asset Base, and the Capital Expenditure Allowance will be reconciled in the subsequent Price Control Period to account for the unspent amounts in the prior Price Control Period, which would have an impact on the cash flow received by the Company in the following Price Control Period. Further, in the event of an overspend, to the extent that the Regulator determines that excess capital expenditure or costs arose as a result of inefficiencies caused by or attributable to the Company, the Regulator may decline to reimburse or otherwise reconcile such costs even in a subsequent Price Control Period, which could adversely affect the Company's business, financial condition, results of operations and prospects.

The WACC, which is an important component of the Allowed Return on Capital, is set by the Regulator for each Price Control Period and fixed for the duration of the Price Control Period following discussions with the Company. Market and macroeconomic risks, such as inflation and interest rates fluctuations, which may occur after the WACC is proposed by the Company and approved by the Regulator may impact the Company's WACC, to the extent the Company has not hedged its exposure against floating interest rates. For example, if the actual cost of debt, which is a component of the WACC, is higher than the approved cost of debt due to an interest rate hike subsequent to the setting of the WACC for the relevant Price Control Period, this may result in additional costs incurred by the Company, which will not have been approved by the Regulator. The WACC rate is not subject to any revision in retrospect under the RAB Framework, except where the Company requests a revision, and is able to demonstrate to the Regulator's reasonable satisfaction that the assumptions used to determine the WACC during a Price Control Period are materially incorrect for reasons beyond the reasonable control of the Company. However, given that the RAB Framework was introduced in 2018, only one full Price Control Period has been completed thereunder (with Price Control Period 2 currently in the final year) and the WACC revision process has not yet been tested in practice by the Company. Accordingly, the Company's Allowed RAB Revenues may be negatively impacted to the extent the Regulator does not approve a requested WACC revision, which would limit the Regulated Adjusted Income that the Company earns.

Further, the Allowed Operating Expenditure is not subject to revision, other than adjustment for inflation as part of the Annual Reconciliation process. While the Company would be able to retain efficiency gains (e.g., lower operating expenditure spent) within a Price Control Period, compared to Allowed Operating Expenditure determined in the Base Year, the Company will be required to bear the cost of any operating expenditure exceeding the agreed Allowed Operating Expenditure. Accordingly, any expenditure significantly exceeding the Allowed Operating Expenditure could adversely affect the Company's business, financial condition, results of operations and prospects.

3. The RAB Framework is subject to ring-fencing requirements.

The RAB Rules provide for certain ring-fencing requirements, which require the Company to procure that its gas transportation business does not provide any cross-subsidy to, or receive any cross-subsidy from, any other business or affiliated undertaking of the Company. The RAB Rules require the Company to implement procedures and systems to comply with these ring-fencing requirements and to submit to the Regulator the information required to allow it to determine the Allowed Operating Expenditure. The ring-fencing requirements may result in potentially unfavourable reductions in allowances or delays in setting the Price Control Period, if the Regulator considers the gas transportation business to be insufficiently ring-fenced. Additionally, the ring-fencing requirements may potentially restrict the Company's ability to expand into other business areas, which may impact the Company's ability to implement its growth strategy, which could adversely affect the Company's business, financial condition, results of operations and prospects.

4. The Company is subject to obligations and liabilities under the Regulated Documents.

The NGTN operations are subject to regulations by the Regulator, which regulate the NGTN and the Company's obligations towards the Shippers (currently, there is only one Shipper) and administers the RAB Rules in accordance with the (i) Amended Concession Agreement, including the RAB Rules, (ii) the terms of reference setting out the Regulator's composition, constitution, goals, functions and powers to regulate the NGTN and administer the RAB Rules ("**Regulator's Terms of Reference**"), (iii) the transportation code setting out the terms and conditions in respect of the provision of transportation services between the Company and the Shippers of the NGTN (the "**Transportation Code**"), and (iv) procedures for modification of the RAB Rules and Transportation Code and the modification procedures ("**Modification Procedures**", and together with the RAB Rules and the Transportation Code, the "**Regulated Documents**"). The Amended Concession Agreement imposes certain obligations on the Company in its capacity as both owner and operator of the NGTN. In the Company's capacity as owner and operator of the NGTN, its obligations include (i) protecting the NGTN against external interference, (ii) providing transportation services to Shippers under the Transportation Framework Agreement and the Transportation Code, (iii) facilitating the security of supply of transportation capacity, (iv) operating gas measurement facilities, (v) establishing means for technical balancing, (vi) settling volume and charging imbalances, and (vii) undertaking all other technical and operational tasks to ensure efficient operations of the NGTN. Under the Amended Concession Agreement, each of the Company and the Government is required to indemnify and hold harmless the other for a loss directly resulting from any breach of the Amended Concession Agreement (subject to certain carve-outs as per the Amended Concession Agreement), which in the ordinary course of events was reasonably foreseeable as likely to result from such breach and results in (i) physical damage to property, (ii) death or personal injury, or (iii) any third-party claims, which are not subject to any limitations on the quantum of any potential liability.

The Amended Concession Agreement provides for compensation to the Company upon termination, which varies depending on the termination event. If the Amended Concession Agreement is terminated (i) by the Government due to national interest; (ii) due to force majeure; or (iii) by the Company due to a material breach by the Government, the Company would be entitled to receive compensation based on a formula set out in the Amended Concession Agreement, calculated as the aggregate of (a) the Regulated Asset Base in the corresponding year determined in accordance with the RAB Rules, (b) the amount by which the Regulated Asset Base is less than the outstanding senior debt and (c) certain third-party costs. However, if the Amended Concession Agreement is terminated due to a material breach by the Company, the Government would pay the Company an amount equal to the Regulated Asset Base only. Accordingly, if the Amended Concession Agreement is terminated due to a material breach by the Company, the Company would be entitled to a reduced payment amount compared to the other termination events described above. Furthermore, in the event that Amended Concession Agreement is terminated or not renewed at expiry, the Company would cease to act as the exclusive operator and owner of the NGTN and would consequently be required to transfer the ownership of the NGTN to the Government, which would cause the Company to lose access to its primary source of revenue and would have a material adverse impact on the Company's financial condition, results of operations and prospects.

The Transportation Code sets out terms and conditions in respect of the transportation services provided by the Company to the Shippers. Under the Transportation Code, the Company, in its capacity as transporter, is required to make gas available through the NGTN in accordance with the terms of the Transportation Code and is liable to the Shipper in certain events, including a failure by the Company to make available gas from the NGTN or a failure to make gas available in contradiction to certain specifications outlined in the Transportation Code. The Transportation Code provides for an OMR 3.5 million liability cap in respect of aggregate claims by the Shipper relating to any single calendar year for failures attributable to the Company to make gas available or making gas available in accordance with the specifications set out in the Transportation Code, subject to certain exceptions as set out in "*Chapter XII—Description of the Company and Business Overview — Material Agreements — Transportation Framework Agreement and Transportation Code*". Accordingly, the Company may be exposed to potential liability under the Regulated Documents for failure to complete the construction of new NGTN assets on time or deliver gas at all or in accordance with the required specifications. See "— *Legal proceedings or claims or regulatory investigations could affect the Company results of operations and financial condition*".

5. The Company operates in a regulated industry sector and changes in laws or regulations, or a failure to comply with any laws and regulations, may adversely affect the Company's business.

The Company is subject to various laws and regulations in Oman, including those relating to taxation, antitrust, financial markets regulation, economic sanctions, environmental protection, management and use of hazardous substances and explosives, development of projects, labour, including Omanisation, and occupational health and safety standards, bribery and corruption and historical and cultural preservation. Additionally, the Company's business is subject to a variety of laws and governmental regulations relating to the use, discharge and disposal of toxic or otherwise hazardous materials used in gas transportation. Moreover, the Company is also subject to regulations under Omani corporate laws, such as the CCL, the Securities Law and regulations issued by the CMA. Compliance with, and monitoring of, applicable laws and regulations may be difficult, time consuming and costly. These laws and regulations and their interpretation and application may also change from time to time, and the Company may inadvertently violate its obligations and accordingly may be liable for substantial administrative fees. The Government may amend the tax laws from time to time in the future, and any changes in tax laws may increase the tax burden for the Company, thereby adversely affecting its financial position, results of operations and dividend distribution capabilities.

Further, the gas transportation operations are subject to regulation by the Regulator, which regulates the NGTN and administers the RAB Rules in accordance with the Regulated Documents. The Regulator has certain powers under the Regulator's Terms of Reference to promote and execute the regulation of gas transportation in Oman, including the power to impose sanctions for non-compliance with the Regulated Documents. The Regulator's Terms of Reference further specify that the Regulator may impose penalties, fines or other sanctions on the Company, the Shipper and the Connected Parties ("**Regulated Parties**") for non-compliance with the Regulated Parties' respective obligations under the Transportation Code. The Regulator also has the power to impose penalties on the Company in its capacity as operator of the NGTN if the Company discriminates between Shippers or Connected Parties. A breach by the Company of its obligations under the Regulated Documents may lead to the imposition of penalties, require the Company to incur contractual liabilities or result in demand for indemnification by the Shipper or by a Connected Party under the Connection Agreements, which could adversely affect the Company's business, financial condition, results of operations and prospects. Furthermore, the Regulator may amend the terms of the RAB Rules or the Transportation Code pursuant to the Modification Procedures. For example, there are ongoing discussions between the Company and the Regulator to explore amending the regulatory framework, including the RAB Rules and the Transportation Code, to allow multiple Shippers in the near future, including international exploration and production companies as Shippers. Additionally, the Regulator is currently assessing extending the length of the Price Control Period to four years from the currently applicable three-year Price Control Period. There is no guarantee that any changes resulting from the introduction of a multi-Shipper arrangement, change in the Price Control Period or any other changes in the future would be favourable to the Company or would not have a material adverse effect on the Company's operations. If the applicable laws and regulations or Regulated Documents become more restrictive or in the event of failure by the Company to comply with its obligations under the applicable laws and regulations and Regulated Documents, the Company could incur penalties and legal liabilities, and the Company's operations may be subject to temporary or permanent suspension, any of which could have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

6. Recent changes to the Shipper and further changes in the future may expose the Company to certain risks, including payment risks and concentration risks.

The Ministry of Energy and Minerals ("**MEM**") was the sole Shipper to the NGTN until 31 December 2022. Pursuant to the MEM Transfer Decision, effective 1 January 2023, IGC (which is 100% owned by the Government acting through the Ministry of Finance ("**MoF**")) has formally assumed the role of the Shipper from MEM. IGC was established pursuant to MoF Ministerial Decision No. 248/2022 ("**MoF IGC Decision**") as a Government-owned company to act on behalf of the Government in the management of, among other things, gas sales and purchases. Further, the MEM Ministerial Decision No. 19/2023 ("**MEM Transfer Decision**") provided that the Transportation Framework Agreement appointing MEM as the Shipper, which was signed between the Government (acting through MEM) and the Company, would be transferred as a matter of law from MEM to IGC with effect from 1 January 2023.

The transition from MEM to IGC is still being implemented in practice and IGC will take on the Shipper role from the MEM in a phased manner during 2023.

Further, the Company entered into an operational support services agreement with IGC ("**IGC Operational Support Services Agreement**") effective 1 January 2023, whereby the Company has agreed to provide the IGC with certain support services to facilitate the transition phase. See "*Chapter XII—Description of the Company and Business Overview – Material Agreements — IGC Operational Support Services Agreement*". The Shipper and the Company may face operational challenges during this transition phase, which could have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Furthermore, a large majority of the Company's income in 2022 was received from the Shipper (which in 2022, was the MEM), and the Company expects this to continue to be the case with IGC absent the addition of new Shippers. As a newly incorporated subsidiary of the MoF, the IGC enjoys limited liability as a legal entity separate from the MoF. Further, the Company has no insight into IGC's financial resources, cash flows or other liabilities that would be assumed by IGC or if the MoF would provide financial support to IGC in its payment obligations, which may impact IGC's ability to perform its obligations to make payments to the Company in a timely manner. The concentration of revenue from one Shipper exposes the Company to a revenue concentration and collection risk. The Company invoices the Shipper on a monthly basis and began invoicing IGC as the Shipper in June 2023. While payments were made by MEM as the Shipper largely on a timely basis over the last few years, the payment of one invoice amounting to OMR 10.5 million relating to additional Allowed RAB Revenues relating to the acquisition of NGTN assets from the Government (BP and PDO operated assets) was delayed by more than one year and was paid (without interest or late payment fees) in 2022. In addition, the Regulated Documents do not prevent further changes to the Shipper or the introduction of additional Shippers in the future, which may include international exploration and production companies that are allocated exploration blocks by the Government. Accordingly, there is no guarantee that material delays in payment of invoices by the Shipper will not occur in the future. Any significant or recurring delays in invoice payments or collection of receivables from the Shipper could have a negative impact on the Company's liquidity and cash flows, which could in turn lead to insufficient funding for operating expenditures or cause delays in the execution of the Company's capital expenditure projects. Moreover, any change to the identity of the Shipper or the introduction of additional Shippers in the future, which may not be Government-owned and may have different credit profiles, may in turn expose the Company to further operational and counterparty risks with respect to collection and payment of the Transportation Charges.

7. The Company's licenses may be suspended, terminated or revoked prior to their expiration and it may be unable to obtain or maintain any required permits or authorisations.

The Company's operations require various licenses, permits, clearances and approvals at local and national levels, in Oman. These include the Regulated Documents, environmental clearances from the Environment Authority ("**EA**") for the NGTN locations, licenses from the Ministry of Commerce, Industry and Investment Promotion ("**MOCIIP**"), civil defence licenses, project specific licenses from various Government ministries and authorities, as well as the licenses issued by the Telecommunications Regulatory Authority ("**TRA**") to establish and operate two private telecommunication networks for the Company's own use, to cover (i) establishing and operating such networks through point-to-point radio links; and (ii) establishing and operating such networks via fibre-optic cables adjacent to gas pipelines. See "*— The Company operates in a regulated industry and changes in laws or regulations, or a failure to comply with any laws and regulations, may adversely affect the Company's business*". Obtaining these authorisations may not always be routine and the conditions attached to obtaining and maintaining them are subject to change and may not be predictable. Further, certain licenses and authorisations require periodic renewals. Certain licenses and permits held by the Company, including environmental licenses and licenses issued by the municipalities in various districts, have expired and the Company is in the process of renewing them in the normal course of business. The Company in coordination with MOCIIP is also in the process of registering additional operational locations as branches on its Commercial Register. Delays, the suspension of the Company's activities at a certain location due to revocation of existing licenses, or the Company's inability to obtain, maintain, or renew authorisations or licenses could have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

8. The Company relies on the NGTN for the transportation of gas to its gas consumers. A disruption of, or other adverse events affecting the NGTN, could materially adversely affect the Company's results of operations.

The Company currently transports gas to consumers across various essential sectors of the Omani economy, including the LNG, industrial and commercial, power and desalination and oil and gas sectors. While the Company has not in the past experienced significant disruptions to its network or operations, the Company's business is exposed to certain inherent risks associated with the operation of the NGTN, such as mechanical breakdowns, critical equipment shortages, leaks and ruptures of pipelines, discharges or releases of toxic or hazardous substances or gases, interruptions or shortages in the supply of utilities, insufficient storage capacity, casualty or accident (including accidents caused by other operations carried out by third parties), labour difficulties, construction defects, fires, natural disasters, breaches of security, sabotage, personal injury, disruptions to the information systems controlling its facilities and related equipment as well as other interruptions in service resulting from events outside of the Company's control.

The Company has experienced gas leakages in the past, including gas leakages from valves in 2021 and 2019, which impacted the Company's gas delivery to consumers in the Muscat region and reduced the gas delivery to these consumers. In 2020, the Company experienced certain gas delivery interruptions in the NGTN, including gas supply interruptions in Muscat as a result of a process control system failure, which led to a valve closure and a drop in gas pressure, and gas delivery interruptions in Fahud as a result of a pressure control valve failure, which led to high delivery pressure. Consequently, this led to the stream valve closure due to the activation of the pressure safeguarding system, which resulted in a drop of gas delivery pressure and caused gas delivery interruption.

An extended disruption or other adverse events affecting the NGTN could prevent the Company from delivering gas to some or all of its consumers or Connected Parties, exposing the Company to potential liabilities, including under the Regulated Documents and, therefore, could materially and adversely affect the Company's business, results of operations and financial condition. Although the Company may be able to pre-empt some network failures through its routine predictive inspection and maintenance programs, the Company may not be able to predict all such events or the occurrence thereof, which may include unforeseen failures of mechanical equipment and may cause unanticipated accidents or disruptions in the Company's gas transportation network. Further, an extended interruption to the Company's operations could have a material adverse effect on the revenues or assets of the Company, either from direct losses in revenue or liability to third parties. Such occurrences could also delay the Company's projects or damage its reputation.

9. The Company could face significant liabilities under environmental, health and safety laws.

As a gas transporter, environmental contamination, toxicity and explosions from leakage and associated penalties are inherent risks in the Company's business in Oman. The Company's business and operations are subject to environmental regulations controlling the discharge of materials into the environment, requiring removal and clean-up of materials that may harm the environment or otherwise relating to the protection of the environment.

The Company must comply with the applicable environmental laws and regulations in Oman which address these risks, which may affect the Company's operations. These laws and regulations set various standards regulating certain aspects of health, safety, security and environmental quality, and provide in certain circumstances for civil and criminal penalties and other liabilities for the violation of such standards and obligations to remedy. The Company expects continued Government attention towards issues concerning the local environment, climate change and adaptation or mitigation through regulation that could materially affect the Company's operations. In particular, the Company is subject to regulation by the EA, which has wide powers that include the implementation and enforcement of environmental regulations. Under the supervision of the EA, the Company is subject to the Law on Environment and the rules and regulations issued by the EA (and the Ministry of Environment and Climate Affairs, which was the predecessor of the EA). Compliance with special provisions may be appropriate or required in environmentally sensitive areas.

The EA has established certain criteria and guidelines relating to the control, monitoring and management of any release of substances that could impact or harm the environment, people and assets and ensure that the necessary measures to protect these areas are implemented. The Company is required to comply with these guidelines and ensure that volumes of any release of substances are recorded and reported to the EA. The Company is required to submit environmental performance reports to the EA on a quarterly basis, which include information on waste management, legal compliance and permits status. With respect to GHG, the Company is required to record and report GHG emissions data to the EA on an annual basis. Further, the Company will assume responsibility for any legal non-compliance (such as exceeding prescribed limits) and the implementation of suitable mitigation measures to these environmental risks.

While the Company has historically complied with the EA regulations, liability could be imposed on the Company for damages, clean-up costs or penalties in the event of certain discharges into the environment, improper combustion, excessive flaring, gas leakages, fugitive emissions, improper waste management, inefficient power consumption or non-compliance with environmental laws or regulations and standards, specifically GHG standards, waste management and permits. Environmental laws and regulations could have a material adverse effect on the Company's business, financial condition and results of operations (either due to the increased cost incurred, penalties imposed or disruption to the gas transportation services provided by the Company). Laws and regulations in Oman protecting the environment have become more stringent in recent years, and may in some cases impose strict liability, rendering a person liable for environmental damage without regard to negligence. These laws and regulations may expose the Company to liability for the conduct of, or conditions caused by, others, or for acts that were in compliance with all applicable laws at the time they were performed. Furthermore, the Company may also be subject to employee claims as a result of the environmental, health and safety risks inherent to the Company's business. The Company has in the past experienced certain health and safety incidents and is in the process of increasing its health and safety training to improve its health and safety performance. The Company's health and safety incidents included only one fatality in the last three years (in 2022).

It is not possible for the Company to estimate the amount and timing of all future expenditures related to environmental matters because of:

- environmental and climate changes, the discovery of new environmental conditions or additional information about existing conditions;
- the uncertainties in estimating pollution control;
- the uncertainty in quantifying liability under environmental laws and regulations that impose liability without fault on potentially responsible parties; and
- the evolving nature of environmental laws and regulations and their interpretation and enforcement.

The possible legal liability to the Company or governmental or regulatory action against the Company for damages, clean-up costs and penalties and/or compensation arising from any of the foregoing, could have a material adverse effect on the Company's business, financial position and results of operations.

10. The Company is exposed to natural disasters.

The NGTN, which spans over 4,031 kms of gas transportation pipelines, as well as the facilities of gas producers and the Company's suppliers, are exposed to natural disasters, such as severe weather (including cyclones), flooding and earthquakes that could disrupt operations. The frequency and severity of natural disasters have increased in the past decade due to abnormal environmental and climate-related changes. For example, in 2021, Oman experienced a category three cyclone ("**Cyclone Shaheen**"), which caused flooding in certain roadways and valleys in Oman and led to some infrastructural damage, including damage to certain pipelines and a temporary blockage to certain rights of way relating to the Company's network, which were restored shortly thereafter. While the Company did not experience significant disruption to its transportation business as a result of Cyclone Shaheen, the occurrence of a natural disaster could cause damage to the NGTN, cause an interruption in the supply of utilities that results in prolonged disruption to the operations of the Company or of the gas producers or of the Company's material suppliers, or harm the Omani economy in general, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

11. The Company's operations are all in Oman.

At present, all of the Company's revenue is derived from operations in Oman, and the Company is particularly affected by the economic, social, demographic, urban and political conditions and developments in Oman. As a result, if the Omani economy does not experience growth in gas demand or otherwise suffers from a materially adverse event or condition, this could have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

12. The Company's organic growth strategy depends on the implementation of large projects and infrastructure investments, which are costly to implement and subject to delays and other risks.

The Company's organic growth strategy depends on substantial capital investment and the implementation of large projects primarily in connection with the construction of new NGTN assets and Connections as well as the maintenance and upgrade of projects over the coming years. The implementation of large projects and infrastructure investments, may expose the Company to additional operational or financial risk. When undertaking a new project, such as the construction of new gas transportation pipelines or facilities, the Company faces a number of risks, including:

- failure to correctly estimate projected gas demand in future years, including due to volatility in the demand for gas;
- inability to maintain efficiency and reliability of NGTN or other risks applicable or inherent to NGTN activities;
- possible shortage of available cash to fund construction and capital improvements and/or that financing for such construction and capital improvements may not be available to the Company on suitable terms or in a timely manner;
- delays in obtaining, or a failure to obtain or comply with, the Regulator's approval or other necessary governmental and regulatory permits, approvals or legislation, including environmental licenses;
- inability to complete projects on schedule or within the capital expenditure budgeted amounts approved by the Regulator; and
- methodological errors or erroneous assumptions in the financial models used by the Company to make investment decisions.

The Company's ongoing projects are also subject to a number of construction risks, including the following:

- major design and/or construction changes, whether caused by changes in technological demand, market conditions or other factors;
- an inability to find a suitable contractor either at the commencement of a project or following a default by an appointed contractor;
- default or failure by the Company's contractors to finish projects on time and within budget for several reasons, including contractors accepting projects exceeding their capacity; and
- construction related issues, such as cost overruns, reliance on third-party performance, availability and costs of materials, global commodity prices, equipment and labour, adverse weather conditions, natural disasters, labour disputes, disputes with sub-contractors, accidents, changes in governmental regulations or priorities and other unforeseen circumstances.

While the standard construction contracts, which the Company typically enters into with contractors, allow the Company to seek to recover costs incurred by the Company in the event that the contractor defaults or otherwise fails to perform its obligations under the construction contracts, the Company has in the past experienced delays and defaults in the execution of certain projects for which it has not recovered costs incurred in full, and there can be no assurance that the Company's current or future projects will be completed in the anticipated timeframe or at all, whether as a result of the factors specified above or for any other reason, or that it will successfully recover any costs incurred as a result of such delays. Such delays may result in a delay in the realisation of revenue, reputational damage and potential penalties imposed by the Regulator or indemnification claims by the Shipper under the Regulated Documents. Moreover, continued growth through new projects and initiatives may also divert Management's capacity to deal with existing projects. Any of these factors could materially delay the completion of a project or materially increase the costs associated with a project.

13. *The Company is subject to restrictions and covenants in its debt agreements, non-compliance with which could result in acceleration of payment of borrowed funds or termination of such agreements.*

As at 30 June 2023, the Company's total outstanding borrowings net of deferred finance cost amounted to OMR 330.0 million. As at 31 December 2022, 2021 and 2020, the Company's total outstanding borrowings net of deferred finance cost amounted to OMR 388.4 million, OMR 416.9 million and OMR 403.6 million and related to borrowings under the (i) up to US$ 800 million credit facility from a syndicate members dated 24 February 2020 (the "**Credit Facility**"), (ii) US$ 355 million (OMR 136.7 million) non-subordinated loan from OQ dated 27 October 2020 (as amended) ("**Shareholder's Loan**"), and (iii) the US$ 2.3 million (OMR 0.9 million) shareholder loan from OQ for the partial funding of the construction of the Ras Markaz crude pipeline project in 2017 ("**Ras Markaz Loan**"). On 19 June 2023, the Company entered into two, unsecured *pari passu* term financing facilities with a syndicate of banks on a dual currency OMR/US$ loan basis, comprising an OMR-denominated term loan facility of up to OMR 60 million (the "**OMR Conventional Facility**") and a US$-denominated term loan facility of up to US$ 225 million (equivalent to OMR 86.7 million) (the "**USD Conventional Facility**", and, together with OMR Conventional Facility, the "**Conventional Facilities**"). On 19 and 20 June 2023, the Company entered into two separate wakala facilities, whereby the Company may utilise an OMR-denominated wakala facility of up to OMR 165 million (the "**OMR**

Wakala Facility") and a US$-denominated wakala facility of up to US$ 395 million (equivalent to OMR 152.1 million) as permitted under the principles of Sharia (the "**USD Wakala Facility**" and, together with the OMR Facility Agreement, the "**Wakala Facilities**"), for the purpose of financing the Company's general corporate purposes, including refinancing the Credit Facility, repayment of loans made to the Company by OQ and financing the Company's capital expenditure requirements (the "**Refinancing Facilities**").

The Refinancing Facilities include certain undertakings, financial covenants and restrictions, such as restrictions on the Company's ability to sell its assets, conditions for incurring indebtedness exceeding 70% of the Regulated Asset Base or creating any pledge or security on the Company's assets. Additionally, certain events may be deemed an event of default under the Refinancing Facilities, including non-payment or if the Government ceases to own, directly or indirectly, 51% of the Issued Share Capital and the Company is not in a position to control the actions of the Government in this regard. While the Company has not defaulted on payments to lenders in the past, if the Company is unable to comply with the obligations, undertakings, restrictions or covenants in its current or future financing agreements, it may be found in default under the terms of those agreements. In the event of a default under these agreements, the lenders could terminate their commitments to further lend to the Company or accelerate outstanding loans and declare all amounts borrowed immediately due and payable, which could trigger events of default in other finance agreements, as applicable. In such a case, the Company may need to enter into negotiations with its lenders to resolve the situation or waive the default and such negotiations might not be successful or the outcome of the negotiations may significantly increase the Company's borrowing costs or have other adverse effects on the Company. If any of these events occur, the Company cannot guarantee that its assets would be sufficient to repay in full all of its indebtedness, or that the Company would be able to find alternative debt financing on terms that are favourable or acceptable to the Company. See "*Chapter XII—Description of the Company and Business Overview – Material Agreements*" for further information on the Company's financings.

In addition to the remaining available funds under the Refinancing Facilities, the Company expects to require further debt finance to fund a significant portion of its capital expenditure in future years and will have material funding needs in relation to certain of its projects. The Company's ability to obtain further external financing and the cost of such financing are dependent on numerous factors, including general economic and market conditions, international interest rates, credit availability from banks or other lenders, investor confidence in the Company and the performance of the Company's business and operations. If appropriate sources of financing are not available or are only available on onerous terms and the Company does not have sufficient operating cash flow, this would adversely affect the Company's business through increased borrowing costs and impact its capital expenditure plans, which could require the Company to, amongst other measures, delay certain projects or reduce capital expenditure, or seek to restructure or refinance all or a portion of its debt on or before maturity (which it may be unable to do on favourable terms or at all), any of which may adversely affect its business, results of operations and prospects.

14. The Company is exposed to interest rate risk as it borrows funds at floating interest rates.

Interest rates affect the Company's cost of borrowing. As at 31 December 2022, 100% of the Company's indebtedness was denominated in US Dollars and was subject to floating interest rates at fixed margins above the London Interbank Offer Rate ("**LIBOR**"). The Company hedged 33% of its outstanding borrowings in 2022 through a variable-to-fixed interest rate swap transaction under back-to-back arrangements with OQ, which was discontinued effective as of 15 June 2023. Following the refinancing completed in June 2023 pursuant to the Refinancing Facilities, the Company maintains borrowings in both Omani Rial and US Dollars. As at 30 June 2023, 72% of the Company's outstanding borrowings are denominated in US Dollars and incur interest at fixed margins of 1.9% per annum plus the compounded secured overnight financing rate ("**SOFR**"), while 28% are denominated in Omani Rial and incur interest/profit at fixed interest rate of 5.70% per annum until the fourth anniversary of the Refinancing Facilities signature date and will thereafter incur interest/profit at 2.00% per annum plus the OMR base rate (the monthly "**Private Sector OMR Time Deposit**" rate as published in the most recent CBO Bulletin).

Interest rates are highly sensitive to many factors beyond the Company's control, including the monetary policies of the Government and the CBO, as well as changes in the applicable benchmark interest rates, including changes in LIBOR and SOFR rates. In light of the Company's US$-denominated floating rate debt, the Company has in the past been affected by changes in the US Federal Reserve Board of Governors' ("**US Federal Reserve Board**") interest rates. For example, with respect to borrowings under the Credit Facility (which was subject to the LIBOR-linked interest rate and repaid on 22 June 2023), interest rate increases by the US Federal Reserve Board led to an increase in the LIBOR-linked interest rate applicable to the Credit Facility from 2.9% for the interest rate period between 24 August 2021 and 15 December 2021 to 7.9% for the interest rate period between 31 May 2023 and 22 June 2023. Additionally, the Company's OMR-denominated borrowings will switch from a fixed interest/profit rates to a fixed interest/profit rate above the CBO's Private Sector OMR Time Deposit rate following the fourth anniversary of the OMR denominated Refinancing Facilities, which will increase the Company's exposure to interest rate fluctuations.

The Company has not engaged in interest rate hedging activities following its entry into the Refinancing Facilities in June 2023. Accordingly, if average interest rates for any Price Control Period increase more than anticipated and exceed the allowed cost of debt in the Company's approved WACC, the Company's interest expense will increase on the variable portion of the borrowings, and would not be reimbursed by the Regulator, unless the Company requests a revision to the approved WACC and is able to demonstrate, to the Regulator's reasonable satisfaction, that the assumptions used to determine the WACC during the Price Control Period were materially incorrect for reasons beyond the reasonable control of the Company. Accordingly, any excess interest expense that is not reimbursed by the Regulator may adversely affect the Company's business, financial condition and results of operations may be adversely affected.

15. *The Company does not own the lands on which its assets are situated and may not be able to renew any necessary property rights or may cease to benefit from its existing rights to use the land.*

The Company does not own the land on which its assets are situated. Rather, the Company has land rights under the Amended Concession Agreement and has entered into a master usufruct agreement with the Government granting to the Company usufruct rights over the public land to operate its gas transportation facilities. The master usufruct agreement provides that if further land is required by the Company for the construction and operation of new gas transportation facilities and such land is made available by the Government then the terms of the master usufruct agreement will apply to such additional land mutatis mutandis. Additionally, the Company has entered into sub-usufruct agreements with SFZC and Madayn for the gas pipeline situated in the Salalah Free Zone land and Madayn industrial cities, whereby the Company has been granted sub-usufruct rights to land on which the gas pipeline transportation system is situated. The Company and SFZC have also entered into an easement agreement with respect to the gas pipeline corridor.

Additionally, the Company is in the process of renewing certain ancillary usufruct and lease agreements, while other agreements will expire within the next five years. The delay to renew these agreements, or agree revised terms, could result in the Company temporarily losing access to some of its assets. In the event that the Company is required to vacate any of the land or properties subject to such rights for any reason, the Company would be required to make alternative arrangements for certain locations of its NGTN, and there is no certainty that such alternative arrangements will be on favourable terms or that any of the foregoing risks would not cause a disruption to the NGTN operations, which could have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

16. *Risks relating to maintenance and expansion investments of the Company's NGTN.*

Pursuant to the RAB Framework, the Company is required to maintain and further develop and upgrade the NGTN, including the capability of the network capacity and the quality of transportation services to correspond to the safety and service level requirements required by applicable regulations. The condition of some of the Company's equipment and the components of the NGTN may be affected by their continuous operation, as well as processes such as erosion and corrosion. The impact of such operations and processes tends to increase as the equipment and components grow older. The main risks to maintenance of the Company's pipelines include corrosion, leaks, over-pressure, damage and defects. Further, the Shipper expects to have access to a reliable level of capacity to dispatch gas and any inability of the Company to make the necessary investments to maintain sufficient capacity or meet regulatory requirements may lead to additional service interruptions, claims for compensation, financial penalties, losses and damages causing the Company additional unplanned repair and maintenance costs, exposure to legal disputes, as well as reallocation of resources from other investment projects. In order to meet these obligations, the Company expects that network maintenance and expansion will require substantial capital and operational expenditure in the future. Furthermore, despite regular maintenance, premature ageing of assets or changing local conditions (such as erosion, landslides etc.) may require unplanned investments. Such risks could have a material adverse effect on the business operations, the results of operations, the financial position and prospects of the Company.

17. *Expansion into new business areas, including transportation of other energy sources, will expose the Company to heightened risks and require the Company to incur additional costs.*

The Company may in the future expand the range of services or products transported. Expansion of its business activities may expose the Company to a number of risks and challenges, including the following:

- the Company may have limited or no experience in certain new business activities and may not compete effectively in these areas;
- novelty of activities, regulatory framework or regulations;
- additional regulatory requirements and difficulties in managing regulatory compliance;
- RAB Framework ring-fencing restrictions and impact of such expansion on the Company's gas transportation business;
- there is no guarantee that its new business activities will meet expectations for profitability;
- the Company may be unable to hire or retain personnel with the requisite skills and experience to conduct new business activities; and
- the Company's risk management, systems and controls may require significant upgrades or expansion support a broader range of activities.

The Company's growth strategy includes leveraging its natural monopoly over gas transportation in Oman to play an essential role in Oman's energy transition. Oman has announced an ambitious energy transition plan, which contemplates the establishment of a green hydrogen and CCUS as part of the Government's decarbonisation agenda and net zero initiatives by 2050. The Government estimates US$ 140 billion in cumulative investments to be required by 2050 for the development of a green hydrogen economy. The Company's growth strategy contemplates expanding into the transportation and storage of hydrogen as well as captured carbon. However, this is a long-term growth strategy with target dates for the different phases ranging between 2030 and 2050. The expansion into these potential new business areas is subject to several uncertainties, including the introduction of the regulatory framework for hydrogen and CCUS, allocation of the regulatory capacity to the relevant supervisory authority in Oman, allocation of any role to the Company in such new sector and obtaining any applicable regulatory approvals or conditions. Given the Company's experience in gas transportation in Oman, the Company has been preliminarily identified by the Government as a potential transportation provider for green hydrogen. There is no guarantee that the Company will eventually be allocated the mandate for the transportation or storage of hydrogen, captured carbon or any such other energy source or that any such activity will necessary fall under a RAB-like structure. The regulatory framework and model for both hydrogen and CCUS has not yet been developed and there is no guarantee that any such framework (once developed) would provide exclusivity to the Company in transportation or storage of such energy source. If the Company is chosen to participate, such expansion may require the Company to invest in upgrading certain assets of the NGTN pipeline or the construction of new dedicated transportation infrastructure, which will require significant capital expenditure by the Company. Additionally, expansion into transportation or storage of other energy sources would entail operating under a (upon implementation) relatively novel regulatory framework, which may vary from the RAB Framework applicable to the Company's gas transportation business and impose additional regulatory and compliance requirements. If the Company is not able to achieve the intended results in these new business areas, its business, results of operations, financial condition and prospects may be materially and adversely affected.

18. The Company relies on third-party suppliers, service providers and contractors and is exposed to counterparty performance and credit risk.

In order to operate and manage its business, the Company relies on products and services by third-party suppliers, service providers and contractors for the provision of maintenance, inspection, construction and engineering services. For example, the Company relies on certain suppliers to supply and maintain its compressor stations and other gas transportation facilities. If the Company loses access to the third-party products or services, margins tighten on its third-party products or services, or the agreements with any such third-party expire and the Company is unable to renew or replace them with other agreements with other suppliers or service providers, at all or on favourable terms, this may adversely affect the Company's business. Any restriction by such third-party suppliers or contractors upon which the Company relies on in addition to the temporary or permanent discontinuation of their business or inability to provide the services at prices or conditions acceptable to the Company could adversely affect the Company's business, financial condition, results of operations and prospects.

Furthermore, the Company is also exposed to counterparty credit risk, as well as a failure of suppliers, contractors (including maintenance service providers and engineering, procurement and construction ("**EPC**") contractors) and Connected Parties to perform contractual or financial obligations, risks of non-compliance with regulations and HSE requirements, and risks of defaults. In the event of failure by these providers to deliver services of satisfactory quality, or on commercially acceptable terms, the Company may need to seek alternative providers, incur additional costs or be unable to complete projects within the contemplated timeline or carry out required maintenance. Such failure of counterparties to perform could be due to circumstances such as bankruptcy or financial constraints. If any counterparty was unable to meet its commitments to the Company under such contracts or arrangements, in whole or in part, there is a risk that such failure could have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

To the extent that a contractor was responsible for damage, accidents or disruption to the NGTN or operations, the Company's recourse to the relevant contractor may be restricted under applicable contractual provisions, such as liability caps and liquidated damages, which could impact the Company's ability to recover damages or compensation for loss under general provisions of Omani law relating to recovery of damages and compensation for loss. For example, certain contractors appointed by the Company have in the past faced financial difficulties, which impacted their ability to perform their obligations under their respective contracts and led to termination of such contracts and handover of the relevant projects to other contractors. This in turn delayed certain of the Company's project delivery timelines, including in relation to the Sohar Industrial Estate debottlenecking project, which impacted its ability to perform its obligations under the EPC contract by the agreed completion date in 2019. Due to substantial delay in the project completion timeline and despite having amended the contract milestone payment to support the contractor in the completion of the project, the Company decided to terminate the EPC contract in February 2022 and to appoint another contractor to complete the project. This in turn resulted in the incurrence of additional costs by the Company, which are currently estimated by the Company to be approximately OMR 1.8 million out of the total approved project value of OMR 5.5 million (which was subsequently revised to OMR 7.3 million), including in connection with the appointment of the new contractor, in addition to outstanding vendor payments in connection with the Sohar Industrial Estate, which were not paid by the original EPC contractor, although the Company had already paid the amounts to the original EPC contractor. While the Company intends to institute a claim for damages suffered by it against the EPC contractor, there is no guarantee that if the claim is filed by the Company, such claim will be successful or that the Company will be able to recover its losses.

Additionally, the Company's headquarters expansion project was initially awarded in 2017 with a completion date in 2019, but due to financial issues faced by the contractor, the Company incurred additional costs in connection with the appointment of a new contractor, in addition to a delay in the project delivery date to January 2023. The Company entered into certain arrangements for this project by way of an exception to the general approach typically followed by the Company, as a result of which it had agreed to joint and several liability with the contractor and to guarantee the payment of the amounts due by such contractor to its sub-contractors in case of failure by the contractor to make due payments. Following the financial difficulties faced by the contractor, the Company made the required payments on behalf of the contractor. The Company's joint and several liability with its contractors could expose the Company to liabilities and legal proceedings as a result of its contractors' bankruptcy, liquidation or failure to comply with their contractual obligations and/or applicable laws and regulations, which could have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

19. The insurance coverage of the Company may not be sufficient to cover all losses and liabilities and the Company may sustain losses from risks not covered by, or exceeding the coverage limits of, its insurance policies.

The Company cannot provide any assurance that the insurance the Company maintains will be sufficient or provide effective coverage under all circumstances and against all hazards or liabilities to which the Company may be exposed. The Company benefits from insurance cover in respect of major assets such as pipelines, compressor stations and gas supply stations. The risks covered under these policies include property damage, business interruption, third-party liability and cyber security. Further, some of these insurance arrangements are currently arranged and managed by OQ under an umbrella insurance program, which covers OQ and a number of its subsidiaries, including the Company, subject to certain deductibles. Following the expiration of the current insurance coverage, some of which will expire between October and December 2023, the Company will procure insurance coverage separate from the OQ Group.

While the Company has taken steps to put in place insurance in accordance with applicable industry standards, the insurance policies are subject to commercially negotiated deductibles, exclusions and limitations of liability and the Company will only receive insurance proceeds in respect of a claim made to the extent that its insurers have the funds to make payment. If there are changes in the insurance markets, or increases in insurance costs, the Company cannot guarantee that insurance coverage will continue to be available on terms similar to those presently available, on commercially reasonable terms or at all. Additionally, in the event there is a total or partial loss of the Company's assets, there can be no assurance that the insurance proceeds received by it in respect of the loss will be sufficient to satisfy all of the Company's debts and obligations, which could have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

20. The Company's operations could be harmed by IT network disruptions, security breaches or other significant disruptions or failures of its information or operational technology infrastructure and related systems.

The Company relies on certain key information technology ("**IT**") and operational technology ("**OT**") systems to operate the NGTN, including a fibre optics-based telecommunications network and the Supervisory control and data acquisition ("**SCADA**") system and a centralised SAP system "**OneERP**" for enterprise resource planning. While the Company seeks to implement emergency systems and levels of monitoring in case of failure of the SCADA system, there can be no assurance that the Company's emergency systems will be adequate or would prevent any disruptions in a timely manner or at all. While the Company had historically retained and procured IT and OT systems internally, most of the Company's IT systems were centralised and consolidated into OQ's IT systems as part of the OQ integration initiative around 2020. In 2022, the Company commenced its IT systems carve-out and decided to retain the procurement of certain IT services from OQ, due to cost optimisation and value creation considerations. The Company and OQ are currently in the process of formalising the contractual arrangement for the procurement of the aforementioned services. Any disruptions or system failures of the Company's or OQ's IT network or failure of the Company's or OQ's monitoring and communications infrastructure could significantly interfere with the NGTN operations. In the past, the Company has experienced certain phishing attacks, as is common with similarly situated companies. The Company may not be able to prevent such disruptions or failures from occurring and may not be able to address them in an efficient or timely manner or at all if they do occur.

Additionally, in the ordinary course of the Company's business, the Company collects and stores sensitive data, including the Company's proprietary business information and information regarding the Shipper, gas suppliers, gas producers, contractors and personally identifiable information of employees in its IT systems. The secure processing, maintenance and transmission of this information is critical to the Company's operations and business strategy. The Company needs to continue to have available a high capacity, reliable and secure IT network. The Company's information technology and infrastructure may be vulnerable to attacks by hackers or breaches due to employee error, malfeasance or other disruptions, including damage and interruption from power loss or natural disasters, computer system and network failures, loss of telecommunications services, interruption of service from service providers, including the provider of cloud-based services, compromised hardware or software, physical and electronic loss of data, computer viruses, cyberattacks, hackers, unauthorised access attempts, and other security issues or causes beyond the Company's control. Any such attack or breach could compromise the Company's network and the information stored therein could be accessed, publicly disclosed, lost or stolen. Any such access, disclosure, loss or theft could result in legal claims or proceedings, liability under laws that protect the privacy of personal information, regulatory penalties for divulging Shipper information, disruption of the Company's operations, damage to the Company's reputation and loss of confidence in the Company's services, which could adversely affect the Company's business.

Although the Company has implemented security measures and systems to protect against physical breaches and trespassing, the Company is subject to a risk of physical breach, encroachment or theft of equipment at the NGTN. While the Company has taken steps to improve the security and operation of its IT systems, there can be no assurance that the Company will be able to continue to expand and improve its systems in order to meet the needs of its existing or future business. Breaches in the Company's information technology infrastructure or physical facilities or other disruptions could result in damage to the Company's assets, safety incidents, potential liability or the loss of contracts, and could materially and adversely affect the Company's business, results of operation, financial condition and prospects.

21. The Company is dependent on its ability to recruit and retain qualified executives, managers and other personnel.

The Company relies on its senior management to implement its strategy and direct its day-to-day operations. Management and key personnel may voluntarily terminate their employment with the Company or leave their positions due to reasons beyond the Company's control. If the Company experiences a large number of departures and retirements of its senior management in a relatively short period of time, attracting and retaining a sufficient number of replacements may be challenging. If the Company is unable to hire and retain senior management with requisite skills and expertise, it could have a material adverse effect on the Company's business, financial position, results of operations and prospects.

In general, Oman relies in part on expatriate labour, ranging from unskilled labourers to highly skilled professionals, in many industries, and has made significant efforts in recent years to attract high volumes of foreign businesses and tourists to Oman. However, the Government aims to increase domestic employment as part of its Omanisation initiative, the goals of which are to employ Omani citizens in a meaningful and efficient manner in the public and private sectors and to reduce the country's reliance on foreign workers. Under the initiative, companies are required to employ Omanis in certain management, administrative, technical and other positions, and must maintain an overall Omanisation rate of 80%. In addition, certain of the Company's customer contracts require the Company to maintain even higher Omanisation rates for specific jobs. While the Company had an overall Omanisation rate of 94% as of 30 June 2023, it may nevertheless find it difficult to recruit people in Oman with the relevant qualifications. If it is unable to do so and cannot hire suitably qualified expatriates, its business, financial condition, results of operations and prospects could be materially adversely affected.

22. The Company is subject to risks relating to integrity, reliability and efficiency of its internal controls.

The Company's business relies on internal controls and procedures that regulate the NGTN, gas producers and gas consumer information, management information, finance, and other aspects of its business. There can be no assurance that the Company's controls and procedures will be adequate for the Company's requirements generally or its requirements as a publicly-listed company. Prior to 2022, the Company did not utilise an automated system for reporting health and safety incidents. The Company introduced Intelex in 2022, which is a software for health and safety incident reporting and the Company's employees and contractors have since commenced utilizing Intelex for HSE reporting. As a result of the introduction of Intelex and the improved HSE reporting practices adopted by the Company in 2022, higher HSE incidents and observations were reported in 2022 compared to 2021 and 2020.

If material weaknesses in the Company's internal controls over financial reporting occur in the future, the Company's financial statements may contain material misstatements, and the Company could be required to restate its financial results and investors could lose confidence in the Company's reported financial information. In addition, if the Company is unable to produce accurate and timely financial statements, the market price of its Shares may be adversely affected. Any failure or circumvention of the Company's controls and procedures or failure to comply with regulations related to controls and procedures could have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

23. The Company's management has no experience managing companies listed on public stock exchanges.

Prior to the Admission, the Company has been managed as a closely held joint-stock company. In preparation for the IPO, the Board approved in September 2023 a corporate governance framework and other related policies to comply with the corporate governance requirements that an MSX listed company is required to fulfil. Management has limited experience in managing a publicly listed company and complying with laws and regulations relating to public companies in Oman. Management, together with the Board, will be required to ensure the Company's compliance with MSX and CMA regulatory and disclosure rules with which they may not be familiar and which could divert their attention from overseeing and managing the Company's business and strategy. The Company's failure to abide by the laws and regulations imposed on listed companies, disclosure requirements and continuing obligations in a timely manner and without any delay could result in the Company violating the rules set by the MSX or other regulatory authorities, which could lead to the imposition of fines or penalties or the suspension of the Company's listing on the MSX, any of which could have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

24. The Company has engaged and expects to continue to engage in transactions with certain related parties.

The Company has during the periods under review engaged in certain related party transactions. The significant related party transactions include income from the MEM in its capacity as the Shipper between 2020 and 31 December 2022, which accounted for a large majority of the Company's income during such period. Further, following the establishment of IGC and change in Shipper in 2023, IGC is expected to gradually commence assuming payment of the Transportation Charges, which would also be considered a related party transaction. The Company has also entered into the IGC Operational Support Services Agreement, whereby the Company provides certain support services to the IGC and is compensated for direct costs only, plus a margin of 5%.

Other related party transactions included the provision of certain services from OQ, including human resources, finance, IT and insurance, from OQ through a cost allocation agreement with OQ ("**Cost Allocation Agreement**"), which was terminated effective 1 January 2023, in addition to certain project management services provided by the Company to related parties. Additionally, OQ and the Company are currently in the process of formalising the contractual arrangement for the procurement of certain support services. See "*Chapter XVI — Related Party Transactions*". Further, as at 31 December 2022, the Company had OMR 11.5 million due from related parties, which included OMR 10.4 million of receivables from OQ LPG SAOC ("**OQ LPG**"). The amounts receivable from OQ LPG relate to a construction project carried out by the Company on behalf of OQ LPG in the past, which involved the construction of a pipe rack.

The Company enters into related party transactions in the ordinary course of business and some of such transactions may not have been on terms comparable with those that could be obtained from unrelated third parties. As part of the corporate governance framework that the Board approved in September 2023 in preparation for the Offer, the Company has introduced a policy to govern related party dealings as a MSX-listed Company. However, conflicts of interest may arise between the Company and such related parties, potentially resulting in changes to, or the conclusion of, transactions on terms not determined by market forces.

25. Legal proceedings or claims or regulatory investigations could affect the Company results of operations and financial condition.

The Company has been and may in the future be involved in legal proceedings and otherwise be subject to legal claims in relation to its businesses, some of which may be significant. These actions may seek, among other things, compensation for alleged losses, civil penalties or injunctive or declaratory relief. For example, the Company is currently party to certain employment related claims, claims from the MEM, litigation with the Company's EPC contractors and other project related litigation, which could have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

The MEM served a demand letter dated the 6 of September 2022 ("**MEM Letter**") on the Company claiming compensation pursuant to the Amended Concession Agreement in the sum of OMR 19.5 million ("**MEM Claim**") in respect of delays in gas supply which the MEM alleges have been caused by the Company. The Company, on behalf of the Government, transports gas to consumers in accordance with the terms of the NGSA. Delays in supply of gas occurred on two occasions between 2018 and early 2019, as a result of which the MEM failed to supply gas to two independent power producers ("**IPPs**") in accordance with the terms of their NGSAs. Such unavailability of gas ultimately delayed the IPPs achievement of the commencement of their power supply obligations under their power purchase agreements with the Oman Power and Water Procurement Company SAOC ("**Delays**"). As per the MEM Letter, pursuant to an expert determination made under the NGSA, the MEM has been obliged, in accordance with the terms of the NGSAs it had entered into with the IPPs, to compensate the IPPs for the Delays which occurred partially due to project delivery issues. The Company and the MEM have appointed an independent consultant to review the merits of the MEM Claim.

Further, eight compensation claims were instituted against the MOHUP and the Company in March 2023. These disputes relate to the construction of gas pipelines near the lands of the plaintiffs, whereby the plaintiffs are seeking land replacement from MOHUP (i.e., to be provided with alternative land) and the cost of constructing the buildings from the Company as compensation for constructing gas pipelines near their lands. The claim amount has not been specified by the plaintiffs. The Company has not made any provisions in its Financial Statements for the foregoing claims. The Company cannot predict the outcome of any such legal proceedings. Where appropriate, the Company may in the future establish provisions to cover costs relating to legal proceedings and other legal claims, but Company provisions may be insufficient and any insurance coverage that the Company maintains or will maintain in the future may not cover its losses fully, or at all. Regardless of the outcome, legal proceedings may require expenditure of significant funds and resources, and harm the Company's reputation. See "*Chapter XII – Description of the Company and Business Overview— Legal Proceedings*."

Risks Related to Macro-Economic Environment and External Factors

26. Growth in the Company's gas transportation business is indirectly linked to growth of the Omani economy and growth in demand for gas in Oman, which in turn depends on a number of factors largely beyond the Company's control.

Growth in the Company's gas transportation business will in the long term be affected by general economic conditions in Oman and may also be indirectly affected by global economic conditions, which could have a material adverse effect on the Company's business, financial condition, results of operations and prospects. The volume of supply and demand of gas in Oman is subject to fluctuations, as a result of various factors, including changes in resource availability, government policies and regulation, costs of production, global and regional economic and political conditions, demand for gas in end markets for products, seasonal fluctuations, environmental legislation, technological developments including commodity substitutions and the Government's move towards decarbonisation and any governmental policies for the utilisation of alternative energy sources (such as renewables), change in the price of gas in comparison to other energy sources, fluctuations in global production capacity, global and regional weather conditions, natural disasters and diseases and pandemics (including COVID-19 and variants thereof) and other natural or man-made disasters, including those resulting from climate change, which could have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

For example, the COVID-19 pandemic had a significant impact on economic activity around the world and was accompanied by a global decrease in demand for oil and gas. Certain of the Company's major projects experienced issues both in accessing the specialised resources support required on the ground at project sites, given the travel restrictions and quarantine procedures in place, and in terms of materials availability. This resulted in delays in the completion of certain projects, including, for example, the de-bottlenecking projects with respect to the Duqm gas supply station and Sohar Industrial Estate gas supply station. Moreover, although COVID-19 did not have a significant impact on the Company's results of operations or profits in 2020, a reduction in the workforce physically available on the NGTN to respond to gas interruptions in 2020 led to a delay in the NGTN recovery time in 2020 and resulted in the highest NGTN recovery time in the last decade of 206 minutes in 2020. There can be no assurance that the re-imposition of anti-pandemic measures, such as travel restrictions and stay-at-home orders, or the emergence of newer and more contagious variants, would not have a material effect on the Company's business, financial condition, results of operations and prospects.

Furthermore, although the Company's RAB Framework provides for a regulated revenue system with no risks to the Allowed RAB Revenues associated with changes in the price and volume of the gas transported, the Company's business operations, corporate strategy and planning of capital expenditure are indirectly influenced by expected future demand for gas in Oman. If there is low demand for gas at a given time, this may decrease the new capital expenditure projects of the Company, which may in turn negatively impact the Company's Allowed Return on Capital. Moreover, there can be no assurance that these forecasts of future demand will accurately reflect the real demand for gas. If actual maximum transportation demand is lower than forecasted volumes, the Company's revenues and cash flows would be negatively impacted in that year as the variance from lower volumes would only be recovered through the Annual Reconciliation in subsequent years according to the RAB Framework. Any variance between anticipated demand and actual demand may result in either excess or insufficient capacity to transport gas, which could have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

27. Climate change concerns and impacts could reduce global demand for gas and could cause the Company to incur costs or invest additional capital.

Climate change concerns manifested in public sentiment, government policies, laws and regulations, international agreements and treaties, new technologies and other actions may increase demand for decarbonisation and reduce global demand for hydrocarbons and propel a shift to lower carbon intensity fossil fuels such as alternative energy sources. In particular, increasing pressure on governments to reduce GHG emissions has led to a variety of actions that aim to reduce the use of fossil fuels, including, among others, carbon emission cap and trade regimes, carbon taxes, increased energy efficiency standards and incentives and mandates for renewable energy and other alternative energy sources. International conventions and agreements that aim to limit or reduce GHG emissions are currently in various stages of implementation. For example, Oman's entry into the Paris Agreement which was ratified by the Royal Decree No. 28/2019 and became effective in April 2019, and many of the countries that have ratified the Paris Agreement are adopting domestic measures to meet its goals, which include reducing their use of fossil fuels and increasing their use of alternative energy sources.

Oman committed to move towards net-zero GHG emissions by 2050 and announced plans for the diversification of Oman's power supply, which was in 2020 more than 90% generated by gas. The power sector represented one of the key consumer sectors of the Company in 2022, representing together with the desalination sector approximately 19% of the gas transported by the Company during such period. With the Government targeting a renewable share in the power supply of 30% in 2030, gas demand from the power segment may be restricted in the near future. Further, the decrease in gas demand as a result of decarbonisation strategy or other similar initiatives, including from the Company's key consumer sectors could have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

The Company is in the process of developing its own decarbonisation strategy with the aim to contribute to Oman's net-zero target. Decarbonisation may impose significant costs on affected businesses, including the Company. For example, decarbonisation may require the Company to invest in electrifying compressors and heaters, which may require significant costs. Additionally, switching to renewable energy supply may require the Company to incur additional costs in connection with the procurement, implementation and operation in both the short and long term. Further, existing and future climate change concerns and impacts, including physical impacts to infrastructure, and related laws, regulations, treaties, protocols, new technologies, policies and other actions could shift demand to other sources of energy, reduce demand for gas and result in increased compliance costs or additional operating or construction costs and restrictions. The Company may suffer from fast-paced decarbonisation efforts in Oman that could deter new investments in the NGTN and increase the turn-down of gas production from existing projects, which could decrease the commercial lifespan of the NGTN potentially ahead of the expiration of the term of the Amended Concession Agreement. Further, competition for investments between the hydrocarbon and alternative energy sectors could cause pro-longed gas supply and demand imbalances, which may create uncertainty over the utilisation of the NGTN during any gas phase-out period in which capital investment shifts to alternative energy, which could have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Risks Relating to Oman

28. Oman may be affected by political developments in the MENA region or elsewhere.

Oman enjoys domestic political stability and generally healthy international relations. However, Oman is, and will continue to be, affected by political developments in or affecting the wider MENA region, and investors' reactions to developments in any country in the MENA region may affect securities of issuers in other markets, including Oman. Furthermore, other world events, including the ongoing war in Ukraine, could have an impact on Oman's political and security situation. Oman pursues an independent foreign policy and, although it aims to maintain its cordial relationship with the United States, a shift in the relationship between Oman and the United States and/or other countries across the region or changing US political priorities in the region could have a material adverse effect on Oman's economic, political or financial condition, which, in turn, could have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

29. Lower than expected growth in future gas reserves as compared to gas production in Oman during OQGN's concession period could impact the volume of gas to be transported through the NGTN and thus impact the Company's future performance.

Oman has been continuously investing in oil and gas exploration and new gas discoveries have been reported on a regular basis which has led to growth in gas reserves of Oman from 490.3 BCM in 2010 to an estimate of 691.8 BCM in 2022 (*Source: Market Report*). In comparison, Oman's gas demand and consequently production has increased from 29.1 BCM in 2010 to 39.4 BCM in 2022. At the current rate of production, Oman's current gas reserves are expected to last for approximately two decades (*Source: Market Report*), while the Company's concession to transport gas is for a term of 50 years ending in 2070. Future growth in reserves is generally expected to be limited to successful implementation of enhanced oil and gas recovery techniques. As a result, if there is any failure to make use of such techniques, or if such techniques prove excessively costly (particularly in the context of low oil prices) or fail to help grow oil and gas reserves, a long-term slowdown in gas production may become more likely and may impact the use and the Company's operation of the NGTN. Additional factors, such as the price and availability of new technologies, including renewable energy and unconventional oil and gas extraction methods, the Government's initiative to achieve net-zero emission ambitions and the global geopolitical climate and other relevant conditions, have an indirect impact on gas demand and prices in Oman and globally. There can be no assurances that these factors, in combination with others, will not result in a prolonged or further decline in the supply of gas to NGTN, or gas demand and consequently in gas prices, which would have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

30. Any adjustment to, or ending of, Oman's currency peg could negatively affect Oman.

Since 1973, the Omani Rial has been pegged to the US Dollar at a rate which has remained unchanged at US$ 2.60 = OMR 1 since 1986. The maintenance of this currency peg is a firm policy of the Central Bank of Oman. However, there is no assurance that the Central Bank of Oman will be able to continue to maintain the currency peg in the future. In particular, there can be no guarantee that the assets in Oman's various sovereign wealth funds could be liquidated at their current market value (and thus added to the reserves available to support the Omani Rial and the currency peg) in the event of a market downturn. If the CBO cannot maintain the currency peg to the US Dollar or, failing that, a stable exchange rate versus the US Dollar, it could reduce confidence in Oman's economy, reduce foreign direct investment and adversely affect Oman's finances and economy and ability to service its debt.

In addition, because of the currency peg to the US Dollar, the CBO does not have any flexibility to devalue the Omani Rial to stimulate Oman's exports market, and the CBO's ability to independently manage interest rates and thus, influence the condition of the Omani economy through monetary policy actions is constrained. If the US Federal Reserve Board was to increase interest rates, and the CBO were to significantly delay increasing its own rates, this could result in significant pressure on the currency peg. For example, the CBO has not followed each of the US Federal Reserve Boards' interest rate rises with matching interest rate rises in Oman. However, the CBO has increased interest rates several times in 2022 and in 2023, and the benchmark inter-bank interest rate in Oman is currently 6%. This lack of flexibility could have an adverse effect on Oman's foreign trade and domestic demand and, in turn, on its economy. In addition, recent IMF publications have linked increases in Federal Reserve policy rates to reductions in non-oil activity in GCC countries, an effect which may be magnified in low oil price environments.

As at 30 June 2023, all of the Company's revenue was denominated in Omani Rial, while the majority of the Company's operating expenses was denominated in Omani Riyal, with the balance denominated in US Dollars and other foreign currencies. Further, the Company's indebtedness is denominated in Omani Rial and US Dollars. Any removal or adjustment of the US$/OMR exchange peg could have a material impact on the Company's financial results due to the impact thereon of currency translation effects, and could also affect the impact that the Company's US$-denominated borrowing has on its financial results. Any of these consequences could adversely affect the Company's business, financial condition, results of operations and prospects.

Risks Relating to the Offer and to the Shares

31. The Offer may not result in an active or liquid market for the Shares, and trading prices of the Shares may be volatile and may decline. In addition, the MSX is significantly smaller in size than other established securities markets, which may also affect liquidity in the Shares.

Prior to the Offer, there has been no public trading market for the Shares. There can be no assurance that an active trading market for the Shares will develop or, if a market does develop after the IPO, that it will be sustained or that the market price of the Shares will not decline thereafter below the Offer Price. The trading price of the Shares may be subject to wide fluctuations in response to many factors, as well as stock market fluctuations and general economic conditions or changes in political sentiment that may adversely affect the market price of the Shares, regardless of the Company's actual performance or conditions in Oman.

The Company will apply for the Shares to be listed on the MSX. The MSX was established in 1988, but its future success and liquidity in the market for the Shares cannot be guaranteed. The MSX is considerably smaller and consequently less liquid than more established securities markets, including, for example, those elsewhere in the GCC, United States or the United Kingdom. As of 31 December 2022 there were 110 companies with securities traded on the MSX with a total market capitalisation of approximately OMR 23.7 billion. The MSX had a daily average regular trading turnover of approximately OMR 3.8 million for the year 2022. These factors could generally decrease the liquidity and increase the volatility of share prices on the MSX, which in turn could increase the price volatility of the Shares and impair the ability of a holder of Shares to sell any Shares on the MSX for the desired amount and at the price and time achievable in more liquid markets.

The Offer Price has been determined based on several factors, including the history of and prospects for the Company's business and the industry in which it operates, and as such, may not be indicative of the market price of the Shares after the IPO. The Company's operating results or financial performance may fail to meet the expectations of analysts or investors due to the circumstances described in these risk factors or otherwise. The trading price of the Shares could also be subject to significant fluctuations in response to variations in the Company's financial performance, general market conditions and other factors as well as the circumstances described in these risk factors or otherwise. Fluctuations in the Company's operating results or failure to meet the expectations of analysts or investors may cause the price of the Shares to decline, and investors may not be able to sell the Shares they purchased in the Offer at or above their original price or at all. As a result, investors who purchase Shares in the Offer could lose all or part of their investment in the Shares. Further, the value of the Shares may also be subject to significant fluctuation from time to time, which may not necessarily be related to the Company's financial performance. Consequently, the general decline in the market or any declines in the market for similar securities could have a material adverse effect on the trading market for, and the liquidity of, the Shares.

32. Substantial future sales of Shares could depress the price of the Shares.

Sales of a substantial number of Shares by OQ following completion of the Offer may significantly reduce the Share price. The Company has agreed in the Institutional Settlement Agreement to certain restrictions on its ability to issue, sell, transfer and otherwise deal in its Shares for a period of 180 days from the Listing Date, except in certain limited circumstances, unless otherwise consented to by the Joint Global Coordinators (such consent not to be unreasonably withheld or delayed). Nevertheless, the Company is unable to predict whether substantial amounts of Shares (in addition to those which will be available in the Offer) will be sold in the open market following the completion of the Offer. Any sales of substantial amounts of Shares in the public market, or the perception that such sales might occur, could materially and adversely affect the market price of the Shares.

33. Pre-emption rights granted to holders of the Shares may be unavailable to Shareholders in certain jurisdictions, including the United States.

In the case of an increase in the Company's capital, under relevant Omani law, holders of the Shares will have a pre-emptive right to subscribe for new Shares in proportion to their respective holdings unless the shareholders waive such rights at an EGM held to approve the allotment of new Shares through a private placement. The Company complies with local laws and regulations; however, securities laws of certain jurisdictions may restrict the Company's ability to allow participation by Shareholders in future offerings, unless exemptions from any overseas securities law requirements are available. In particular, holders of the Shares in the United States may not be entitled to exercise these rights, unless the Shares and any other securities that are offered and sold are registered under the Securities Act, or the Shares and such other securities are offered pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The Company cannot assure prospective investors that any exemption from such overseas securities law requirements would be available to Shareholders in the United States or other Shareholders to exercise their pre-emptive rights or, if available, that the Company will avail itself of any such applicable exemption.

34. The Company may not pay dividends or declare dividends in the future.

While the Company intends to pay dividends in respect of the Shares in accordance with the Company's approved dividend policy, its ability to do so is contingent on achieving adequate profits, levels of retained earnings and the timing and amount of any future dividend payments will depend on applicable laws and regulations, the Company's existing and future financial condition, results of operations, liquidity needs, any restrictions on payment of dividends in its credit facility and other matters that the Company may consider relevant from time to time, including, without limitation, capital expenditures, financial performance and equity market conditions. Even if the Company generates significant profits, it may not pay dividends if the Board believes that Shareholder value may be increased more effectively by using the profit for other purposes, for example through reinvestment or in acquisitions, and hence there can be no assurance that holders of the Shares will receive dividends in the future. See "*Dividend Policy*".

35. OQ will continue to be able to exercise control over the Company, its management and operations.

As at the date of this Prospectus, the Selling Shareholders, which are indirectly wholly-owned by the Government through the Oman Investment Authority, hold 100% of the Issued Share Capital and immediately following the Offer, OQ will continue to hold at least 51% of the Shares assuming that the Selling Shareholders sell all of the Shares being offered in the Offer and that the size of the Offer is not increased. As a result, OQ will continue to be able to exercise control over the management and operations of the Company and over matters requiring the consent of the Shareholders, such as in relation to the payment of dividends and the election of the members of the Board and other matters. There can be no assurance that the interests of OQ and the Government will coincide with the interests of purchasers of the Shares. For example, decisions made by OQ may be influenced by the need to consider the social benefit of any investment to Oman and its nationals or other factors, including the ability of OQ to generate dividends or other returns for its shareholders. In the absence of any specific investment restrictions, including those designed to mitigate other potential investment risks, such decisions may prove to be more risky or less profitable than decisions that might otherwise have been made. In addition, neither OQ nor the Government are obliged to provide any financial or other support to the Company. Additionally, certain members of Management and certain members of the Board hold board membership or senior management positions at OQ or other companies within the OQ Group. The interests of such members or the Selling Shareholders may be different from those of new investors.

Furthermore, OQ's significant ownership immediately following the Offer may: (a) delay or deter a change of control of the Company (including deterring a third-party from making a takeover offer for the Company); (b) deprive Shareholders of an opportunity to receive a premium for their Shares as part of a sale of the Company; and (c) affect the liquidity of the Shares, each of which could have a material adverse effect on the market price of the Shares. When considering an investment in the Shares, an investor should not assume that a shareholder with the ability to exercise control will be guided by the interests of all of the Shareholders.

36. *Settlement will occur up to seven working days prior to listing and the application for listing of the Shares on the MSX may not be successful.*

The Settlement Date for the Offer is expected to be on or about 22 October 2023, and all investors will be required to make full payment for the Shares prior to this date. However, the Company expects the Listing Date to be on or about 24 October 2023. It is not possible to trade the Shares on the market prior to the Listing Date and, accordingly, investors will be unable to sell their Shares in response to events or circumstances affecting the Company, its business or financial markets during this period. As such, the investors will not know on the Settlement Date if the application for listing will be approved. If Admission does not become effective within seven working days of the proposed Listing Date, then (i) the Offer shall automatically terminate, (ii) the Selling Shareholders shall refund all monies received from investors, and (iii) investors who purchased Shares in the Offer will be required to return the Shares they have purchased to the Selling Shareholders.

37. *It may be difficult for shareholders to enforce judgments against the Company in Oman, or against the Company's directors.*

The Company is in the process of being converted into a public stock company incorporated in Oman and all of its directors and Management reside outside the US, UK and EEA. In addition, the Company's material assets and those of its directors and Management are located outside the US, UK and EEA. As a result, it may not be possible for investors to effect service of process outside Oman upon the Company or its directors and Management or to enforce judgments obtained against them in courts outside Oman, including judgments predicated upon the civil liability provisions of the securities laws of the US, UK or the EEA.

38. *Non-Omani holders of Shares may be subject to exchange rate risk.*

The quoted price of the Offer Shares will be in Omani Rials. In addition, any dividends that the Company pays in relation to the Shares may be paid in Omani Rials. As a result, fluctuations in the value of the Omani Rial in relation to other currencies may affect the value of the Shares and dividend payments on conversion into those other currencies for investors outside of Oman.

Chapter V

Use of Proceeds

The Offer does not represent an issuance of new Shares. The Offer represents the divestment of Shares currently held by the Selling Shareholders. The proceeds of the Offer shall therefore accrue to the Selling Shareholders and the Company will not receive any proceeds from the sale of the Shares in the Offer. Offer expenses will be paid by the Selling Shareholders.

Chapter VI

Capitalisation

The summarised data presented below should be read in conjunction with "*Presentation of Financial, Industry and Other Market Data*", "*Chapter XIV— Management's Discussion and Analysis of Financial Condition and Results of Operations*" and the Financial Statements, including the related notes, included elsewhere in this Prospectus.

The following table, which has been extracted from the Interim Financial Statements, sets forth the Company's cash and cash equivalents and total capitalisation as at 30 June 2023.

	As at 30 June 2023
	(*OMR*)
Cash and cash equivalents	26,128,218
Term loan – non-current	320,717,692
Term loan – current	9,255,985
Total borrowings	**329,973,677**
Share capital	336,787,392
Share capital pending registration	96,275,000
Legal reserve	33,888,112
Retained earnings	157,554,244
Total equity	**624,504,748**
Total capitalisation	**954,478,425**

Chapter VII

Objects and Approvals

Overview

The Company was incorporated and registered with MOCIIP as an SAOC on the Commercial Register on 23 May 2000. At an EGM held on 25 July 2023, it was resolved to convert the Company into an SAOG. This conversion process is expected to be completed following allocation of the Shares to the investors and the Shares being listed on the MSX on the Listing Date.

The Company's core business activity is to acquire, construct, operate, maintain, repair and augment gas transportation pipelines in Oman. As of the date of this Prospectus, the Company is 100 per cent owned by the Selling Shareholders and, following this Offer, should the Offer be fully subscribed, the public will own 49 per cent of the Issued Share Capital.

Following are the details of registered commercial activities and its registered branches, as per the Company's Commercial Register:

Ministry of Commerce, Industry, and Investment Promotion: Commercial Registration

Commercial Registration Number: 1644130
Date of registration: 23 May 2000
Expiry date: 3 June 2025
Registered Commercial Activities:

i. 477313: Retail Sale in Specialised Stores of Cooking Gas;
ii. 091099: Other activities related to support activities for petroleum and natural gas;
iii. 091002: Service activities incidental to extraction of petroleum and natural gas, excluding surveying;
iv. 701001: Management Offices;
v. 493002: Operation and maintenance of pump stations and pipelines; and
vi. 493001: Transport of gases, liquids via pipelines (water network not included).

The Company is in the process of registering additional operational locations as branches on its Commercial Register in coordination with the MOCIIP. Additionally, the Company is in the process of updating its Commercial Register in order to reflect its active branches. The Company currently has the following active branches:

Date and Place of Registration of OQGN's branches:

i. Registration ID: 45993407
Registration Date: 27/12/2022
Place: Al Khuwair / Bousher / Muscat Governorate

ii. Registration ID: 46019212
Registration Date: 02/03/2023
Place: Risot / Salalah / Dhofar Governorate

iii. Registration ID: 45582899
Registration Date: 18/02/2019
Place: Mina Sohar/Sohar/North Al Batinah Governorate.

iv. Registration ID: 45517181
Registration Date: 20/02/2018
Place: Shafi/Izki/Al Dakhiliyah Governorate.

v. Registration ID: 45540776
Registration Date: 11/07/2018
Place: Wadi Al Jzi / Sohar / North Al Batinah Governorate

vi. Registration ID: 3472633
Registration Date: 27/01/2004
Place: South Al Mabilah/Al Seeb/Muscat Governorate.

vii. Registration ID: 45517778
Registration Date: 15/02/2018
Place: Taymsa/Nizwa/Al Dakhiliyah Governorate.

viii. Registration ID: 45534298
Registration Date: 27/06/2018
Place: Sayh Ar Rawl / Adam / Al Dakhiliyah Governorate

ix. Registration ID: 3472600
Registration Date: 28/01/2004
Place: Fuhud/Ibri/Al Dhahirah Governorate.

x. Registration ID: 45567405
Registration Date: 14/02/2019
Place: Ibri / Ibri / Al Dhahirah Governorate

xi. Registration ID: 45727016
Registration Date: 11/02/2021
Place: Risot/Salalah/Dhofar Governorate.

xii. Registration ID: 45552643
Registration Date: 01/11/2018
Place: Fuhud/Ibri /Al Dhahirah Governorate.

xiii. Registration ID: 45712772
Registration Date: 15/12/2020
Place: Shafi/Izki/Al Dakhiliyah Governorate.

xiv. Registration ID: 45611159
Registration Date: 18/07/2019
Place: Salalah/Salalah/Dhofar Governorate.

xv. Registration ID: 45680215
Registration Date: 15/10/2020
Place: Sur/Sur/South Al Sharqiya Governorate.

xvi. Registration ID: 45697102
Registration Date: 11/11/2020
Place: Ath Tharmad/Al Suwaiq/North Al Batinah Governorate.

xvii. Registration ID: 45837355
Registration Date: 21/12/2021
Place: Fuhud/Ibri/Al Dhahirah Governorate.

xviii. Registration ID: 45808750
Registration Date: 07/10/2021
Place: Salalah/Salalah/Dhofar Governorate.

Oman Chamber of Commerce & Industry: Membership

Number: 1161
Expiry date: 12 June 2024

Articles of Association

The principal objectives for which the Company is established are to own, construct, operate and maintain oil and gas pipelines and carry out any other activities related to the oil and gas industry and investing the Company's resources in the sectors of manufacturing, construction, industry, transportation, communications, metals, petrochemicals, energy and hydrocarbons, according to the strategy that the Board deems appropriate and in the Company's interest (from funds in excess of the Company's needs, without prejudice to the Company's basic purposes).

A copy of the Memorandum and Articles is available for perusal at the registered office of the Company during business hours on any Oman business day.

Resolutions Passed for Transformation of the Company

At the EGM held on 25 July 2023, among other matters, the following resolutions were unanimously passed:

i. conversion of the Company from an SAOC to a SAOG, in connection with which the Selling Shareholders will offer to sell the Offer Shares for public subscription;
ii. approval of the proposed amendments to the Articles to align the Articles with the model issued by the CMA with respect to the form and content of the articles of association of SAOGs;
iii. approval of the Selling Shareholders to offer between 40% and 49% of the Issued Share Capital for subscription to the public through an IPO;
iv. authorisation of any two members of the Board acting jointly to take all acts and sign all documents and file and register any documents with any relevant authority and obtain consents and approvals on behalf of the Company and the Selling Shareholders which may be deemed appropriate or necessary in connection with the IPO including listing of the Shares on the MSX; and
v. ratification of the appointment of the Company's advisors for the IPO, including the Issue Manager, Joint Global Coordinators, Collection Agents, communications consultant and legal advisors.

Continuing Obligations

In accordance with the CCL, all existing obligations of the Company, prior to its transformation into an SAOG, shall continue to apply to the transformed company. The transformation is expected to be completed following allocation of the Offer Shares to investors and the Offer Shares being listed on the MSX on the Listing Date.

Chapter VIII

Shareholding Details

Equity Structure of the Company at Incorporation and Subsequent Changes

The Company was incorporated on 23 May 2000 with an initial share capital of OMR 500,000 which was subsequently increased as follows:

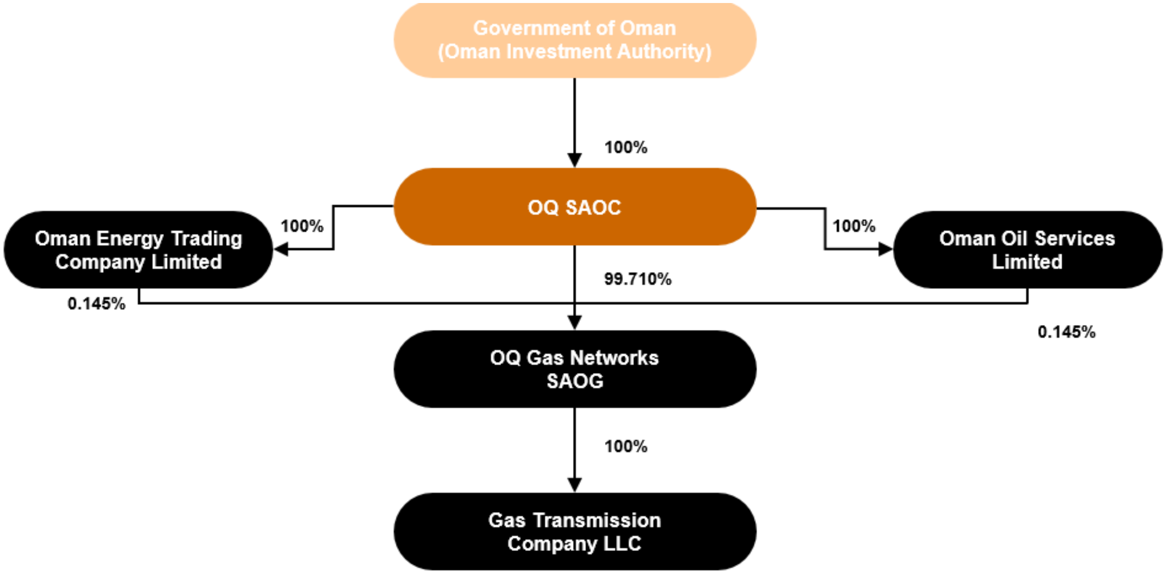
- The share capital of the Company increased from OMR 500,000 to OMR 14,264,000 and in 2013 the Company's registered share capital was OMR 14,264,000 divided into 14,264,000 ordinary shares with a value of OMR 1;
- in 2014 the issued share capital of the Company was increased from OMR 14,264,000 to OMR 48,822,959, divided into 48,822,959 ordinary shares with a value of OMR 1 each;
- in 2018, the issued share capital of the Company was increased from OMR 48,822,959 to OMR 223,644,559 divided into 223,644,559 ordinary shares with a value of OMR 1 each;
- in 2020, the issued share capital of the Company was increased from OMR 223,644,556 to OMR 336,787,392 divided into 336,787,392 ordinary shares with a value of OMR 1 each; and
- in 2023, the Company's issued share capital was increased from OMR 336,787,392 to OMR 433,062,392, divided into 4,330,623,920 ordinary shares with a value of Bzs 100 each.

On 19 June 2023, the Board of Directors of the Company approved the change in the value of the Shares from one Omani Rial per Share to 100 Baizas per Share. The following table provides details of the Issued Share Capital, as of the date of this Prospectus:

Name of Shareholder	Number of Shares (value of Bzs 100) Held	% of Issued Share Capital
OQ(1)	4,318,068,000	99.71007%
OETCL(2)	6,277,960	0.14497%
OOSL (3)	6,277,960	0.14497%
Total	**4,330,623,920**	**100%**

(1) OQ is 100% owned by the Oman Investment Authority.
(2) OETCL is 100% owned by OQ.
(3) OOSL is 100% owned by OQ.

The following diagram illustrates the shareholding structure of the Company immediately prior to the Offer:



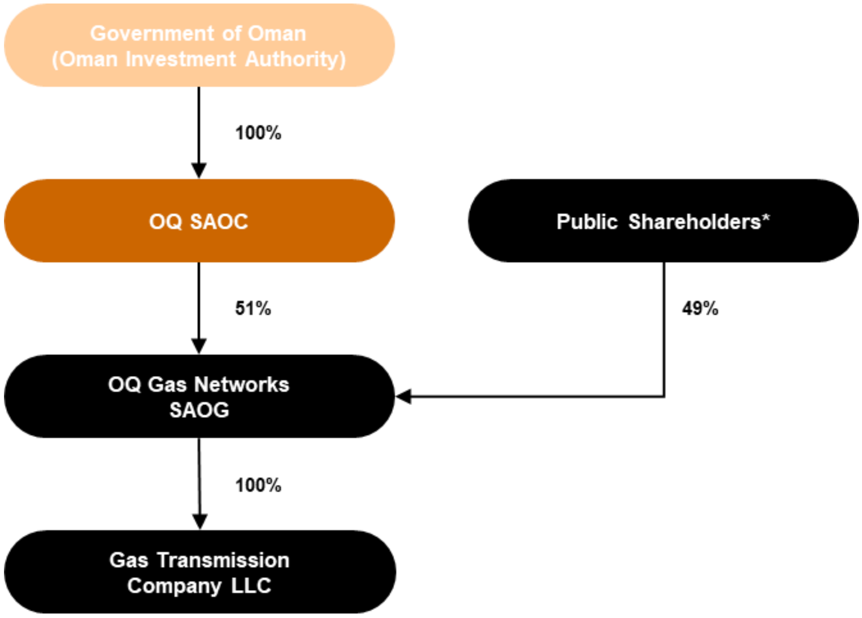
The Company owns one subsidiary, Gas Transmission Company LLC ("**GTC**"), which is a limited liability company incorporated in Oman and is 100% owned by the Company. GTC was initially incorporated to provide certain support services to the Government acting through the MEM in its capacity as the Shipper. However, this structure was not implemented in practice and GTC is currently a non-operational and immaterial subsidiary. The Company may assess the utilisation of GTC in potential expansion opportunities, as they arise, as applicable.

Equity Structure after the Offer

Immediately after the completion of the Offer, and assuming that all of the Offer Shares in the Offer are sold, the Issued Share Capital will remain OMR 433,062,392 and will be held as follows:

Name of Shareholder	Number of Shares held immediately following the Offer	% of Total Issued Share Capital
OQ	2,208,618,200	51.0%
Saudi Omani Investment Company	212,200,572	4.9%
Fluxys International SA/NV	212,200,572	4.9%
Falcon Investments LLC	212,200,572	4.9%
Others	1,485,404,004	34.3%
Total	4,330,623,920	100.0%

The following diagram illustrates the shareholding structure of the Company immediately following the IPO:



*Includes Anchor Investors.

Brief profile of Selling Shareholders

OQ SAOC

OQ was established in 1996 to pursue investment opportunities in the energy sector both inside and outside Oman. OQ (together with its wholly-owned subsidiaries, the "**OQ Group**") is wholly owned by the Government through the Oman Investment Authority. The OQ Group is Oman's leading integrated energy group managing and developing investments across the oil and gas value chain.

The OQ Group's core businesses operate in three principal integrated business streams: (i) Upstream, comprising oil and gas exploration, development and production, and gas transportation throughout Oman through OQGN, (ii) Downstream and Commercial, comprising oil refining and the manufacture of a range of petrochemicals, the manufacture of a range of specialty chemical products, trading operations relating to crude oil, refined products, petrochemical products, LNG and dry bulk (principally petroleum coke, sulphur and urea and retail and commercial fuel and related product distribution), principally in Oman, and (iii) alternative energy focusing on development of green hydrogen and clean energy assets to support Oman's objective to achieve carbon neutrality by 2050.

OETCL

OETCL, a wholly owned subsidiary of OQ, was established solely for investment in the oil and gas sector inside and outside of Oman.

OOSL

OOSL, a wholly owned subsidiary of OQ, was established solely for investment in the oil and gas sector in Oman.

Chapter IX

Overview of the Omani Economy

Location

Oman is a country with stable political, economic and social systems. It is the second largest country by geographical area among the states of the GCC region, after Saudi Arabia. Strategically positioned at the crossroads of Asia and Europe, Oman has historically been a centre of trade and commerce. With a population of 5.01 million as at March 2023, spread over a land area of 309,500 km^2 and a coastline extending over 3,165 kilometres. Oman is administratively divided into 11 governorates (Al Dakhiliyah, A'Dhahirah, Al Batinah North, Al Batinah South, Al Buraimi, Al Wusta, Al Sharqiyah North, Al Sharqiyah South, Dhofar, Muscat and Musandam), which are further divided into 61 provinces or wilayats. The capital of Oman is the city of Muscat.

Government

His Majesty Sultan Haitham bin Tarik Al Said succeeded after the passing of His Majesty Sultan Qaboos bin Said Al Said in January 2020. His Majesty Sultan Haitham bin Tarik Al Said as Head of State presides over the Council of Ministers. The Council of Ministers assists His Majesty in framing and implementing the general policies of Oman. The Basic Law serves as the basis of a constitution governing state affairs. The Basic Law establishes a bicameral system, known as the Majlis Oman, or Council of Oman, and comprises the appointed State Council and the elected Shura Council, and the members of each chamber serve in an advisory capacity, although the members of both chambers may also propose legislation.

International Relations

Oman maintains strong relations with its neighbours, as well as with a wide range of western and other countries. Oman has enjoyed political and economic stability over the past 50 years and is a member of various prominent international organisations, including the United Nations, the International Monetary Fund, the International Bank for Reconstruction and Development, and the World Trade Organisation.

Regionally, Oman is a founding member of the GCC (alongside five other Arab Gulf states: Bahrain, Kuwait, Qatar, Saudi Arabia and the United Arab Emirates). Oman is also a member of the GCC's Permanent Petroleum Cooperation Committee which is charged with preparing the long-term petroleum strategy of the GCC in accordance with its sustainability goals.

Key Economic and Social Indicators

The following table shows a selection of key economic and social statistics for Oman for the periods indicated:

Particulars	2016	2017	2018	2019	2020	2021	2022
GDP at constant prices (OMR billion)	34.6	34.7	35.2	34.8	33.6*	34.7*	36.1*
Population (million)	4.41	4.56	4.60	4.62	4.48	4.53	4.93
Per capita GDP at market prices (OMR)	6,544	6,818	7,646	7,332	6,514*	7,490*	8,945[(1)]
Annual inflation	1.1%	1.6%	0.9%	0.1%	(0.9%)	1.5%	2.8%
MSX market capitalisation (OMR billion)	17.3	17.9	18.2	18.8	20.2	22.1	23.7

(1) Calculated as Per *capita* GDP at market prices (2022) = 2022 GDP / Dec 2022 Population

Sources: NCSI; CBO Annual Reports; MSX Annual Statistical Bulletin; World Bank figures.
* Provisional

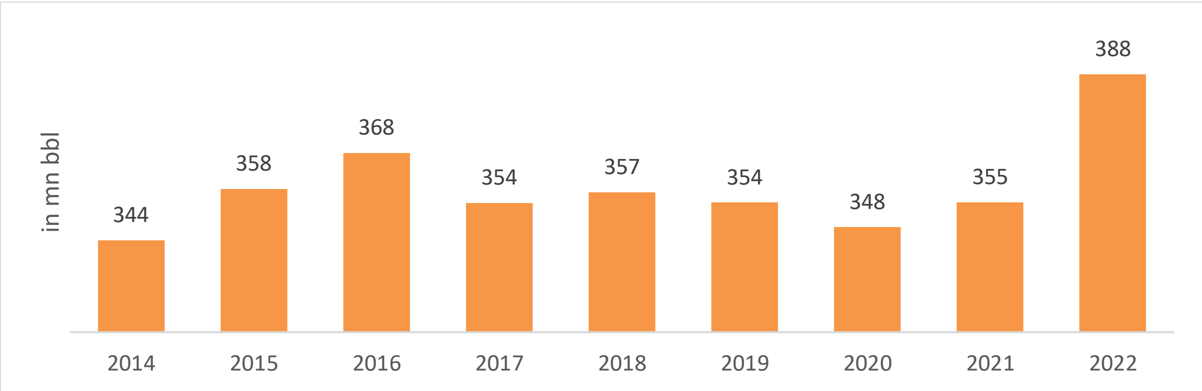
Economy

Oman has a credit rating of "BB" with a positive outlook from Fitch as of April 2023, "Ba2" with a positive outlook from Moody's Investors Service as of May 2023 and "BB" with a positive outlook from Standard & Poor's as of March 2023. Oman has witnessed multiple ratings upgrade over the course of 2021 and 2022 with Fitch upgrading Oman's ratings from BB- in 2020 to BB in 2022 and S&P upgrading Oman's sovereign rating by 2 notches from B+ in 2020 to BB in 2022.

The Omani Rial is pegged to the US Dollar at a fixed exchange rate of US$1 = OMR 0.3851.

Since the discovery of oil, its exploration, extraction and export have served as the backbone of Oman's economy and are important contributors to the Government's revenues, exports and gross domestic product ("**GDP**"). The Dubai Mercantile Exchange's Oman Crude Oil Futures Contract is now the third of three global crude oil benchmarks and sets the benchmark export price for crude oil produced in Oman and Dubai. Oman is the world's 19th largest producer of oil, as well as the 17th largest producer of gas, and held the world's 21st largest proven oil reserves and 26th largest proven gas reserves, according to the Energy Institute Statistical Review of World Energy 2023 by the Energy Institute. The Government continues to focus on diversification of the economy in order to gradually reduce its dependence on oil and hydrocarbon revenues, which accounted for approximately 38% of Oman's GDP for the fiscal year 2022 as compared to approximately 49% in 2013. The Government is committed to further non-oil industry growth in the future.

The graph below displays annual oil production in Oman during the period from 2014 to 2022:



Source: NCSI

Public Finance

The data in this section is based on information gathered from publications of the NCSI, the Central Bank of Oman and other public sources.

The Ministry of Finance is responsible for Oman's fiscal policy, including the endorsement of the annual general state budget.

In 2022, based on the preliminary results, the government has recorded a total revenue of OMR 14.5 billion compared to OMR 11.2 billion in 2021, an increase of approximately 29%. 2022 public revenue was approximately 37% higher than the public revenue estimated in 2022 budget. The increase is attributed to the increase in oil price per barrel (averaged US$ 94 per barrel against an assumed price of US$ 50 per barrel), and the increase in oil and gas revenues.

Public expenditure was OMR 13.3 billion in 2022 compared to OMR 12.4 billion in 2021, an increase of approximately 7% and approximately 10% higher than estimated in the 2022 budget. The increase is attributable to the increase in development budget allocations, the increase in current expenditure of civil ministries and the increase in oil product subsidy.

In 2022, Oman generated additional revenue as a result of high global oil prices, leading to improved financial and economic indicators and accelerated economic recovery through utilisation of such revenue. Consequently, at the end of 2022, Oman registered a surplus of OMR 1,183 million as compared to a deficit of OMR 1,550 million estimated in the 2022 budget.

The Government has allocated the additional revenue in repaying part of the public debt and liability management exercise. Therefore, the public debt decreased from OMR 20.8 billion at the end of 2021 to OMR 17.7 billion by the end of 2022.

Oman's 2023 budget has been prepared in line with the objectives of the Tenth Five-Year Development Plan (2021-2025) and is shaped by Oman's 2040 Vision priorities, such as achieving fiscal sustainability, economic diversity and reducing the ratio of the public debt to the GDP. The Government's total revenues are budgeted to be OMR 10 billion in 2023, marginally lower than the 2022 budget estimates. The reduction in the revenues is attributed to the lower gas revenue on account of establishing the IGC, which would transfer gas revenue to the treasury while covering the expenses of purchasing and transporting gas. Revenue share from non-hydrocarbon activities is projected to reach OMR 3.3 billion in 2023 which is not a significant deviation from the 2022 estimates.

The Government intends to continue to focus on maintaining fiscal sustainability, lower public debt and achieve higher economic growth through sustainable investment in development expenditure and social expenditure. For 2023, the Government has budgeted for a total expenditure of OMR 11.3 billion which was lower than the actual expenditure of OMR 13.3 billion reported in 2022. Public spending for the 2023 budget is 6.4% lower in comparison to the budget figures of 2022, on account of transferring the costs of purchasing and transporting gas to IGC.

Development Plans

Vision 2040

Oman's Vision 2040 strategy was created to overcome challenges, keep pace with regional and global changes, generate and seize opportunities to foster economic competitiveness and social well-being, stimulate growth, and build confidence in all economic, social and developmental relations nationwide. The Vision 2040 was launched in 2020 as a comprehensive national 20-year plan, including a roadmap of 65 KPIs to set clear targets for 2030 and 2040. Vision 2040 sets out a number of pillars and priorities, which cover people and society, economy and development, governance and institutional performance and sustainable environment.

Privatisation

In order to reduce reliance on borrowing by the Government, the Government is continuing its plan to divest or privatise certain assets. The initial steps taken include rationalising the holding of target assets, by transferring government owned investments to a number of newly formed, sector-specific holding companies, or by transferring them to the ownership of OIA. With the privatisation programme, the Government is looking to maintain good levels of private investment to spur economic growth. The OIA has communicated a divestment programme anticipated to garner around US$5 billion in proceeds during the 5-year period of 2021-2025.

Currency and Financial System

The Omani Rial is the official currency of Oman. It is divided into 1,000 Bzs. From 1973 to 1986, the OMR was pegged to US$ at 1 Omani Rial = 2.895 US Dollars. In 1986, the rate was changed to 1 Omani Rial = 2.6008 US Dollars, which translates to approximately 1 US$ = OMR 0.3851. The CBO buys US$ at 0.384 Omani Rial and sells US$ at 0.385 Omani Rial.

The CBO was established in December 1974 by the Banking Law which sets out its functions and responsibilities. The CBO sets monetary policy independently after consulting with the Government about its fiscal policy objectives. The CBO also provides advice to the Government on economic policy. In addition to the formulation and implementation of monetary policy, these include regulation and supervision of the banking system and the execution of foreign currency transactions on behalf of the Government. The financial sector comprises commercial banks, Islamic banks, specialised banks, non-bank finance and leasing companies, as well as money exchange houses.

The CMA commenced its duties on 9 January 1999. The CMA is a Government entity with financial and administrative independence. The principal role of the CMA is to supervise the capital market and insurance sectors in Oman and to develop the legal framework governing the same (for example, promulgating the Code). A number of entities are regulated by the CMA, including the MSX and MCDC. The CMA also aims to promote market efficiency for investors and raise awareness of investor rights and the importance of the capital market.

Chapter X

Regulatory Framework

Except as otherwise stated, the information in this Chapter is derived from the RAB Framework Report dated 11 September 2023. The RAB Framework Report was prepared by Deloitte for the use of the Company and not with any other party's interests in mind. Deloitte's sole duty of care in relation to the RAB Framework Report is to the Company and it will not regard any other person (whether or not a recipient of this Prospectus) as its client. In no circumstances will Deloitte, or any of its subsidiaries, affiliates, representatives, partners, directors, officers, employees, advisers, agents or subcontractors be liable for any error, omission, or inaccuracy in this Prospectus nor for any loss or damage sustained by an investor placing reliance on such information.

Introduction

The Company is the exclusive owner and operator of the NGTN, comprising gas transportation and distribution assets owned by the Company, connecting gas producers and gas consumers in Oman. The Company's Allowed RAB Revenues are set for a three year period by the Regulator through a price control review process. A RAB-based regulatory framework is used to develop the key building blocks that make up the Allowed RAB Revenues. These building blocks include covering efficiently incurred operating expenditure, and the financing of capital expenditure, using a Regulated Asset Base model approach. Capital expenditure is remunerated through the depreciation building block for the Price Control Period, with the return on the capital expenditure being covered by the return on the Regulated Asset Base. The RAB Framework provides the Company Allowed RAB Revenues that are independent of the gas price in the market and are not subject to risk on the actual volume of gas transported through the NGTN.

Overview of regulatory framework

OQGN, formerly known as Oman Gas Company SAOC until 2020, was established in May 2000 as a closed joint stock company. In August 2000, Royal Decree 78/2000 ratified the 27-year Concession Agreement between the Company and the Government that allowed the Company to own, extend, and operate parts of the gas transportation network in Oman as the sole and exclusive operator. Under the Concession Agreement, the Company operated under a "cost plus" revenue model. This framework guaranteed the recovery of all operating expenditure and capital expenditure costs through allowed revenues, as well as a fixed return to shareholders. However, given that the capital expenditure was to be fully funded by the Government under the cost plus model, it entailed a financial burden on the Government and since the ownership of assets remained with the Government, the Company was not able to raise funding for the major capital expenditure projects through independent sources.

Therefore, to overcome the above constraints, from January 2018 onwards, the regulatory regime that is used to set the Company's revenues transitioned to a RAB-based framework. The Amended Concession Agreement between the Company and the Government was signed in June 2020 and ratified by the Royal Decree 122/2020 in October 2020, and granted the Company gas transportation concession rights for 50 years (until 30 October 2070) under the RAB Framework. The Company also entered into the Transportation Framework Agreement with the Government represented by MEM, appointing MEM as the sole Shipper and giving effect to the Transportation Code and making it binding between both parties. The Transportation Code also sets out a liability cap on the Company of OMR 3.5 million in respect of aggregate claims by the Shipper relating to any single calendar year for failures attributable to the Company to make gas available or not meeting the required gas exit specifications. The Company's liability for failure to supply gas in the required quantity or quality is subject to certain exceptions, including cases where the failure is on account of scheduled maintenance, force majeure, acts of omission of the Shipper (including failure to supply gas in required quality and quantity) and any acts of omission of persons responsible for taking supply of gas from the Shipper or acts of omission of any third-party. Further, the Company is also not liable in case of interruption of supply of gas by the Shipper under a gas sales agreement ("**GSA**") or failure by the Shipper to deliver gas in accordance with the terms of the GSA; and/or gas reasonably used by the Company in the operation of the NGTN, while acting as a reasonable and prudent operator.

To complete the regulatory framework, APSR was appointed to regulate gas transportation by issue of Royal Decree 78/2020 in August 2020 (the "**Regulator**"). The Amended Concession Agreement and the Regulator's Terms of Reference set out the Regulator's role and regulatory powers in relation to gas transportation activities in Oman. APSR has regulated the electricity sector since 2005, when it was initially formed as the financially and administratively independent regulator for the electricity sector for transmission, distribution and generation activities. In relation to electricity transmission and distribution companies, the Regulator has completed five to six price controls reviews. The APSR's scope of regulation currently includes the electricity, gas transportation, water and wastewater sectors.

The transition to a single and fully independent gas transportation operator also required several asset transfer agreements ("**ATAs**"). In total, six ATAs have been signed to date that transferred the gas transportation network assets to the Company as shown in Table 2:

Table 1: Asset Transfer Agreements

ATA signed date	ATA effective date	Assets transferred	Total assets purchase price
13 May 2018	1 January 2018	Assets owned by the Government (including assets from MEM under construction at the time of transfer) and operated by the Company	OMR 360,656,687
1 August 2019	1 July 2019	Assets owned by the Government and operated by Petroleum Development Oman LLC ("**PDO**")	OMR 183,669,552
3 February 2020	31 December 2019	Assets owned by the Government and operated by BP Exploration (Epsilon) Limited ("**BP**")	OMR 42,616,114
1 February 2021	1 July 2021	Assets owned and operated by Public Establishment for Industrial Estates ("**PEIE**" or "**Madayn**")	OMR 2,532,937
30 December 2021	1 November 2021	Assets owned by Salalah Free Zone Company LLC ("**SFZC**")	OMR 5,474,041
3 August 2023	31 May 2023	Assets owned by OQ LPG in the Salalah Free Zone ("**OQ LPG**")	OMR 16,828,427
Total			**OMR 611,777,758**

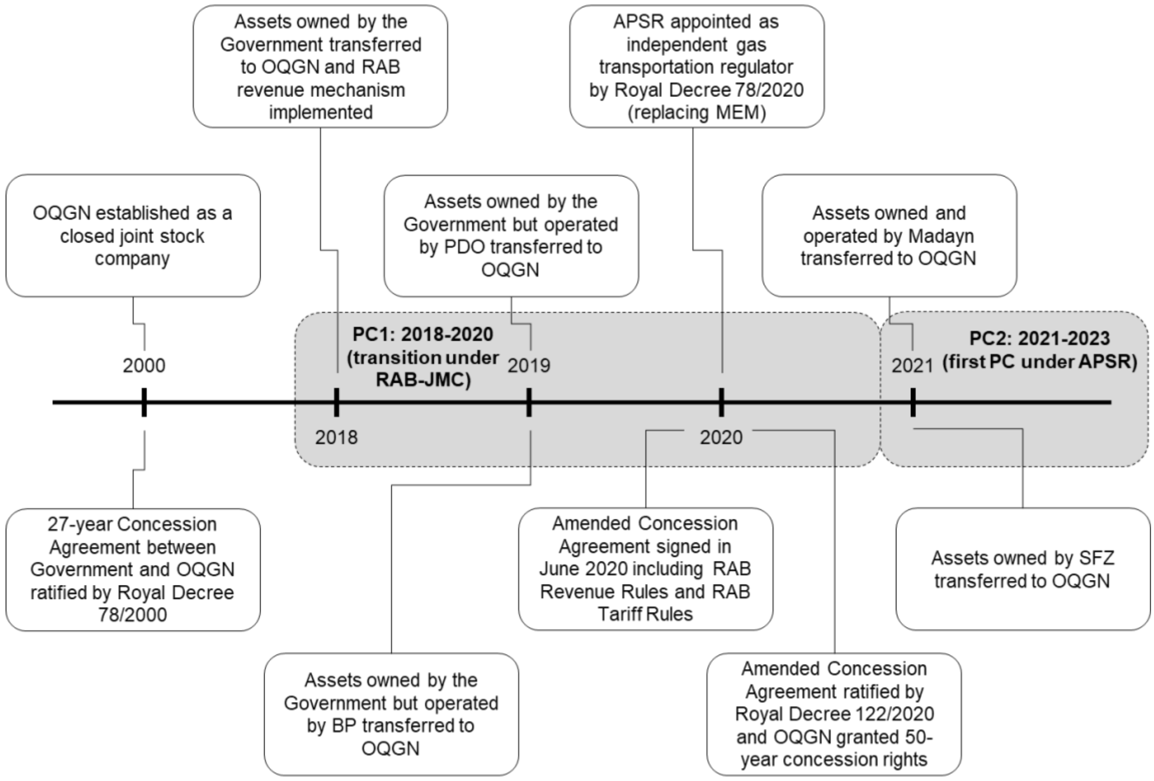
Source: Company Information

The Amended Concession Agreement contains the RAB Revenue Rules, which describe the methodology for calculating the Allowed RAB Revenues in accordance with the revenue building blocks and the RAB Tariff Rules, which describe how the Allowed RAB Revenues should be recovered through Transportation Charges from Shippers. Transportation Charges are paid to the Company by the Shipper for the transportation of gas through the NGTN. The Shipper purchases and sells the gas on behalf of the Government. The Transportation Charges for a Shipper are determined based on capacity booked by the Shipper and the uniform tariff rate is expressed in cost per volume, which is calculated as Allowed RAB Revenues divided by the expected capacity bookings. Any surplus or deficit in recovery of Allowed RAB Revenues can be reconciled as part of the Annual Reconciliation (see "*Regulated Asset Base – RAB*" below).

As set out in the Connection Fee Statements (entry and exit) approved by the Regulator, Connection Fees are to be paid to the Company by the Connected Parties (gas producers and gas consumers), in accordance with the Connection Agreements signed with the Connected Parties. Connection Fees are in the form of partial or full contribution for the connection projects undertaken by the Company to connect the relevant Connected Parties (gas consumers or producers) to the NGTN. In accordance with the phased implementation approach of the Connection Fees mechanism, these Connection Fees are recovered only from gas consumers (exit points) for new or modified connections constructed after March 2020 (which is the effective date of Connection Fee Statements approval).

These developments are summarised in Figure 1, which also sets out the timings of the first two Price Control Periods applied to the NGTN.

Figure 1: Timeline of relevant legislation and agreements



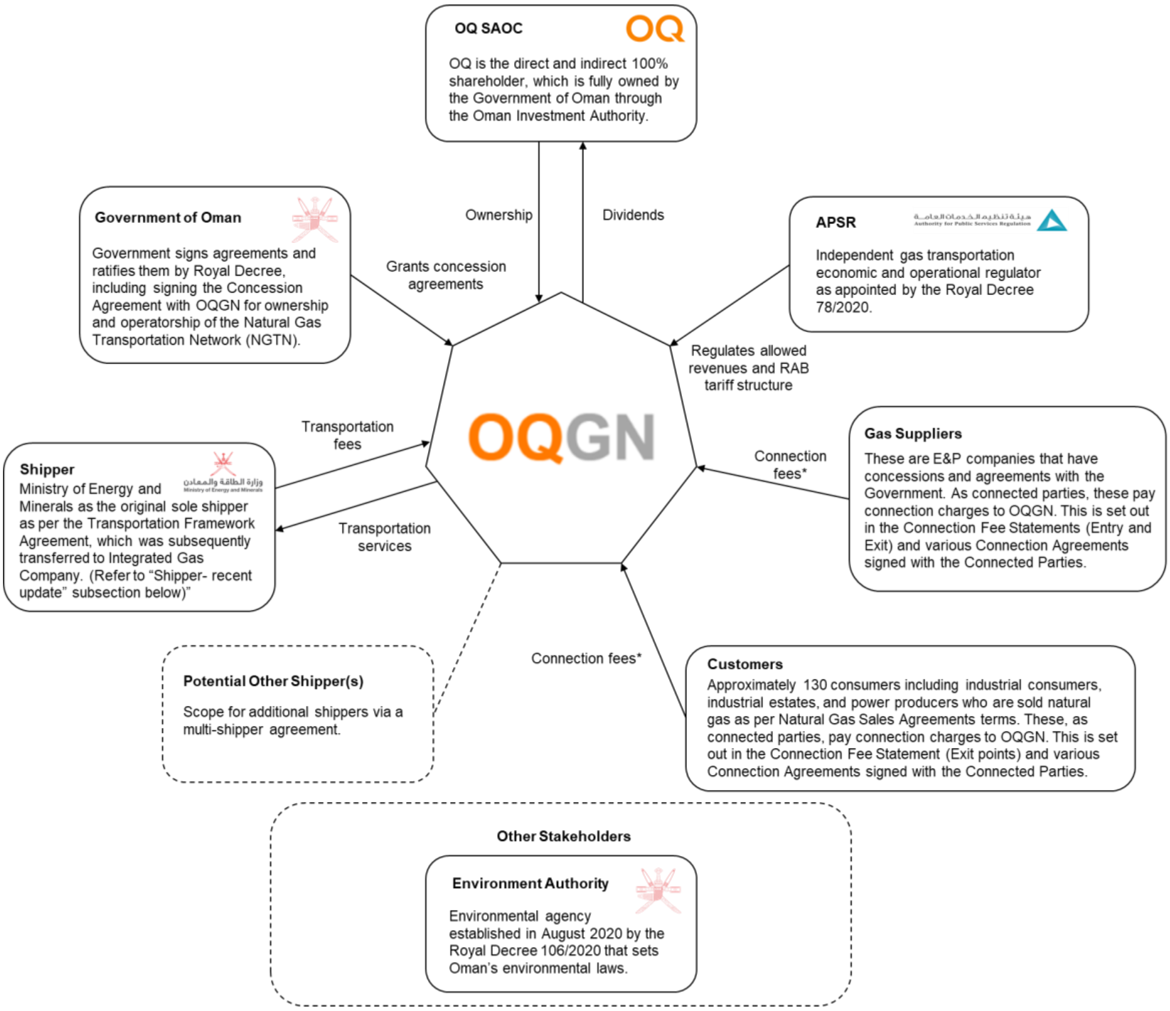
Source: Company Information

Note: The JMC (Joint Management Committee) was formed by the Ministry of Energy and Minerals (MEM) as the interim regulator during the transition period between 2018 and 2020. ATA dates are effective dates.

Overview of stakeholders

Figure 2 presents the key stakeholders that hold relationships with the Company and whose actions directly or indirectly impact the Company's activities.

Figure 2: Stakeholders to the Company



Source: Company Information

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

Shipper – Recent update

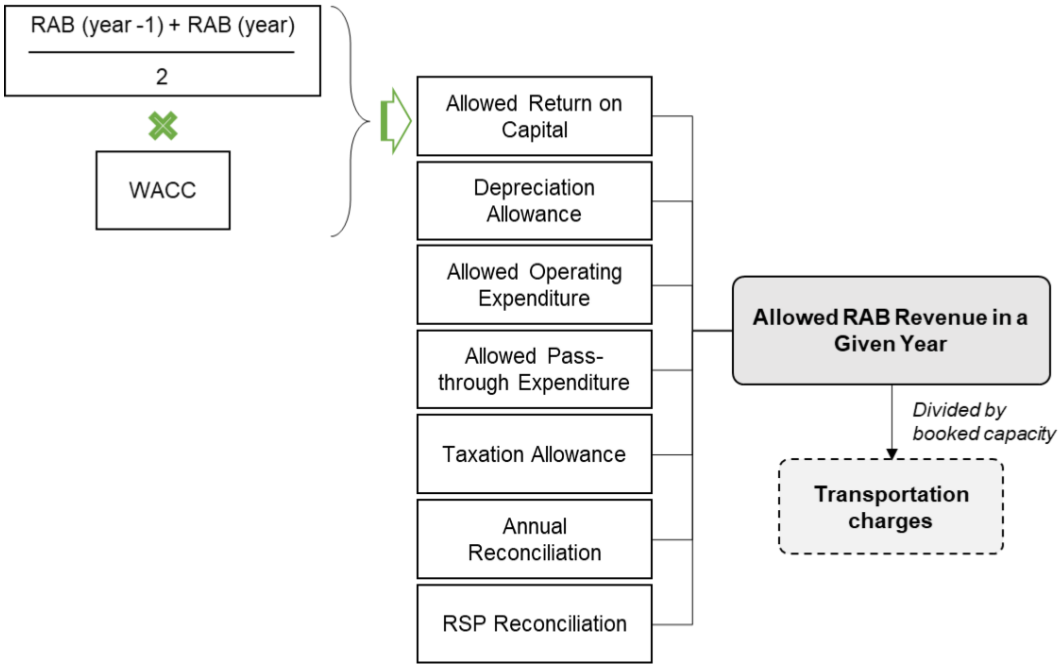
IGC, which is 100% owned by the Government, acting through the Ministry of Finance, was established towards the end of 2022 and has taken on the role as Shipper from the MEM effective 1 January 2023. IGC was established pursuant to MoF IGC Decision, as a Government-owned company to act on behalf of the Government in the management of, among other things, gas sales and purchases. Further, the MEM Transfer Decision provides that the Transportation Framework Agreement appointing MEM as the Shipper, which was signed between the Government (acting through MEM) and the Company, will be transferred as a matter of law from MEM to IGC with effect from 1 January 2023. The transition from MEM to IGC is still being implemented in practice and IGC will take on the Shipper role from the MEM in a phased manner during 2023.

Figure 2 also reflects the potential for additional Shippers to be licensed in the future, which could potentially include international exploration and production companies that have exploration and production sharing agreements and GSAs with the Government. There are ongoing discussions between the Company and one of these companies, which may result in additional Shippers being added in the future after required regulatory and other approvals to accommodate a multi-shipper regime in Oman.

RAB Methodology – Building blocks

This section sets out the RAB Framework that currently applies to the Company, followed by the methodology used to calculate each parameter, or the "building block", within that framework. The RAB Revenue Rules, as set out in the Amended Concession Agreement, determine the RAB building blocks. Figure 3 shows the seven RAB Framework building blocks that form the Allowed RAB Revenues and how these relate to the size of the RAB and other key inputs, such as capital expenditure and the WACC.

Figure 3: Allowed RAB Revenues – Building blocks



Source: Company Information

The RAB Framework has seven building blocks that make up the Allowed RAB Revenues. Together, they set overall Allowed RAB Revenues at a level that should allow an efficient company to run and operate the regulated gas network. The Allowed RAB Revenues set a cap on the aggregate revenues that the Company can charge to Shippers for its transportation services in a given year. The Regulator determines the Allowed RAB Revenues before the beginning of each Price Control Period for the following Price Control Period. These values are set in nominal terms based on an inflation assumption for the upcoming years in the Price Control Period. Allowed Operating Expenditure (excluding Pass-through Expenditures) are adjusted for actual outturn inflation, in accordance with the method prescribed in RAB Revenue Rules, prior to the start of each year.

The purpose of each individual building block is explained below.

- **Allowed Return on Capital:** An allowance to provide a return on the investment, covering a return on equity and to cover the cost of raising debt to finance investment in the network (i.e., Capital Expenditure). The size of this allowance is driven by the allowed WACC that is set by the Regulator for each Price Control Period, and the size of the RAB in a given year.
- **Depreciation Allowance**: Compensation for the use of the assets (i.e., recovery of capital expenditure over the lifetime of the asset). The Regulator's assessment of the Depreciation Allowance is driven by the approved economic life of the NGTN assets.
- **Allowed Operating Expenditure**: An allowance to cover the cost of operations and maintenance of the NGTN assets (e.g., pipelines, gas supply stations, metering stations and compressors), employee costs and corporate and general overheads.
- **Allowed Pass-through Expenditure**: An allowance in the Allowed RAB Revenues to cover certain costs as incurred where the Company has no control over the scale or the ability to influence the costs. These

presently comprise the license fees payable by the Company to the Regulator and the fuel gas cost to run compressors for gas transportation.

- **Taxation Allowance**: Compensation for actual corporate (profit) taxes paid/payable by the Company.
- **RSP Reconciliation**: An adjustment made ex-post the Price Control Period to reconcile aggregate differences, other than in respect of Pass-through Expenditures and Operating Expenditure, between the ex-ante allowed and planned values and the ex-post allowed and actual values. Values that can be updated ex-post**,** according to the RAB Revenue Rules, include capital expenditure for assets under construction, Taxation Allowance and Depreciation Allowance. This adjustment is made at the start of the following Price Control Period and is spread equally across revenues of each year of the following Price Control Period.
- **Annual Reconciliation**: An adjustment to certain building blocks of the Allowed RAB Revenues for each year of the Price Control Period, namely actual versus planned Pass-through Expenditures and actual (realised) versus planned (allowed) revenues. This adjustment is made so that it is net present value (NPV) neutral, by taking account of the Company's financing costs (WACC) during the time period of the shortfall or excess of the allowance and the reconciliation, as this reconciliation is made retrospectively, with a one-year lag.

After discussions and negotiations with the Company, the Regulator determines the following parameters and cost allowances for each year of the Price Control Period before the beginning of the relevant Price Control Period:

- Updated RAB forecasts and Depreciation Allowance based on the Regulator's RAB forecasts and asset life assumptions;
- Allowed Operating Expenditure based on forecasts provided by the Company and scrutinised by the Regulator;
- Taxation Allowance based on the Regulator's assessment of, among other matters, the Company's tax liabilities and gearing ratio; and
- Allowed Return on Capital based on the Regulator's RAB forecasts and a decision on the WACC.

In order for the Regulator to set the allowances, the Company is required to comply with certain submission requirements. This includes providing operating expenditure and capital expenditure forecasts for each year of the next Price Control Period. The Company is also required (on an ongoing basis) to submit updated planned values for Pass-through Expenditures for the next year, which are used along with actual inflation on operating expenditure relative to the assumption for yearly adjustment of the Allowed RAB Revenues.

The actual values for Allowed Pass-through Expenditures for preceding years and actual values for the Regulated Adjusted Income for the preceding year are reported as part of Annual Reconciliation of Allowed RAB Revenues within a Price Control Period (with a year gap to allow audited figures to be available). There are further reporting requirements in the Base Year. The Company also needs to submit actual values for capital expenditure made (referred to as investment expenditure in the RAB Rules), values for the Regulated Asset Base and the closing Regulated Asset Base of the previous year ("**Gross RAB**"), operating expenditure, capital expenditure, net income, interest and dividends payments, CWIP, Depreciation Allowance, invoiced Transportation Charges and profit taxes paid.

The following subsections discuss the standard methodology and process to assess the relevant parameters. It starts by describing the RAB, and how this changes each year, for example, through capital expenditure additions and depreciation. This is followed by the Allowed Return on Capital, Allowed Operating Expenditure and Taxation Allowance.

Regulated Asset Base – RAB

The Regulated Asset Base represents the asset base of the regulated entity used to carry out the functions of the NGTN business. The value of the Regulated Asset Base is determined at the start of the first regulatory period where the RAB-based approach is first used. It is typically related to the historical asset value associated with developing the regulated network assets. This Regulated Asset Base value is a key component of the Allowed RAB Revenues calculation and is used to determine the required return on the investment in the business. It provides a 'long-term contract' between consumers and investors and enables the Company to fund and finance long-term investments in the NGTN. Key considerations when applying a RAB Framework include setting the initial value of the RAB for existing assets, and how to update the RAB to incorporate new capital expenditure and depreciation in a given period.

Start-year opening Regulated Asset Base

The opening book value of the RAB at the start of the first Price Control Period was set as OMR 527.5 million and was determined by the JMC (formed by MEM as the interim regulator during the transition period between 2018 and 2020). Since then, the RAB value has been calculated for each subsequent year by considering the Gross RAB for the given RAB year, additions for the CWIP for the given RAB year and deductions for capital contributions received from consumers by the Company for the same year.

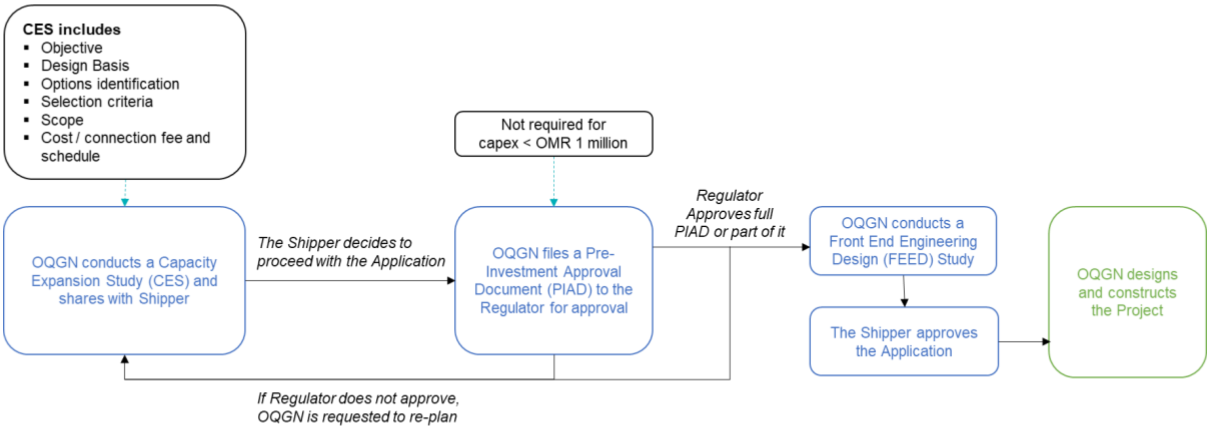
Annual updates to the Regulated Asset Base

A number of additions and deductions are made each year to the RAB covering the following elements:

- Additions to the RAB are the allowed aggregate cost of relevant fixed assets acquired by the Company in the RAB year (Y), expenses capitalised as relevant fixed assets in RAB year (Y), and capitalised expenses formerly recorded as CWIP and reclassified as relevant fixed assets in the RAB year (Y) (in each case as determined in accordance with paragraph 19 of the RAB Revenue Rules and all applicable IFRS standards, and in particular IAS16);
- CWIP captures the share of the cost of construction work in progress that takes place in a given year. While the assets under construction cannot be used until they are completed, this approach allows the Company to start earning a return on the costs for CWIP from the year the expenditure is made before the asset is commissioned – however at a slightly lower rate than for fixed assets, to incentivise on-time completion of construction projects. Once a project is completed, the associated costs previously classified and recorded as CWIP will be reclassified as Fixed Assets and included in the Company's fixed asset register; and
- Capital contribution means monetary funds received by the Company as part or full contribution for construction of new or modification of existing gas connection facilities, in accordance with the Regulator approved Connection Fee Statements, and also includes any relevant fixed assets received free of charge. Capital contributions are not included in the RAB value and therefore capital contributions received in any given year are deducted from the RAB value.

The regulatory regime requires the Company to provide various types of capital expenditure projections, including Growth and Sustaining Capital Expenditure, detailing the scale of investments, timing of spend and completion and description of the proposed projects – as part of its price control submissions before the start of each Price Control Period. As part of the price control review process the Regulator reviews the need, scope and proposed cost of each project that is included in the Company's submissions and decides on whether to allow the project and the level of Capital Expenditure Allowance. For the approval of individual projects (included within the overall Capital Expenditure Allowance), the process described in the Transportation Code is followed, as summarised in the following flowchart (see Figure 4).

Figure 4: Network Development Capex Approval Process Overview



Source: Company Information

After completion of the projects, the Company is required to submit post completion reports to the Regulator which include the details of deviations in cost and duration as compared to the planned and allowed values with necessary justifications for cost or time overruns, if any, which are reviewed by the Regulator and in case of deviations caused by the Company, the Regulator may adjust the allowed cost (opening book value) entering RAB.

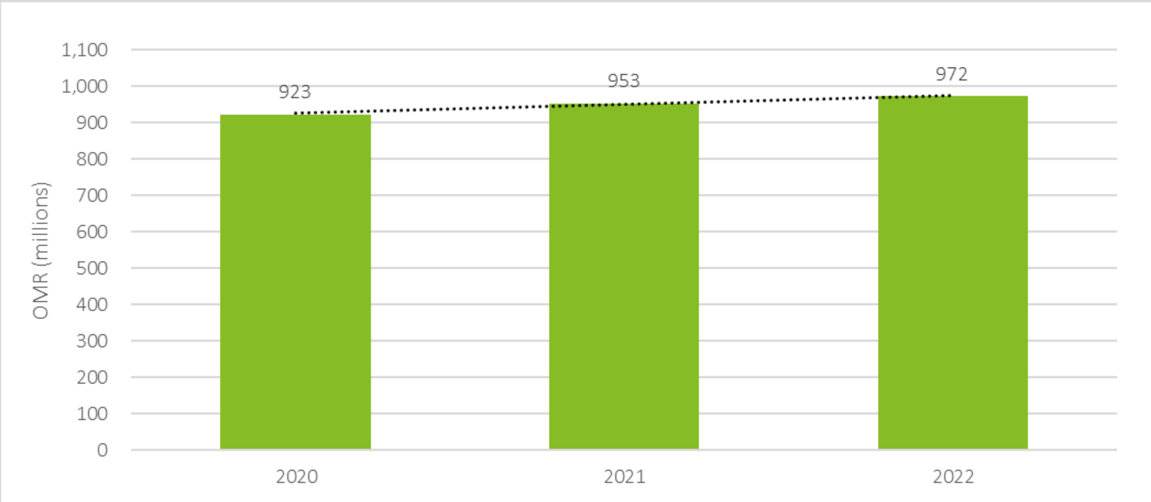
Outgoing assets of the Regulated Asset Base – Disposal and Depreciation Allowance

Disposal Allowances (referenced in the RAB Revenue Rules as "Allowed cost of relevant fixed assets disposed of by the Transporter in RAB year (Y)") and Depreciation Allowance is deducted from the previous years' Gross RAB to form the current year's Gross RAB. The Depreciation Allowance is calculated by the Regulator for each year of the Price Control Period. The Regulator follows a straight-line depreciation approach over the asset life (and deducts the planned capital contribution to be amortised from this gross depreciation) and considers the cost of the asset as per the historic purchase cost of the asset. The asset life is different for different asset classes. The economic asset life estimate of each asset included in the RAB has been approved as part of RAB Framework implementation and any further changes are approved by the Regulator. For example, after year 10 of an asset worth OMR 1,000 with an asset life of 20 years, 50%, or OMR 500, of the asset is considered to be 'depreciated'. Approved economic asset lives vary by asset type, from five years (equipment) to 60 years (pipelines), with the average asset life of the Regulated Asset Base of approximately 40 years. The Disposal Allowance reflects the allowed cost of the relevant fixed asset to be disposed and is set by the Regulator.

Closing RAB

The closing RAB for the respective years reflecting Gross RAB (opening Gross RAB, additions on account of acquisitions, transfers from CWIP to fixed assets less disposals and depreciation) and CWIP less capital contributions is reflected in Figure 5.

Figure 5: Growth of closing RAB over time



Source: Company Information

Allowed Return on Capital

The main component of the Allowed Return on Capital is the WACC, which is currently set at 7.30% for Price Control Period 2 (for Price Control Period 1, the WACC was set at 8.12%), as described in more detail in the next section. The WACC is multiplied by the average of the current year's and the previous year's RAB (reflecting the timing of the capital expenditure spent over the course of the year). This provides a return on all historical capital investments in operational assets (i.e., excluding CWIP which earns a separate WACC) that have not yet been depreciated.

The Regulator uses standard WACC and capital asset pricing model methodologies for setting the Allowed Return on Capital component of Allowed RAB Revenues. For the cost of equity, US-based evidence is used to set the risk-free rate and market risk premium, with a country risk premium added to account for the difference in country risk between Oman and the United States. Equity beta is calculated using a standard methodology of de-levering comparable companies (using regulatory precedent and market regressions) to find an asset beta and then re-levering to calculate equity beta. The cost of debt is calculated using a well-established approach of calculating the weighted average of the costs of new and embedded debt. The cost of embedded debt is derived from actual Company data, whilst the cost of new debt is set in reference to indicate yields of the Government, Oman Electricity Transmission Company SAOC ("**OETC**") and Mazoon Electricity Company SAOC ("**MZEC**") bond yields. The Regulator has also provided a point estimate of the Price Control Period 3 preliminary WACC in a letter sent to the Company in April 2023 (see table below).

Table 2: WACC set for Price Control Period 1 (PC1) and Price Control Period 2 (PC2), and APSR Initial Guidance for Price Control Period 3 (PC3)

	APSR Approved for PC1	APSR Approved for PC2	APSR Initial Guidance[(2)] PC3
Period	*2018 – 2020*	*2021 – 2023*	*2024 – 2026*
R_f in USD	2.44%	2.00%	-
Oman Inflation	*3.30%*	*1.80%*	-
US Inflation	*2.31%*	*2.45%*	-
R_f in OMR	3.43%	1.35%	-
Asset Beta	0.39	0.40	-
Equity Risk Premium	5.81%	6.00%	-
Country Risk Premium	2.66%	3.02%	-
Cost of Equity	**10.62%**	**8.79%**	**9.28%**

Cost of Debt	**5.62%**	**5.82%**	**6.30%**
Notional Gearing	**50%**	**50%**	**50%**
WACC	**8.12%**	**7.30%**	**7.79%**
Return on CWIP(1)	*7.96%*	*7.16%*	*7.64%*

Source: Company Information and APSR

Notes:

(1) A discounted return of WACC/(1+2%) is applied to the Capital Work in Progress (CWIP).
(2) Point estimate of the Price Control Period 3 preliminary WACC letter received from APSR in April 2023, which is subject to update by APSR based on prevailing market conditions and variables in the final Price Control Period 3 WACC determination.

The second, smaller component of the Allowed Return on Capital provides a return on CWIP. For this part of the Allowed Return on Capital, the WACC is adjusted downwards by the construction incentive factor ("**CF**"), which is currently set at 2% (reducing the WACC applied to CWIP to 7.16% for Price Control Period 2; the WACC applied to CWIP for Price Control Period 1 was 7.96%). The CF aims to incentivise the timely completion of projects, since uncompleted construction work receives a lower return, but upon completion receives the full WACC. The CF is set at the discretion of the Regulator. The current value was set in Price Control Period 1 reflecting the estimated level of inflation rate at that time and the CF value has not been changed for Price Control Period 2.

The third component of the Allowed Return on Capital provides a return for the Company's working capital requirement (cash and other liquid assets the Company needs for its operations). This is multiplied by the cost of debt. The calculation and components of the WACC and further detail on the cost of debt is discussed below.

Because the WACC is central to the level of Allowed Return on Capital, differences between the Regulator's views and the Company's submissions on WACC regularly need to be reconciled.

- Before the beginning of the Price Control Period, lack of agreement on WACC between the Regulator and the Company may be part of the general process and may lead to non-acceptance of the price control decision.

- After the relevant Price Control Period, the RAB Revenue Rules set out the possibility of a WACC revision. The Company may request a revision if it is able to demonstrate to the Regulator that "*the assumptions used to determine WACC…are materially incorrect for reasons beyond the reasonable control of [OQGN]*".

This provides the Company with some protection against forecast uncertainty related to the WACC, in areas such as inflation and the cost of debt, which are subject to uncertain future macroeconomic conditions.

Allowed Operating Expenditure

Operating expenditure are costs incurred by the Company relating to the operation and maintenance of the NGTN. As part of its price control submission, the Company must provide the Regulator with operating expenditure forecasts for each year in the upcoming Price Control Period. The Company must provide forecasts with supporting information for each of the following operating expenditure categories as set out in the RAB Revenue Rules:

- Employment costs, including those related to pension provision;
- Training costs;
- Building, office, administration, and transportation overhead costs;
- Utility costs;
- Business, property, and vehicle taxes;
- Insurance costs;
- Cost of services provided to the Company by third parties; and
- Other operating expenditure costs approved by the Regulator.

The RAB Revenue Rules also provide details of exclusions to the operating expenditure the Regulator allows. These include:

- Expenditure on assets which are not part of the NGTN;
- Expenditure by the Company unrelated to the transportation services it provides; and
- Capitalised expenditure included in either the CWIP, captured in capital expenditure allowances, or relevant fixed assets, captured in the RAB.

Once submitted, the Regulator reviews the operating expenditure forecasts and discusses any queries it may have with the Company. By the third quarter in the Base Year, the final determination of operating expenditure forecasts and parameters are set by the Regulator. Before the start of each year in the Price Control Period, the Regulator updates the Allowed Operating Expenditure for inflation, using the CPI of the previous year published by the National Centre for Statistics and Information (NCSI) in Oman, and revises the estimates for the pass-through costs.

In practice, the Allowed Operating Expenditure is assessed for three broad categories – staff costs, O&M costs and General and Administration (G&A) costs. A certain amount of the staff costs are capitalised each year (i.e., treated as capital expenditure rather than operating expenditure costs) to reflect the level of staff engaged with the development and construction of new assets. Furthermore, there is no reconciliation of operating expenditure, with the exception of an inflation adjustment to reflect actual inflation levels (in case there is a difference between expected inflation included in the Allowed Operating Expenditure and actual outturn inflation).

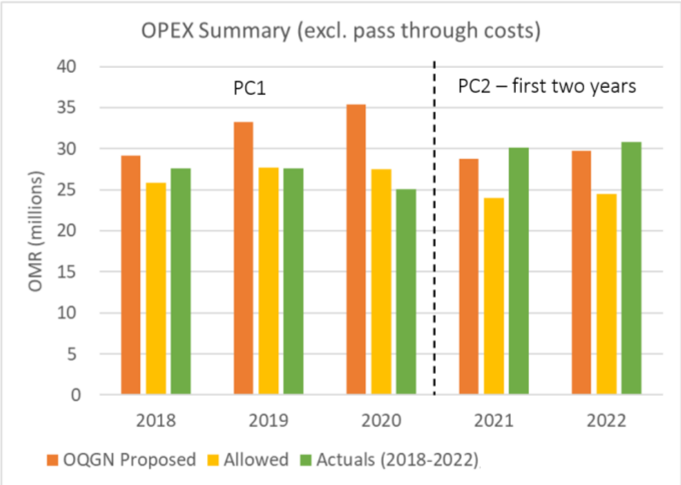
Box 1 sets out the Company's operating expenditure (submissions, allowance and actual) in the relevant Price Control Periods.

Box 1: Operating Expenditure figures along the regulatory process

The graph on the right presents the annual operating expenditure proposed by the Company, the Allowed Operating Expenditure set by the Regulator and the actual operating expenditure for the 2018 to 2022 period (PC1 and PC2).

The figures for Price Control Period 1 show that the Allowed Operating Expenditure is closely aligned with the actual operating expenditure incurred during Price Control Period 1.

The figures for Price Control Period 2 show that, on the basis of the first two years in Price Control Period 2, actual operating expenditure is in line with the proposed operating expenditure by the Company, but is higher than the Allowed Operating Expenditure provided by the Regulator. This was due to higher allocation of shared costs from OQ under the Cost Allocation Agreement under the previous integrated model of operation (up to 2022), as well as reductions in staff cost allowances and other allowances by the Regulator in the Price Control Period 2 final proposals. Effective 1 January 2023, the Cost Allocation Agreement with OQ has been terminated. Further, the Company has raised the operating expenditure overrun in discussions with the Regulator for consideration while setting Allowed Operating Expenditure for Price Control Period 3.



Notes:
1. All amounts are in respective years prices (i.e., without indexation to current year prices)
2. All amounts are net of staff cost capitalization for projects/engineering staff
3. Inflation (over 2021 for Allowed Opex for 2022 & 2023) is provisionally considered as 1% as per the Allowed Revenue Model (to be adjusted for actual in RSP reconciliation)
Source: Company information

Taxation Allowance

The Taxation Allowance takes into consideration the Company's corporate (profit) tax liabilities and increases the Allowed RAB Revenues to cover the actual taxes paid by the Company. Other taxes, such as indirect taxes, are remunerated as part of the Allowed Operating Expenditure and Capital Expenditure Allowance. As a consequence, reconciliation for taxation liabilities is included in the Allowed RAB Revenues with a lag of one Price Control Period. However, the Regulator allows for an adjustment (by the WACC) to make the delayed reconciliation NPV-neutral.

The Regulator's regulatory objectives and processes

The following section sets out the Regulator's objectives, governance structure, transparency of regulatory procedures and the established price control processes and timelines.

Objectives of APSR

The Regulator's statutory functions and duties are set out in various sections of the Sector Law, provisions in the Amended Concession Agreement, the Regulator's Terms of Reference and related legislative instruments. As set out in APSR's 2021 Forward Work Programme, these require the Regulator:

- "to ensure efficiency of operation and of investments of licensees;
- to ensure the security and availability of the regulated services;
- to ensure the ability of licensees to finance their business (efficiently);
- to protect the public and staff in terms of safety;
- to promote (fair) competition where practicable and to ensure non-discrimination; and
- to protect the interests of certain customers, in accordance with stated public policy objectives relevant to each regulated sector."

The Regulator also has statutory duties to minimise the regulatory burden on license holders and give written reasons for any decisions it makes *(Source: APSR 2021 Forward Work Programme)*.

The objectives and duties of the Regulator with respect to gas transmission are set out further in the "Gas Transmission Regulator Terms of Reference" (i.e., referred to as the Regulator's Terms of Reference herein). This states that the goals of the Regulator are to "provide independent, reliable and sustainable decision making", within the scope of the Regulator including all activities arising from the Regulated Documents. The Regulator's Terms of Reference also stipulate additional functions for the Regulator, such as implementing Government policy related to gas transmission, issuing decisions and regulations to support the Regulator's goals, examining complaints submitted by regulated parties, monitoring the quality of services provided by the transmission system operator and ensuring the technical capability of regulated parties. The Regulator's Terms of Reference also set out relevant powers that enable the Regulator to achieve its goals and perform its functions.

Governance

APSR has administrative and financial autonomy. The Sector Law was modified (by the Royal Decree 75/2020) and allows for members of the Government to hold positions within APSR itself. The board of directors for APSR includes a number of relevant Government ministers, which enables alignment between APSR's and wider Government objectives and goals. There is complete separation from the state treasury *(Source: Energy Regulators Regional Association 2020)*.

As part of its statutory duties, the Regulator must not "discriminate against or unduly prefer any person" *(Source: APSR 2021 Forward Work Programme)*.

Publication of price review decisions and consultation processes

Specific consultations and decisions on price control and Allowed RAB Revenues are not published. Rather, they consist of direct correspondence between the Regulator and regulated companies *(Source: Energy Regulators Regional Association 2020)*. General Allowed RAB Revenues methodology and formulas (as per license conditions) and tariff for electricity companies are made available on the Regulator's website.

Price control process and timelines

As set out in the RAB Rules, the following process is currently the provisional timeline to be followed for determining the Allowed RAB Revenues for Price Control Period 3, which will start from 2024 and would run for at least three years, and may be extended to four years, subject to agreement with the Regulator pursuant to the pro-forma templates provided by the Regulator for Price Control Period 3. The Company has submitted four years of forecast data for 2024 to 2027):

- The Regulator will issue proforma templates for the Company to fill out, with various information on its business, including operating expenditure and capital expenditure, demand and key issues.
- **By 31 March 2023**, the Company to submit its audited statements for the three RAB years prior to the Base Year (2020, 2021 and 2022).
- **By 30 June 2023**, the Company to submit a further forecast of costs and financial information for the next Price Control Period.
- **By 31 July 2023**, the Regulator to provide a provisional determination for Price Control Period 3.
- **By 31 August 2023**, the Company to submit representations to the Regulator regarding the provisional determination of Price Control Period 3.
- **By 30 September 2023,** the Regulator to provide its final determination for the Allowed RAB Revenues and other relevant parameters for Price Control Period 3.

This timeline is indicative, and the dates can be adjusted through mutual agreement between the Regulator and the Company. As per the currently anticipated timelines for Price Control Period 3, the Company made its forecast submission in May 2023 and the Regulator provided initial proposals in August 2023 to which the Company is expected to respond in September 2023. The Company currently expects that the final proposals and determination of Allowed RAB Revenues by the Regulator for Price Control Period 3 will be completed around November 2023.

Comparative RAB Frameworks

RAB frameworks are used across the world to regulate network utilities, including gas and electricity network companies. Despite its widespread use, the implementation of RAB frameworks, and the processes used by regulators, can vary between different countries and across sectors. The RAB Framework that applies to the Company has been compared with the RAB regulatory framework used in a number of selected countries that have similar regulatory frameworks. The comparison is useful to understand the stage of development of regulation in Oman and how it compares with the regulatory framework and experience in other countries.

The sample of countries used for the comparative analysis includes Great Britain, Italy, Portugal, the Emirate of Abu Dhabi and Saudi Arabia, as well as Ireland, Czech Republic and Spain. The jurisdictions were chosen as they all use a RAB model, have at least partially privately owned gas transmission companies and have some public information on their regulatory frameworks, or illustrate regulated networks in Middle Eastern countries. An overview of the regulator and the regulated companies used in the comparative analysis is set out below:

- **Abu Dhabi** – Department of Energy ("**DoE**") regulates the electricity, water, wastewater, and district cooling, oil and gas sectors in Abu Dhabi Emirate in the United Arab Emirates.
- **Saudi Arabia** – Electricity & Cogeneration Regulatory Authority ("**ECRA**") is responsible for regulating the electricity and water desalination industry in Saudi Arabia.
- **Great Britain** – The Office of Gas and Electricity Markets ("**Ofgem**") is responsible for regulating National Grid's Gas Transmission business in Great Britain and published the latest regulatory period decisions in February 2021.
- **Italy** – The Regulatory Authority for Energy, Networks and the Environment ("**ARERA**") carries out regulation and control activities in the sectors of electricity, natural gas, water services, the waste cycle and district heat in Italy.
- **Portugal** – Entidade Reguladora dos Serviços Energéticos ("**ERSE**") regulates electricity, natural gas, electric mobility and gas sectors in Portugal.
- **Ireland** – The Commission for Regulation of Utilities ("**CRU**") is responsible for regulating Gas Networks Ireland ("**GNI**") and published the latest regulatory period decisions in August 2017.
- **Czech Republic** – The Energy Regulatory Office ("**ERO**") is responsible for regulating NET4GAS and published the latest regulatory period decisions in June 2020.

- **Spain** – The Comisión Nacional de los Mercados y la Competencia ("**CNMC**") is responsible for regulating Enagas (the only large TSO) in addition to one small TSO and eight transport companies. CNMC published the latest regulatory period decisions in November 2019.

Despite Oman and the comparator jurisdictions all using a RAB model, there are a number of differences between the regulatory approaches. For example, how the RAB is calculated, the development of the regulatory regime and the use of a nominal or real WACC vary. The combination of these differences in how the framework is applied contribute to the specific characteristics of the overall regulatory frameworks. A high level summary of how the RAB Framework that applies to the Company in Oman compares with other countries is set out in the following table.

Table 3: Summary of RAB framework comparative analysis

	Oman(1)	**Abu Dhabi**	**KSA**	**Great Britain**	**Italy**	**Portugal**	**Republic of Ireland**	**Czech Republic**	**Spain**	**Alignment**
Regulator	**APSR**	**DOE**	**ECRA**	**Ofgem**	**ARERA**	**ERSE**	**CRU**	**ERO**	**CNMC**	
RAB Calculation Methodology	RAB_n = RAB_{n-1} – Depreciation – Disposal – Capital Contributions + WIP Assets	RAV_n(2) = RAV_{n-1}(2) + Past Efficient Capex + Provisional Future Capex – Depreciation	RAB_n = NBV_n(4) – Accumulated Depreciation and Disposals – Inefficient Capex	RAV(2)$_n$ = RAV(2)$_{n-1}$ + Fixed Proportion of Total Expenditure – Depreciation	RAB_n = RAB_{n-1} + Gross invested capital – Depreciation	RAB_n = Fixed Assets Deducted from 3rd Parties Contribution – Depreciation	RAB = Fixed Assets + assets under construction – disposals – Depreciation	RAB = Fixed assets + investments in progress – depreciation x adjustment coefficient	RAB_n = Fixed Assets + assets built $_{n-1}$ – depreciation	High
Price Control Period	**3 years** *(2021-2023)*	**4 years** *(2023-2026)*	**Revenue correction every 2 years**	**5 years** *(2021-2026)*	**4 years** (Transmission) *(2020-2023)*	**4 years** *(2020-2023)*	**5 years** (2017-2022)	**5 years** (2021-2025)	**6 years** (2021-2026)	Low
Price Control Review Process	▪ Several rounds of determination ▪ Consultations with regulated companies ▪ Most aspects not publicly available	▪ Several rounds of consultation ▪ Most aspects not made publicly available	▪ One round of consultation ▪ Most aspects not made publicly available	▪ Consultations with energy companies and stakeholders 2-3 years before the start of the regulatory period	▪ Public consultation before final decision ▪ Publications not all publicly available	▪ Regulator publishes proposals as part of a consultation process	▪ CRU publishes its five-year price control decisions following public consultation ▪ CRU also publishes an annual tariff information paper	▪ Consultations on specific issues and methodology ▪ Decisions are publicly available	▪ Decisions are publicly available ▪ There is also a period for a public hearing process	Medium
Treatment of Inflation / Tax	**Nominal / Tax Allowance**	**Real / Pre-Tax WACC**	n.a.	**Real / Tax Allowance**	**Real / Pre-Tax WACC**	**Nominal / Pre-Tax WACC**	**Real / Pre-Tax WACC**	**Nominal / Pre-Tax WACC**	**Nominal / Pre-Tax WACC**	Medium
Total Market Return(5)	8.00%	9.13%(3)	n.a.	8.63%	7.70%	5.84% - 7.16%	8.25%	8.58%	7.67%	Medium
Cost of Equity	8.78%	7.93%(3)	n.a.	6.39%	9.83%	6.66%	7.22%	7.77%	6.48%	High
Gearing	50%	55%	n.a.	60%	50%	50%	55%	48.89%	50%	High
Nominal WACC	7.30%	6.59%(3)	n.a.	4.87%	7.24%	5.00%	5.78%	5.50%	4.36%	
Ability to Outperform	Potential gains on OPEX savings	Incentives to improve service quality as well as OPEX efficiency	n.a.	Financial incentives to encourage investment and high quality services	Potential for outperformance through performance incentives	n.a.	Potential for outperformance through performance incentives and OPEX efficiencies	Potential on OPEX expenditure and specific incentives	Potential to outperform on OPEX expenditure and incentives	Low

Source: Regulators' published information; Notes: (1) Current PC2 period. (2) Regulatory Asset Value. (3) WACC components taken from previous price control (RC1) Final Proposals, estimated in nominal terms using an inflation assumption of 2%. (4) Net Book Value. (5) TMR measures the return expected by the marginal investor from holding a diversified portfolio of all investible securities. Regulators have tended to use a broad index of equities as a proxy for the market of investible securities; for example, the UK FTSE-All Share.

Chapter XI

Industry Overview

Except as otherwise stated below, the information in this Chapter is derived from the Market Report dated 18 July 2023, which was prepared by the Market Consultant. For further information, see "Presentation of Financial, Industry and Other Market Data — Industry and Market Data". The projections and forward-looking statements in this Chapter are not guarantees of future performance and actual results could differ materially from the projections and forward-looking statements.

1. Preamble

The Company has commissioned Gas Strategies Group Ltd. ("**Gas Strategies**" or the "**Market Consultant**"), an independent leading global gas and LNG commercial advisory firm, to prepare a market study on the natural gas industry and the gas transportation network in Oman.

This Chapter is based on the market analysis performed by Gas Strategies based on the data and information provided by respected data sources such as the *Statistical Review of World Energy* (published by the Energy Institute in 2023 and before that by BP), the International Energy Agency's ("**IEA**") *World Energy Balances*, the Gas Exporting Countries Forum ("**GECF**"), and Rystad Energy's *UCube*, as well as data provided by OQGN. This has been combined with Gas Strategies' own insights from experience and contacts in Oman, alongside public documents published by government authorities and press reporting by various publications, including *Gas Strategies' Information Services*. It is Gas Strategies' view that the information and empirical data used in the creation of this analysis are relevant, appropriate, and complete from a historical perspective as of July 2023.

<u>Summary</u>

The following section sets out the Gas Strategies' high-level conclusions based on the Market Report:

- Gas Strategies expects gas demand in Oman to remain stable over the next 20 years, with gas supply for LNG exports being an important foundation source of demand.
- Diversification of gas demand across sectors and geographically across the country provide resilience to total gas demand and, accordingly, to the utilisation of the network on a regional basis.
- Based on the above, Gas Strategies expects that the Company's natural gas transportation network ("**NGTN**") will benefit from stable utilisation into the future. Gas Strategies expects that flows through the NGTN will continue at least for the next 20 years, with no meaningful reduction in throughput over that timeframe.
- Existing network infrastructure and ongoing investment projects mean that the network should be able to support increased gas demand.
- The Company has a natural monopoly position in Omani gas transportation infrastructure. Given the nature of the asset as a country-wide system, it is highly unlikely that new competitors will enter the midstream and downstream sectors to create rival networks.
- The possibility of developing hydrogen production capacity presents a new infrastructure opportunity for OQGN in Oman. In light of its current natural monopoly position in gas transportation, Gas Strategies considers that OQGN stands out as the clear frontrunner for spearheading the development of such infrastructure in Oman. It has signed a Memorandum of Understanding with Hydrom, Oman's green hydrogen development company, to establish collaboration in green hydrogen pipelines development.

2. Introduction

2.1 Global Gas Outlook

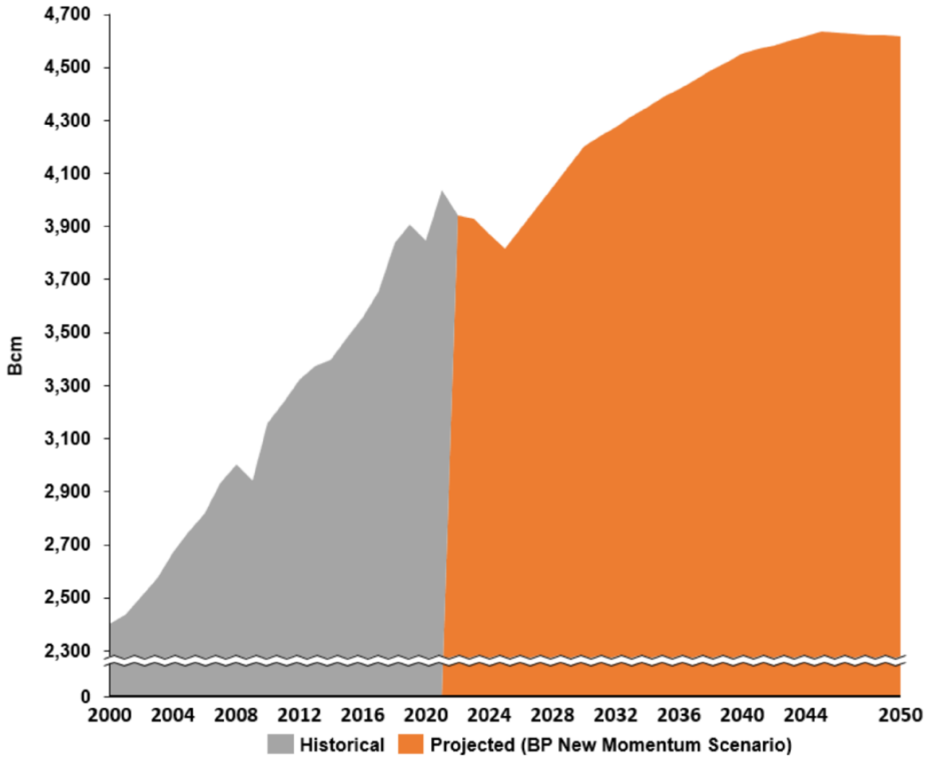
Traditionally, growth in global gas demand has been driven by rising GDP and industrial expansion (particularly in rapidly developing markets such as China and India), alongside the need for secure energy supplies (in markets such as Europe and Japan). This has resulted in steady growth in gas demand – with a 1.7% compound annual growth rate (*"***CAGR***"*) between 2012 and 2022, over one and a half times higher than the growth rate of oil consumption during the same period. Furthermore, global gas demand has proved resilient in response to numerous global social and economic challenges. For example, following the global financial crisis global gas demand witnessed a minor decrease of 2% in 2009 (from the 2008 level), rebounding in 2010. This was followed in 2020, when as a result of the Covid-19 pandemic, demand declined by 2% in 2020 versus 2019 (a much smaller decrease compared to the decrease in oil demand), and quickly recovered with a 5% increase in 2021 as Covid-19 restrictions eased and global economic activity picked up. Global gas demand decreased by 3% in 2022, notably in Europe, as a result of the environment of unprecedentedly high gas prices following the Russian invasion of Ukraine. Gas demand in the Middle East decreased by only 0.3%, the smallest of all regional decreases.

Going forward, global gas demand is expected to continue to grow until at least 2050 (under most realistic scenarios), even as most major economies work towards net-zero carbon emission targets (to be achieved through decarbonising energy systems and economies). This is due to the fact that gas is a relatively cleaner burning fossil fuel, producing fewer emissions of nearly all types of pollutants, compared to coal or petroleum products, to generate an equal amount of energy. Therefore, gas is often considered to be a key fuel in the energy transition, particularly as countries switch from the use of coal to gas in the power sector.

While coal-to-gas switching in the power sector is considered one of the primary drivers of global gas demand growth over the next few decades, demand growth can also be expected to be driven by rising demand from industrial production, as gas replaces other feedstocks (e.g., coal in steel production), expansion of domestic heating, air-conditioning, and gas cooking in developing countries, as well as generally a result of rising energy demand from economic growth. More importantly, gas is expected to play a key role in ensuring energy security in response to the geopolitical shocks associated with the Russian invasion of Ukraine, as well as the intermittency issues inherent in renewable energy technology.

Accordingly, many major energy companies and independent agencies forecast an increasing role for gas in the energy mix, alongside renewables, for at least the next 20-30 years. The *BP Energy Outlook 2023's* 'New Momentum' scenario (illustrated in Figure 1 below, alongside historical gas consumption) indicates what it considers the most likely outcome, based on a combination of current policy actions and their trajectories. With its significant LNG production capacity (both operational and under-construction) and beneficial geographic location, supporting supply to regions with high gas demand (Asia and Europe), the Middle East is expected to be a key source in meeting this expected gas demand growth.

Figure 1 Global Gas Consumption from 2000 to 2050



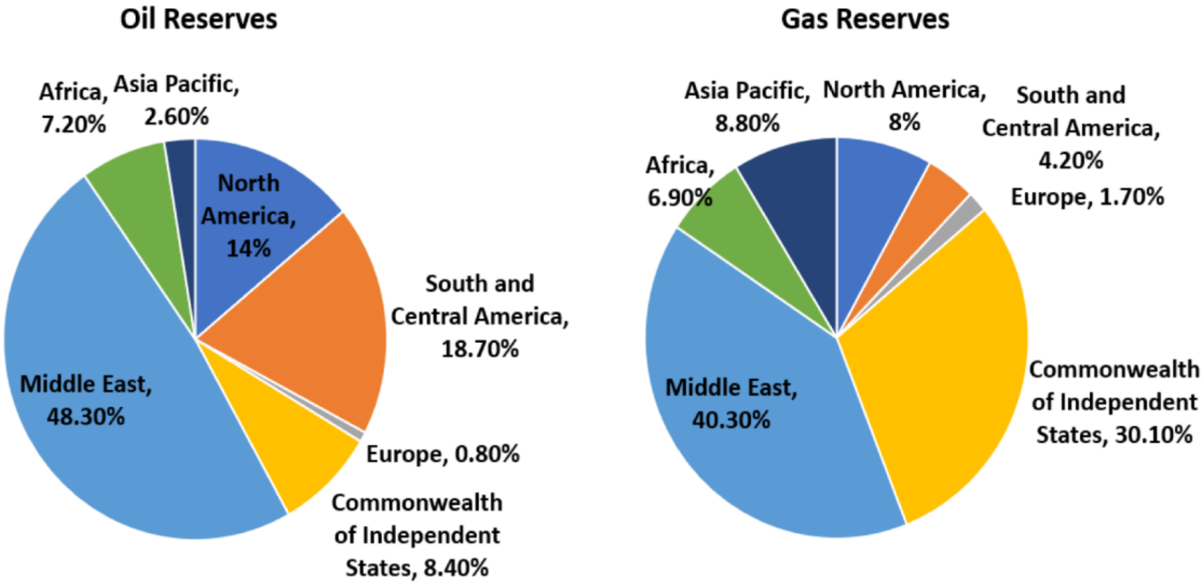
Source: BP Statistical Review of World Energy 2022, 2023 Statistical Review of World Energy, BP Energy Outlook 2023

2.2 Middle East Oil and Gas Industry

For the purposes of this section, the Middle East comprises Saudi Arabia, Iraq, UAE, Iran, Kuwait, Qatar, Oman, Syria, Yemen, and Bahrain, in accordance with the classification in the *2023 Statistical Review of World Energy*.

The Middle East has been central to the hydrocarbon industry since oil and gas was discovered in the region in the early years of the 20th century. At the end of 2020, which is most recent year of reserves data available from BP (as published in the BP Statistical Review of World Energy, as the follow-up publication in 2023 did not include this data), the Middle East had the highest oil and gas reserves globally, with 48% of global oil reserves and 40% of global gas reserves (see Figure 2). In 2021, the region produced 31% of the world's oil and 18% of the world's gas.

Figure 2 Oil and Gas Reserves by Region (as at end of 2020)

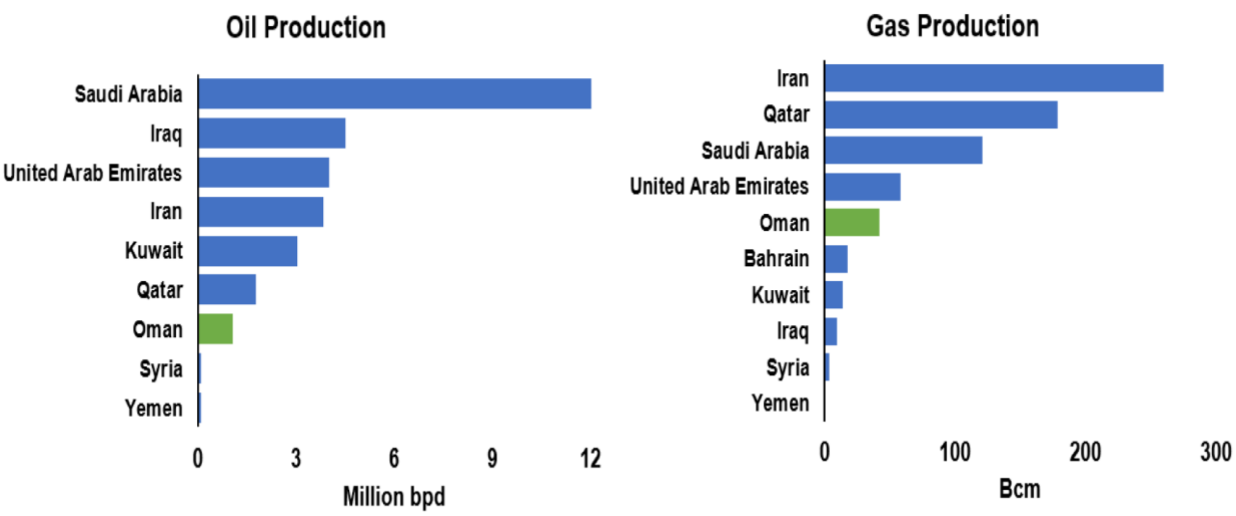


Source: BP Statistical Review of World Energy 2022

The Middle East is advantaged by being a low-cost supplier of both oil and gas and because of its geographical position – with the ability to supply both existing and rapidly growing markets of Asia and established markets in Europe. Oman shares these advantages. Moreover, Oman has access to secure, deepwater ports that are able to berth larger vessels, and its location outside the Straits of Hormuz allows exports to avoid shipping congestion in the Straits (through which most Middle Eastern oil and gas exports transit).

Although Oman is not a member of OPEC, it is a significant oil producer and is a member of OPEC+. Oil production has remained steady at around 1 million bpd over the last decade, as Enhanced Oil Recovery ("**EOR**") schemes have been implemented to sustain production from the major fields. Oman is seen as a regional leader in this EOR technology.

Figure 3 Middle Eastern Oil and Gas Producers by Output (2022)



Source: 2023 Statistical Review of World Energy

Qatar is the dominant player in the gas industry – not just regionally, but globally as well with its huge LNG export capacity (Qatar is the largest LNG exporter in the world). Oman is the fifth largest gas producer in the Middle East and the second largest LNG exporter in the region. Although other big Middle Eastern oil producers also have significant gas production, most of their gas is used in their domestic markets, with only modest export volumes from Iran and the UAE.

3. Oman Gas Industry

3.1 Omani Macroeconomy

Oman has been a significant oil and gas producer since the 1960s and the sector dominates the Omani economy – accounting for 38% of GDP and approximately 65% of government revenue according to the Omani National Centre for Statistics & Information (*"***NCSI***"*). GDP in 2022 is estimated to have been approximately $109 billion (in nominal US Dollars), having grown an estimated 4.3% from 2021. Over this period, the GDP of the hydrocarbon economy is estimated to have grown by 8.5%, with the non-hydrocarbon economy growing by 2.6%. Gas exports (specifically LNG) represented c. 12% of Oman's total export value in 2022.

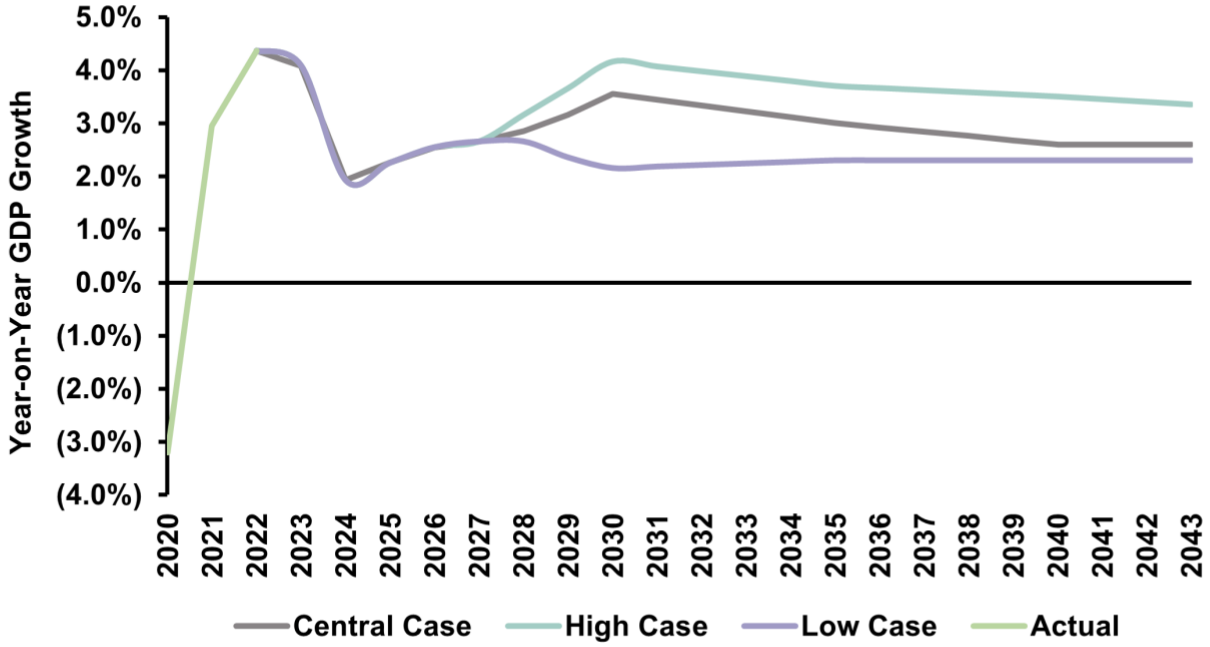
The Government of Oman's Oman Vision 2040 document lays out a pathway to diversify the economy, encouraging growth in non-hydrocarbon sectors such as alternative energies (including hydrogen), technology, and tourism. These key sectors are expected to be significant drivers of economic growth, supported as well by an expansion in industrial demand (precipitated by growing national wealth). Gas supply will be required to support this industrial growth, thereby providing a key opportunity for continued utilisation of the NGTN to support overall economic growth.

Gas Strategies has produced three cases for GDP growth in Oman, illustrated below in Figure 4 and summarised in Table 1. These GDP cases should be considered indicative cases, not forecasts for GDP growth. Each of the cases is associated with a particular upstream outturn (see Section 3.5). Even in the Low Case, long-term growth can be expected to be comparable with what is typical for major economies.

Table 1 Gas Strategies' indicative GDP Growth Scenario Narratives

Central Case	High Case	Low Case
• GDP growth is strong in the late 2020s/early 2030s due to robust upstream gas activity • While the GDP growth rate is impacted in the short-term by Oman moving away from the dominant hydrocarbons sector in the 2030s, it remains strong due to investment in energy transition sectors • GDP growth rates decline in the long-run, as is typical of economies as they advance	• GDP growth is stronger than in the Central Case in the late 2020s/early 2030s due to success in upstream exploratory activities • GDP growth rates reduce as the economy moves away from the oil and gas sector. However, growth remains stronger than in the Central Case as a legacy effect of the upstream boom • This in turn provides the financial strength to commit to investments aligned with energy transition efforts	• GDP growth rates begin to fall in the late 2020s due to a lack of upstream exploration success and limited growth in gas production • However, this spurs accelerated energy transition activity and investment in order to stimulate the economy

Figure 4 Indicative Omani GDP Growth Across Possible Scenarios



Source: Gas Strategies, International Monetary Fund (IMF)

3.2 History of Omani Gas Production

Oil was first discovered in Oman in 1962 by Petroleum Development Oman (PDO), a joint-venture company established by the original concession holders to conduct petroleum operations in Oman. In 1974 the Government of Oman acquired a 60% shareholding in PDO (pro-rated between the shareholders at that time). PDO's shareholders are currently: Government of Oman (through Energy Development Oman) (60%), Shell (34%), TotalEnergies (4%), and PTTEP (2%).

Omani gas production then started in 1978, when associated gas gathered from the oil fields was delivered to Mina al Fahal through the first gas pipeline; prior to that, surplus associated gas production had been flared.

In the late 1980s and the early 1990s, PDO discovered a number of large non-associated gas fields (Saih Rawl, Saih Nihayda, and Barik) in central Oman. Following these discoveries, Oman LNG (see Section 3.7) was conceived as a route to monetising these reserves by way of export to international markets.

Following the development of PDO's large non-associated gas fields and the inauguration of Oman LNG, Oman's gas production increased significantly. A network of regional trunklines was constructed, delivering gas to Sohar in the north and Salalah in the south, underpinning the growth of a gas-fuelled industrial sector and a fleet of gas-fired power and desalination plants.

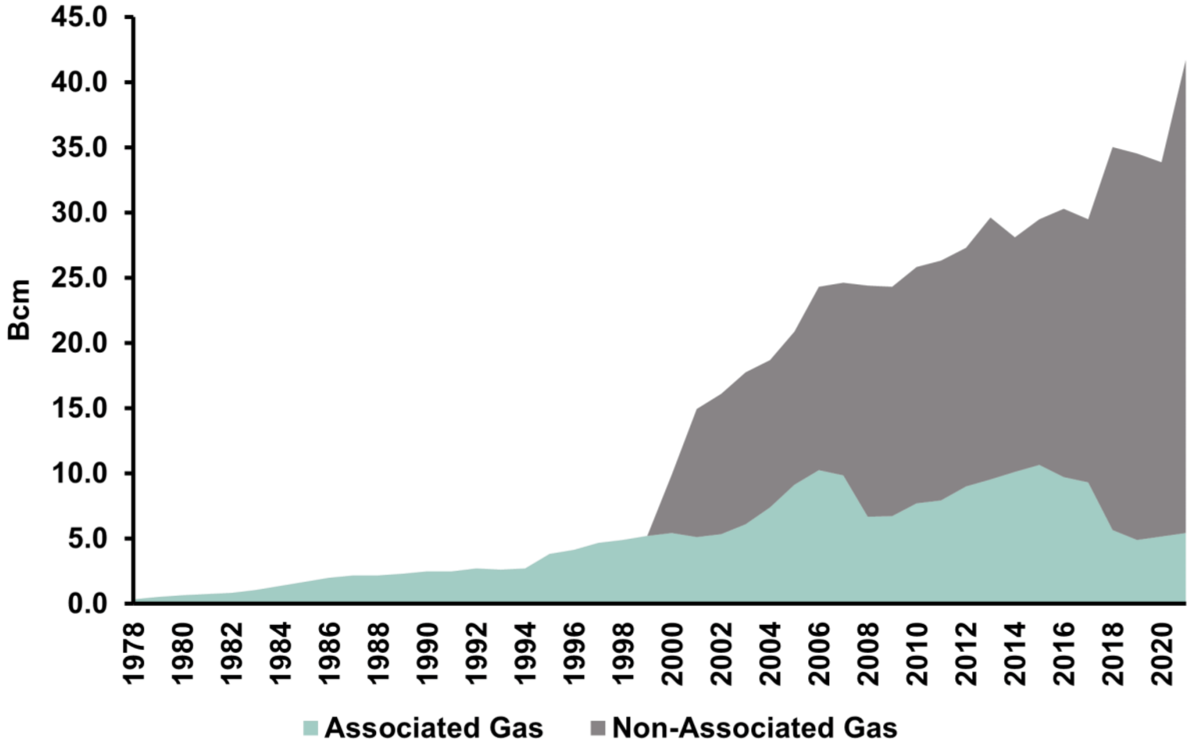
In the mid-2000s, the MEM, in response to declining oil production, launched an initiative to stimulate further gas developments. It carved out a number of undeveloped gas discoveries from PDO's concession and offered them for development. A number of new agreements were signed with BP, Petronas, and BG Group amongst others.

BP's Khazzan/Makarem development followed and started up in 2017. This marked a new phase in the evolution of Omani gas production, with the new gas bearing reservoirs being unconventional tight gas reservoirs requiring the application of the well and production technologies developed in the US shale gas industry. BP's project has performed well and has now been expanded to produce around 15.5 BCM/yr, almost 40% of Oman's gas supply in 2021.

PDO is still the largest producer in Oman, with its Block 6 concession covering almost a third of Oman. According to PDO's website, it operates over 205 oil fields and 64 gas fields, a network of over 30,000 km of flowlines and pipelines, oil export facilities at Mina al Fahal (in Muscat), as well as a number of power plants.

The upstream concession holders develop and operate all the facilities necessary to produce and process oil and gas and transport the products to the designated delivery points. In the case of gas, the delivery point is the designated connection point into the NGTN national distribution network.

Figure 5 Historical Omani Gas Production



Source: Rystad Energy, Gas Strategies

Following the success of the BP project, Shell and its partners have committed to a further large tight gas development in Blocks 10 and 11 (the Greater Barik Project). Block 10 of the Greater Barik Project started in early 2023 and the entire project is expected to produce over 5 BCM/yr upon plateau.

This new phase of tight gas production has augmented the feedgas supply to Oman LNG to maximise LNG export volumes. It has also underpinned the development of the new industrial centre at Duqm, where an oil refinery is currently in the commissioning phase and a number of petrochemical plants are planned. The NGTN plays a critical role in connecting all of Oman's upstream gas production with the various demand centres across the country.

3.3 Current Gas Industry Status

Oman's gas production has increased steeply over the last 20 years, from 15.4 BCM in 2001 to 42.1 BCM in 2022, a record high for the country. There were 74 active gas fields in Oman as of 2021. Gas production capacity will continue to increase as Shell's Greater Barik Project ramps up. However, with production capacity now exceeding current gas demand, MEM has cut back production from a number of PDO fields in order to balance supply with demand. This excess production is deferred and will be produced at a later date (as required to meet demand). This sustains production over a longer period and will push back the likely date of peak production and the onset of decline well beyond 2030.

Although Oman is a mature hydrocarbon province, MEM is continuing to promote exploration activity. A number of concessions have been awarded in recent years to BP, ENI, TotalEnergies, and Shell, who are all actively exploring the main hydrocarbon basins of central Oman. It is possible that these efforts will yield further gas discoveries. BP and Shell's exploration efforts in the last decade have been successful (see Section 3.2 above). The relatively constant reserves-to-production ratio (*"***R/P***"*), which is calculated as the ratio of existing reserves to current production (see Section 3.4 below) implies regular reserves additions, which have mainly come from the existing fields.

MEM has pursued a policy of linking exploration concession awards in more prospective areas with commitments to invest in downstream industrial sectors and new energy technologies, such as hydrogen, wind, and solar (see Table 2).

Oman is seen internationally as a proven hydrocarbon province, with well-established industry infrastructure and a competitive fiscal regime for investment. As such, investment into upstream exploration and development activity in Oman remains buoyant, despite the pressure of decarbonisation which is affecting investment levels across the global oil and gas industry. For instance, it is understood that Shell has committed to a $2 billion investment over the 18-year life of its Block 10 development.

Amongst Oman's international partners, Shell remains the biggest player, with BP, Occidental, and TotalEnergies all having significant interests both upstream and downstream.

Table 2 Significant International Players in Oman with Upstream and Downstream Interests

International Investors	Upstream Interests	Downstream Interests
Shell	• Shell dominates through its significant role in PDO (holding a 34% interest) and recently its operatorship of the Greater Barik Project in Blocks 10 & 11	• A 30% shareholder in Oman LNG and recently signed a new offtake agreement for LNG supply. • Active in the downstream through its retail filling stations, aviation and lubricants businesses. • It has acquired a 35% stake in a green hydrogen project from OQ.
bp	• The leading new entrant with its large tight gas project that now produces around a third of Oman's gas • It is active in exploration in Block 77 with ENI.	• A downstream presence with its aviation fuel and fuel oil bunkering businesses. • An offtaker from Oman LNG. • It is working with the MEM to develop wind power opportunities.
PTTEP	• A recent entrant, it purchased Partex's interest in PDO and also bought into the BP project • Active in exploration in Block 12 with Total.	• A small shareholder in Oman LNG (2%) and an offtaker
PETRONAS	• Bought into the BP project. Has been active in Oman previously but without success as an operator.	
TotalEnergies	• A partner in PDO (4%) and with Shell in Blocks 10 & 11. • Recently awarded operatorship of Block 12 adjacent to Shell's Greater Barik project.	• A partner in Oman LNG (5.5%) and an offtaker. • It also has a JV with OQ aiming to develop a small-scale LNG bunkering business in Sohar (Marsa LNG). • Investor in a large PV solar project linked to desalination.
OXY Occidental	• A major oil producer in Oman through its Makhaizna EOR project. • It also has some minor gas production (Blocks 9, 27 and 62) which is declining. It is exploring in Block 30.	
eni	• A recent entrant to Oman. Currently only in exploration – Block 47, Block 77 with BP, and Block 52 offshore in deep water. A recent deepwater well was unsuccessful.	

3.4 Reserves

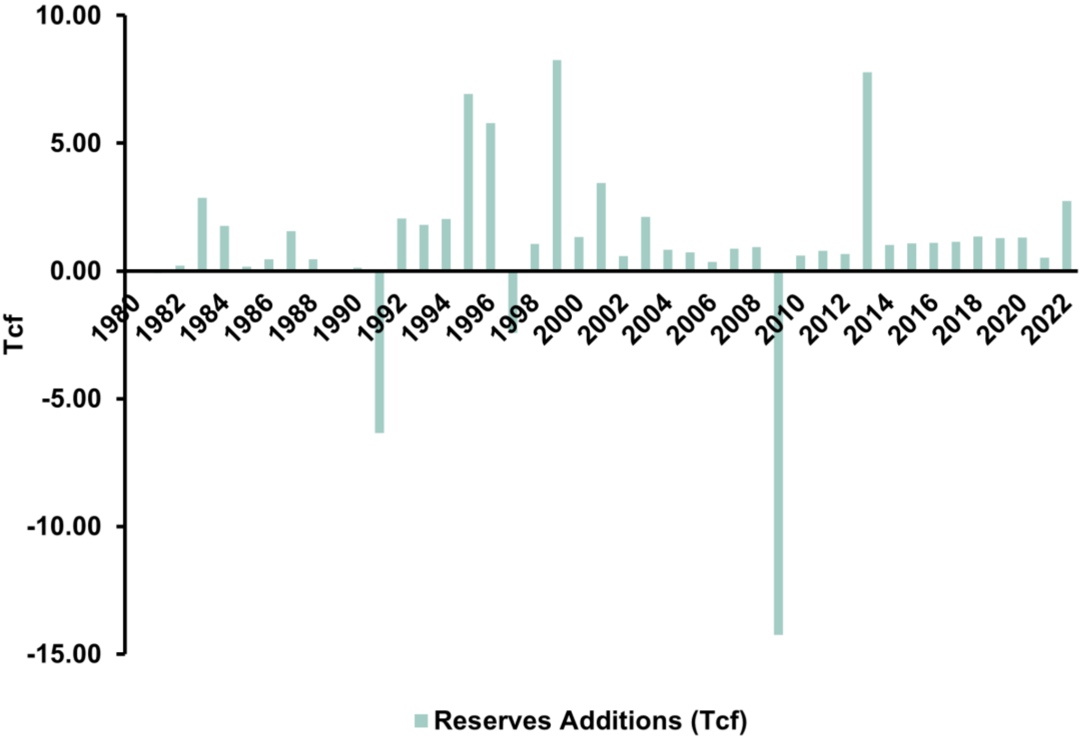
Oman's hydrocarbon reserves as reported by BP were 5.4 billion barrels of oil and 23.5 Tcf (665 BCM) of gas at the end of 2020 (the latest internationally recognised total available). This represents an R/P of 15.4 years and 18 years, respectively. Based on Rystad Energies' data, Gas Strategies estimates natural gas reserves as of the end of 2022 to be 24.4 Tcf (692 BCM), corresponding to an R/P of 20 years. However, R/P is an assessment at a point in time (in this case the end of 2022) and does not take into account the future demand profile or any future reserves additions and, therefore, the actual R/P is likely to be higher.

There was a significant write down in Omani gas reserves in 2009, following Shell's admission that it had exaggerated its global resource base. Since 2013, gas reserves have remained flat with an addition of c.1.2 Tcf per annum offsetting the produced volumes. These additions are mainly due to reserves growth from the existing producing gas fields by means of enhanced reservoir management, as well as the application of new well technologies and facilities enhancements.

It can be expected that reserves growth will continue to come from existing producing fields as enhanced recovery techniques are implemented. There will likely also be reserve additions from the development of existing discoveries, most notably Shell's Greater Barik Project. Furthermore, MEM's latest push to increase exploration activity is also expected to yield some new discoveries which would eventually be developed and bolster available reserves.

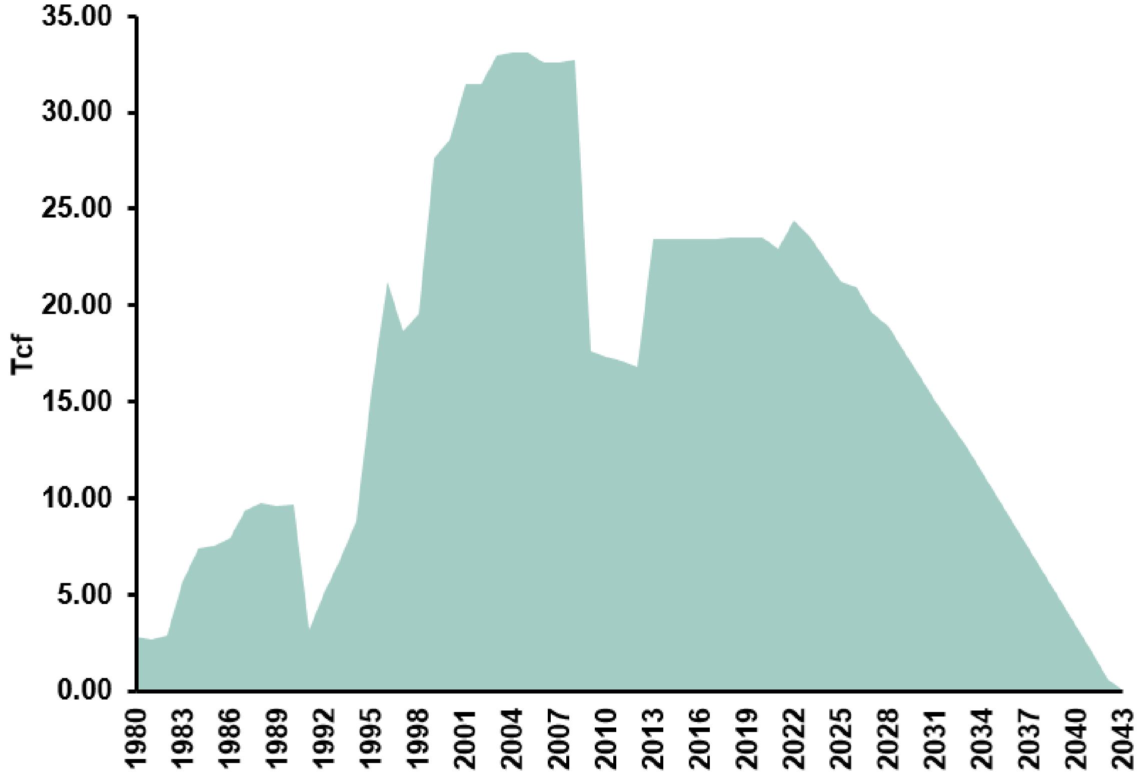
Future reserve additions will offset, at least in part, the natural decline of the currently-producing gas fields, thus extending the R/P ratios reported today. It seems likely that Oman has at least 20-30 years of reserves to adequately underpin current demand forecasts and utilise the NGTN.

Figure 6 Historical Omani Reserves Additions



Source: BP Statistical Review of World Energy 2022

Figure 7 Historical and forward-looking Omani Gas Reserves



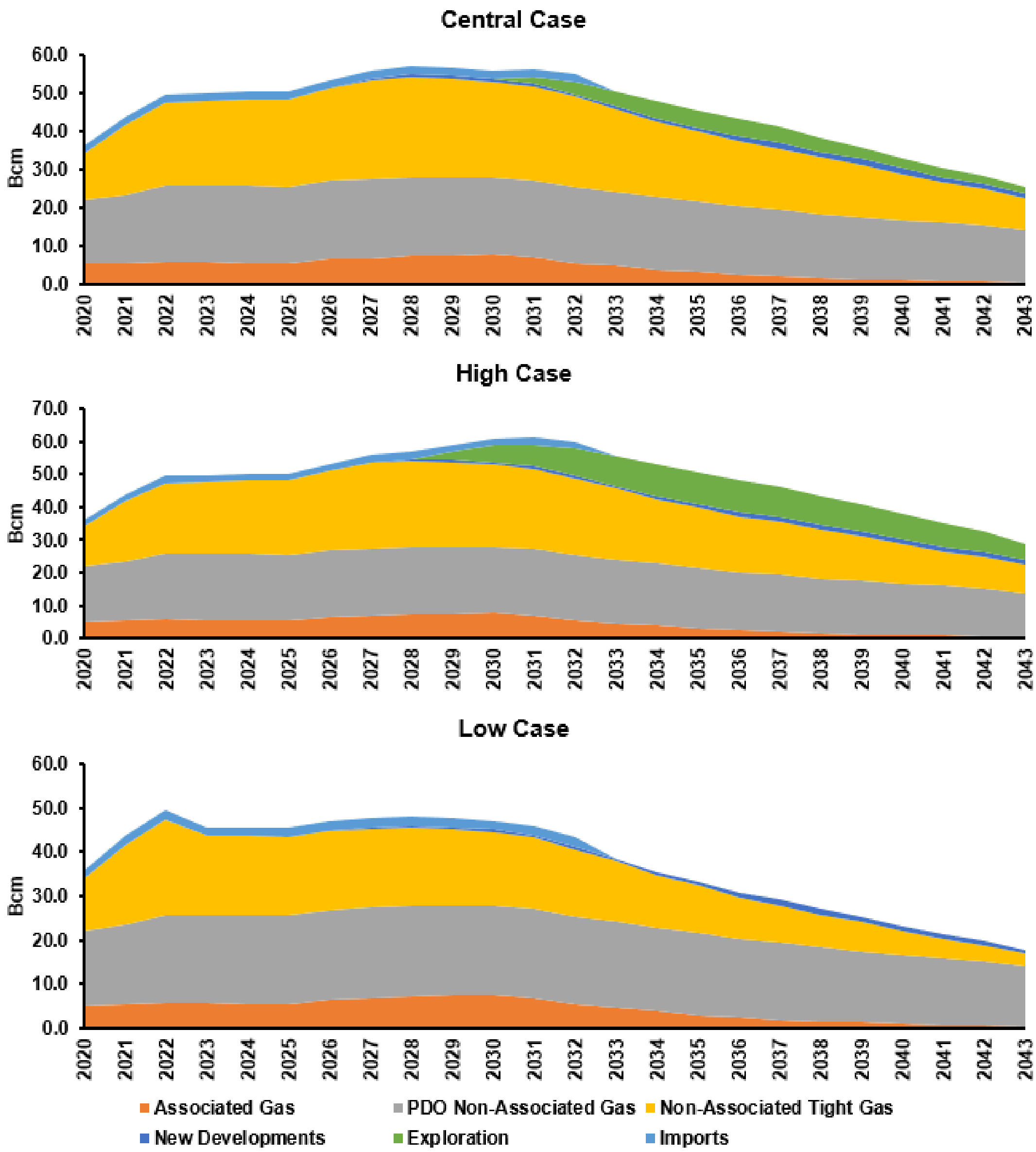
Source: BP Statistical Review of World Energy 2022, Gas Strategies

3.5 Supply-side Outlook

Gas supply in Oman has the capacity to continue growing and reach a peak around 2030, largely as a result of upstream projects that have already been committed.

Gas Strategies has developed three scenarios for unconstrained gas supply (see Figure 8). In all three cases, supply continues to grow for the remainder of this decade. In the High Case, further exploration success extends the profile, while in the Low Case lower reserves precipitate a steeper decline in production. It is important to note that these supply cases are all unconstrained, in other words they represent the production capacity of the upstream system if downstream demand was unlimited.

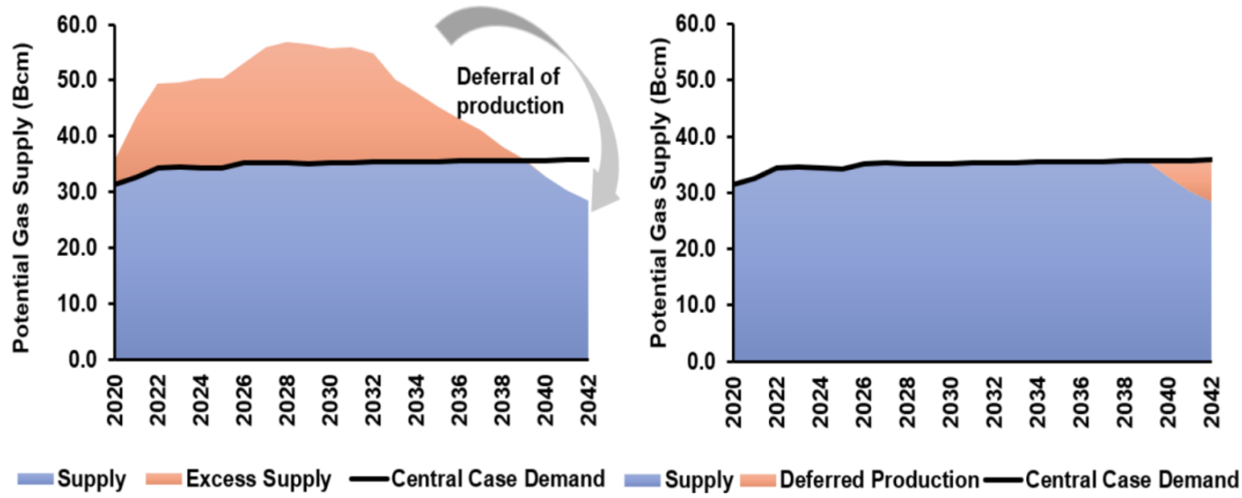
Figure 8 Potential Outlooks for Unconstrained Gas Supply in Oman



Source: Gas Strategies

Actual supply will be ultimately determined by demand. Gas Strategies does not expect there to be any constraints within the NGTN that prevent gas supply meeting the demand scenarios, assuming there is continued investment in operations and maintenance. In the short-to-medium term, supply capacity is likely to continue to be greater than demand (as has been the case) with gas production curtailed and deferred (as has also been the case). This will have the effect of flattening the supply curves, thereby extending the life of upstream supply assets. Deferred production from existing reserves and likely discoveries should be sufficient to sustain gas production for at least the next 20 years and prevent a situation of undersupply during that period. Based on this, Gas Strategies expects that the NGTN will benefit from stable utilisation into the future. Figure 9 below demonstrates how this could be the case, using both the supply and demand Central Cases (the latter from Section 3.11). For the purposes of this illustration, the outlook for gas use in the upstream gas sector has been excluded from the gas demand outlook. This is to create a consistency with the gas supply outlook, which is just for sales gas (i.e., does not contain gas that would be consumed in the upstream).

Figure 9 Potential for Deferred Gas Production



Source: Gas Strategies

3.6 Natural Gas Economy

Gas dominates energy consumption in Oman, with gas demand totalling approximately 39 BCM in 2022.

Data from the IEA shows that gas demand in Oman grew at a 3.2% CAGR from 2010 to 2020. The growth in this period was driven primarily on the back of increased feedgas requirement for LNG production, the industrial sector (including petrochemicals) and power generation. Strong GDP and population growth drove the increase in the latter two demand segments. In 2019, there was a decline in total gas demand, arising from falling demand from the power sector – a result of the contraction in overall power consumption in Oman that year as GDP decreased. However, across the 2010 to 2020 period, it is noteworthy that gas demand showed strong growth over this period, despite 2020's total demand being depressed due to Covid-19.

As with all major economies, the Government is planning for a decarbonised future and energy diversification away from traditional hydrocarbon sectors. Oman's Vision 2040 plan aims to increase the share of non-oil activities in GDP to over 90% and reflects the Government's proactive approach towards diversifying the economy and preparing for a future with reduced reliance on hydrocarbon sectors.

However, this above target is dependent on the speed at which decarbonisation initiatives can be financed and implemented. The track record of delivering infrastructure projects in Oman suggest that this will likely be at a slower rate than the Government intends, raising the possibility that the 90% GDP share is not reached until post-2040. Additionally, gas will likely be the last fossil fuel phased out.

Positively, Oman will continue to be a significant player in international gas markets for the foreseeable future as global economies continue to depend on fossil fuels (especially gas) for at least the next 20 to 30 years. Gas demand is expected to remain strong in Asia, where it will play an enabling role in the energy transition (in part by supporting energy security whilst countries deal with the inherent intermittency of renewable generation), as these markets move away from a reliance on oil and coal. Omani LNG exports are well placed to serve these Asian markets (which have historically accounted for 90% or more of Omani LNG exports). Oman LNG is geographically well situated to export to Europe too, as Europe seeks alternative gas sources to replace Russian pipeline imports. This will provide a key support to stability of gas demand in Oman and utilisation of the NGTN for the next two decades.

As illustrated below in Figure 10, the downstream gas market in Oman is dominated by three key sectors:

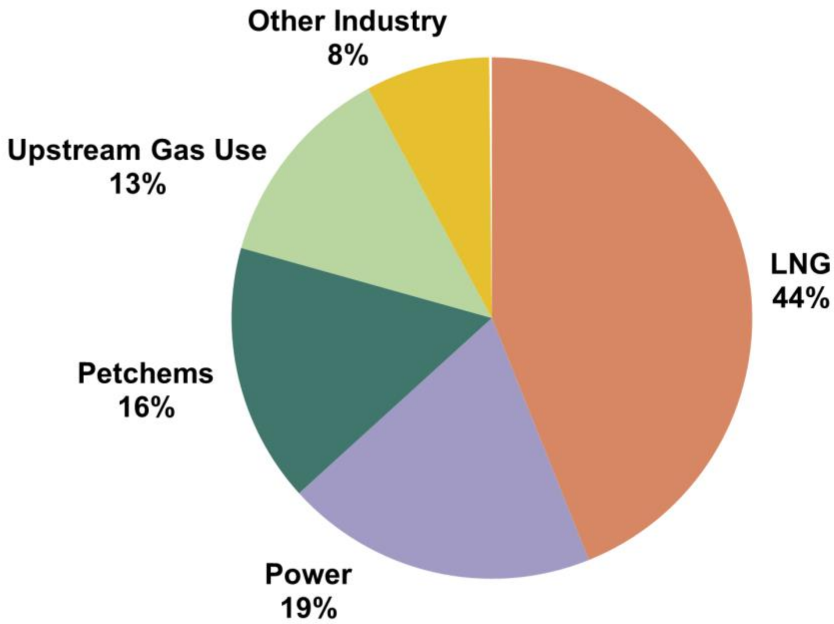
- <u>LNG production</u>: LNG production from the Oman LNG plant is the single largest consumer of gas accounting for c. 44% of demand in 2022. This is expected to stay at least at current levels, if not grow, as Oman LNG is expected to continue producing at or near full capacity.
- <u>Industrial Sectors</u>: The wider industrial sector accounted for c. 24% of gas demand in 2022 – c. 16% for petrochemicals production, notably fertiliser and plastics production, and c. 8% for manufacturing, notably steel and cement production. There is expected to be a bifurcation in industrial gas demand, as the petrochemical

sector's feedstock requirement will be more resilient to decarbonisation than that of the rest of the industrial sectors.

- Power Generation: Power generation is the third-largest sector for gas demand, consuming c. 19% of the 2022 total.

Gas use in the upstream oil and gas sector (including fuel gas use and captive power generation) accounted for c. 13% of total gas demand in 2022.

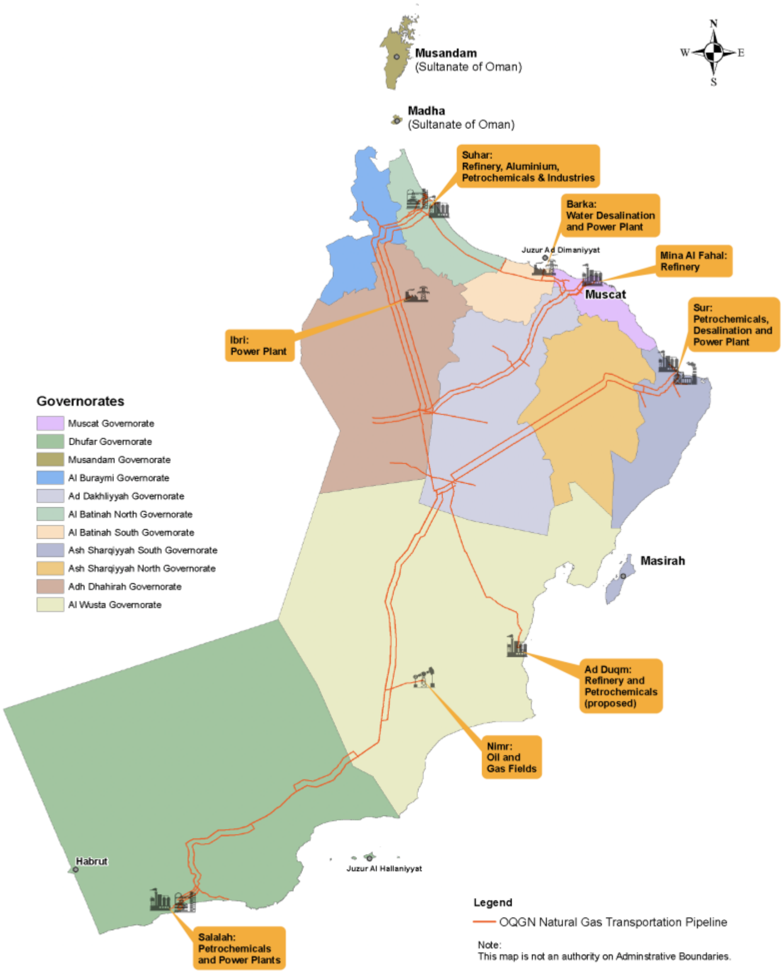
Figure 10 Gas Demand in Oman by Sector (2022)



Source: OQGN

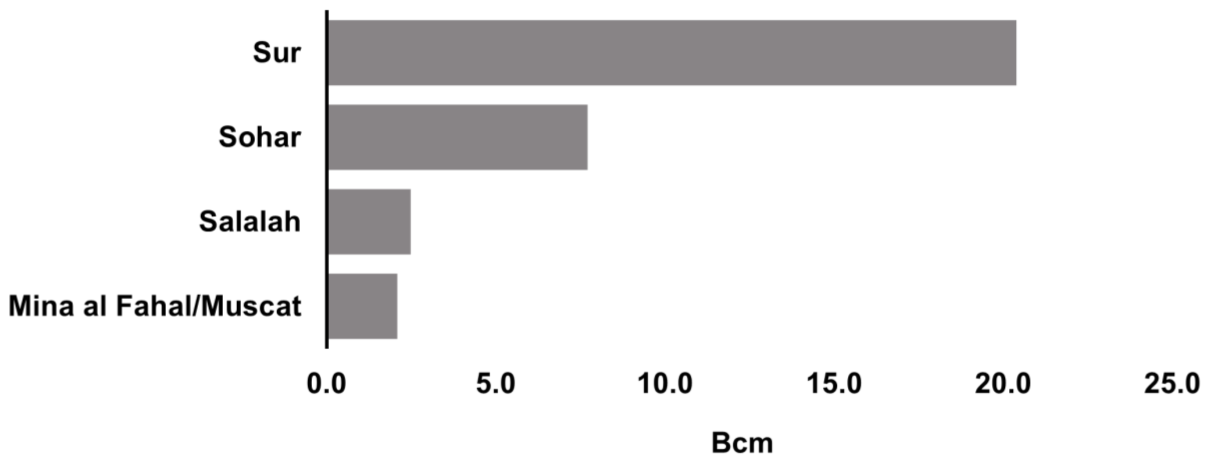
Oman's gas consuming industries are split across four key clusters located in Sohar, Muscat/Mina al Fahal, Sur, and Salalah. Following completion, Duqm is expected to become the fifth key cluster. These key clusters are presented in Figure 11 below, with gas demand by region in Oman shown in Figure 12. Each of these areas consists (or will consist) of numerous gas-consuming manufacturing and petrochemical facilities, along with significant gas-fired power capacity. The geographical diversity of these gas consumers and the range of sub-sectors provide the network with a high degree of resilience for the long-term.

Figure 11 Key Gas-consuming Regions in Oman



Source: Gas Strategies

Figure 12 Demand by Region in Oman (2022)



Source: Gas Strategies

3.7 LNG Production

The single largest gas consumer in Oman is the Oman LNG plant, which represented 44% of demand in 2022. This provides a stable foundation for gas demand with a high probability of continuation at this level, or higher if there was to be an expansion in liquefaction capacity.

The plant, which is operated by Oman LNG (a joint venture between the Government (51%), Shell (30%), TotalEnergies (5%), and other minor shareholdings from Asian parties), began production as a two-train facility in 2000. A third train was added in 2005, bringing the total capacity to 10.4 mtpa. In 2022, Oman LNG undertook debottlenecking to increase the total nameplate capacity by an estimated 1 mtpa to 11.4 mtpa, increasing the plant's feedgas requirements by approximately 1.55 BCM – bringing it to c. 17 BCM.

Oman exported an estimated 11.27 mt of LNG in 2022. Of these exports, historically most (more than 90%) have been delivered to Asia.

Oman LNG's operating license and gas supply agreements are both due to expire by the end of 2024. Talks are underway with the MEM and it is highly likely that Oman LNG will continue to operate under an extension of the existing agreements.

10.4 mtpa of long-term LNG sales and purchase agreements ("**SPAs**") are currently in force, two-thirds with Asian buyers and the remainder with portfolio players. Oman LNG has recently been operating at near full capacity, with the remainder of the LNG produced being sold on the spot market. While all of the existing contracts are due to expire by 2026, Oman LNG has recently announced multiple new binding term sheets, primarily with Asian buyers and portfolio players. These new SPAs are all due to begin in either 2025 or 2026. Given Oman LNG's track record of selling excess volumes on the spot market and the growing global LNG demand, the plant's strong production will likely continue, thereby providing a stable foundation to gas demand in Oman and continued utilisation of the relevant elements of the NGTN.

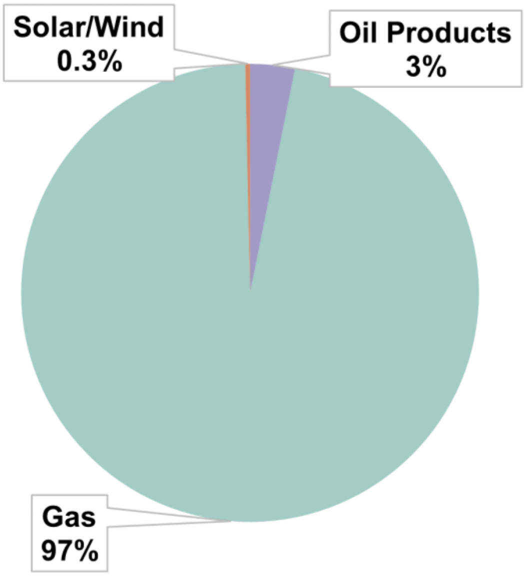
There is potential to further expand the plant with an additional liquefaction train. Assuming that a positive final investment decision ("**FID**") is taken on a fourth train at the time of the renewal of the operating arrangements, that would likely result in the new train beginning production in 2029 at the earliest. Gas Strategies' view is that Asian LNG demand can be expected to grow at a 3.4% CAGR between 2023 and 2043, providing strong support for increased Omani LNG production. However, this has to be balanced with an overall plateauing of global LNG demand (which Gas Strategies expects to occur in the late 2030s) and competition from new Qatari and US liquefaction plants. As a result, Gas Strategies has included the expansion at Oman LNG in the High Case demand scenario only, where it supports an additional 5.8 BCM/yr of gas demand.

Other potential opportunities in LNG include small-scale LNG bunkering projects. By reducing gas use in upstream production (including harnessing flare gas), the Government has estimated that additional gas sufficient for 4 mtpa of LNG exports could be made available by 2050. For example, TotalEnergies is proposing a 1.15 mtpa Marsa LNG facility (pending FID) that is intended to produce LNG for bunkering operations. Marsa LNG (a joint venture between TotalEnergies and OQ) would require an estimated 1.55 BCM/yr of gas if operating at full capacity. The feedgas will be supplied from Marsa LNG's interest in the Block 10 license area. This gas would provide further utilisation for the extensive NGTN assets at Sohar. Marsa LNG could commence operations by 2025 at the earliest.

3.8 Power Sector

The power sector in Oman is dominated by gas, as shown in Figure 13. According to the IEA, there is 11 GW of on-grid gas-fired generation capacity, which produced 96.5% of the total power generated in 2020; 3.2% of generation was from oil products (from approximately 150 MW of diesel-fired capacity); only 0.3% of the 2020 power mix was renewable. (The IEA is the data source with the granularity to allow a split by fuel. 2020 is the most recent year available.)

Figure 13 Power Generation by Fuel (2020)

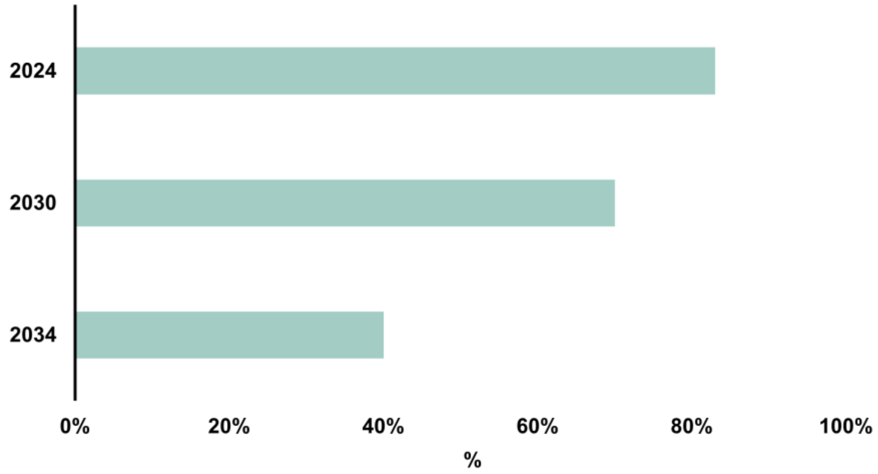


Source: International Energy Agency

The minor off-grid renewable generation has existed for several years, with the first on-grid renewable electricity project being the Dhofar Wind IPP that began in 2019. The Amin Solar PV Park (125 MW) in Al Wusta, the first on-grid solar plant, commenced operations in 2020.

Oman Power and Water Procurement Company, the national power procurement company, expects the gas share of the power mix to fall to 83% in 2024, based on the renewable projects currently being developed. Beyond this, the Government targets renewable generation to rise to 30% by 2030. The Net Zero strategy assumes that 60% of power could be renewable by 2034. Given the pace of development that would be required in order to meet renewable power targets, as well as the track record of delays experienced during the implementation of new infrastructure development in Oman, Gas Strategies does not expect these targets to be met, resulting in the need for gas-fired assets and gas demand in the power sector to be prolonged. Based on these targets, the implied shares for gas in power generation in 2024, 2030, and 2034 are presented below.

Figure 14 Implied Gas Share of Power Generation

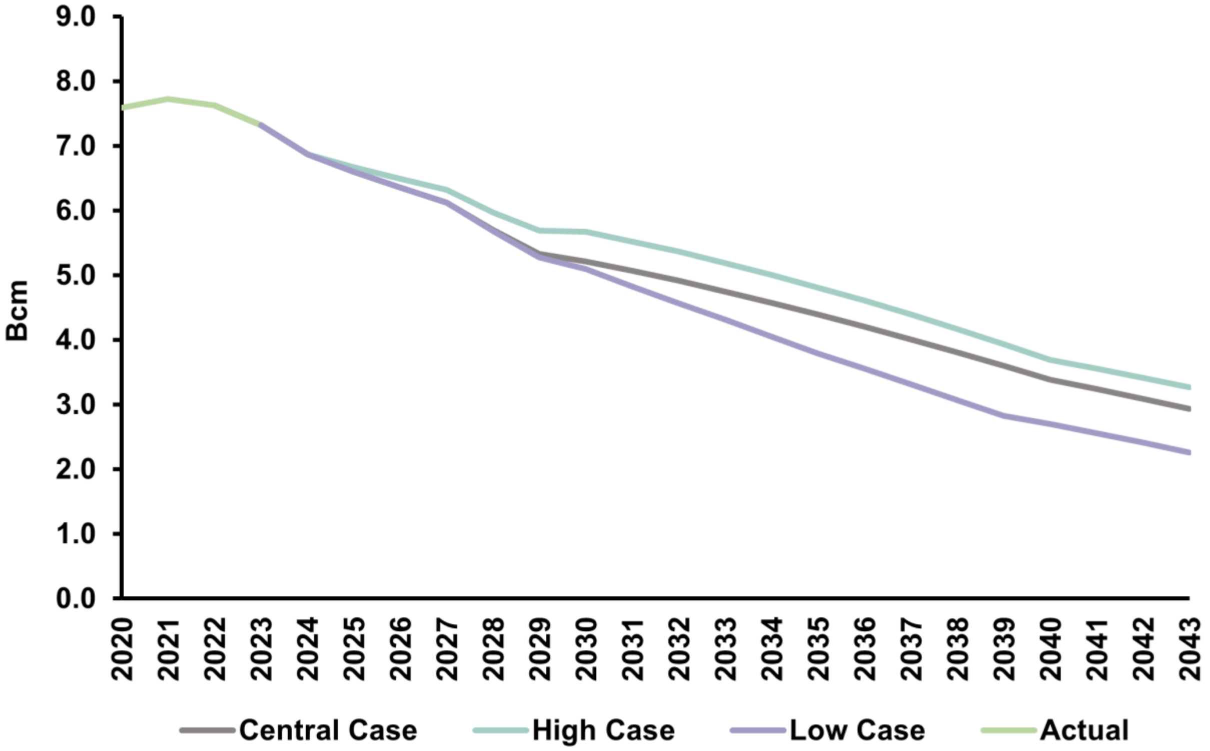


Source: Gas Strategies

Despite this expansion of renewables capacity, gas is still expected to play a significant role in power generation for at least the next 20 years. Any reduction in gas demand from the power sector can be expected to occur gradually. Additionally, even with an increase in renewable generation, gas-fired power generation will continue to play a structurally important role in maintaining the security of the supply of power by balancing the inherent intermittency of renewable generation and the inability to store power at a meaningful scale, given the infancy of battery storage technology.

Gas Strategies has prepared three scenarios for gas demand in the power sector, presented in Figure 15. A key difference between the scenarios is the differing deployment rates for renewables. In the Central Case, it is assumed that the 2030 target is met, but the 60% target is met only in 2040. In the High Case, it is assumed that the 2030 target is missed, with renewables accounting for only 25% of the power mix in 2030. The 60% target will be met in 2040. In the Low Case, the 2030 target is met, and by 2040 65% of the power mix will be renewable.

Figure 15 Indicative Outlooks for Gas Demand for Power Generation



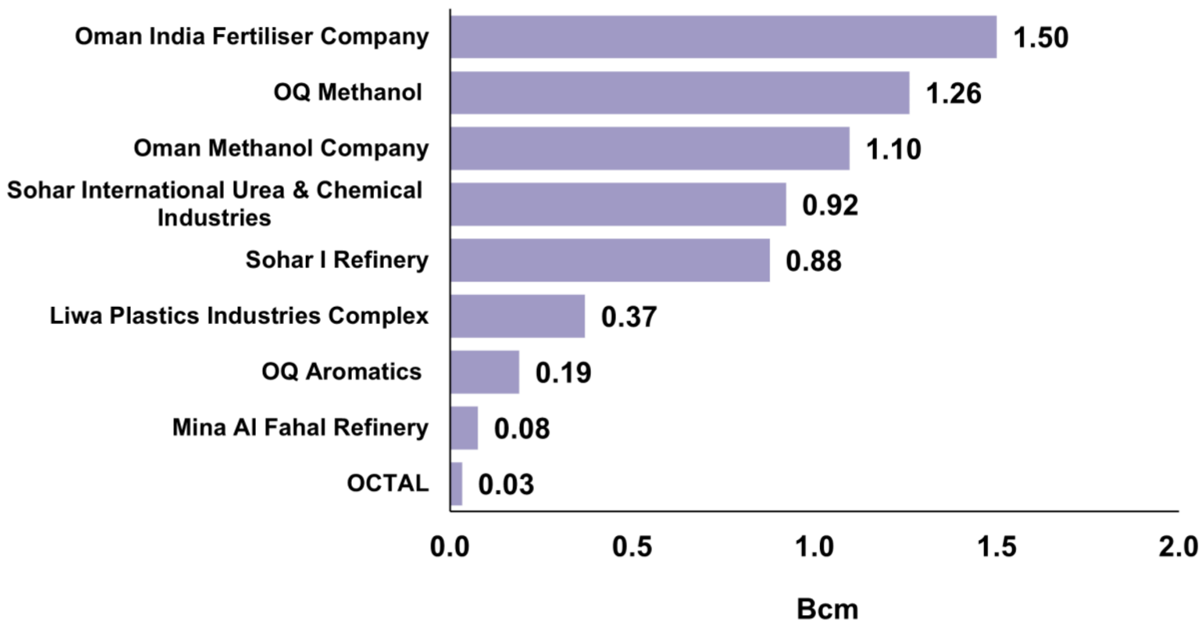
Source: Gas Strategies (outlook from 2023), OQGN (historical to 2022)

3.9 Petrochemicals Sector

The petrochemicals sector is the third largest sector for gas consumption – with gas demand in 2022 amounting to 6.33 BCM. There are nine significant gas consumers in the petrochemicals sector and their facilities include multiple sub-sectors, including fertiliser production, methanol production, refining, plastics, aromatics, and packaging (see Figure 16 below).

Gas demand in the petrochemicals sector has grown since 2018 (when it totalled 5.73 BCM) at a CAGR of 2.49% between 2018 and 2022.

Figure 16 Petrochemical Sector Gas Demand by Facility (2022)



Source: OQGN

The petrochemicals sector's gas demand is largely driven by fertiliser and methanol production (76% of gas consumption within the sector). Future demand evolution will be impacted by the pace at which these sub-sectors adopt alternative feedstocks like hydrogen.

Switching to an alternative feedstock in the existing petrochemical production facilities would require significant capital investments, so therefore it can be anticipated that existing facilities will continue to be dependent upon gas until the end of their economic life. Additionally, Carbon Capture and Storage (*"***CCS***"*) developments in Oman increase the likelihood of developing new gas-consuming facilities (with the environmental impact mitigated). Thus, the petrochemical sector will remain a key source of gas demand growth over the next 20 years.

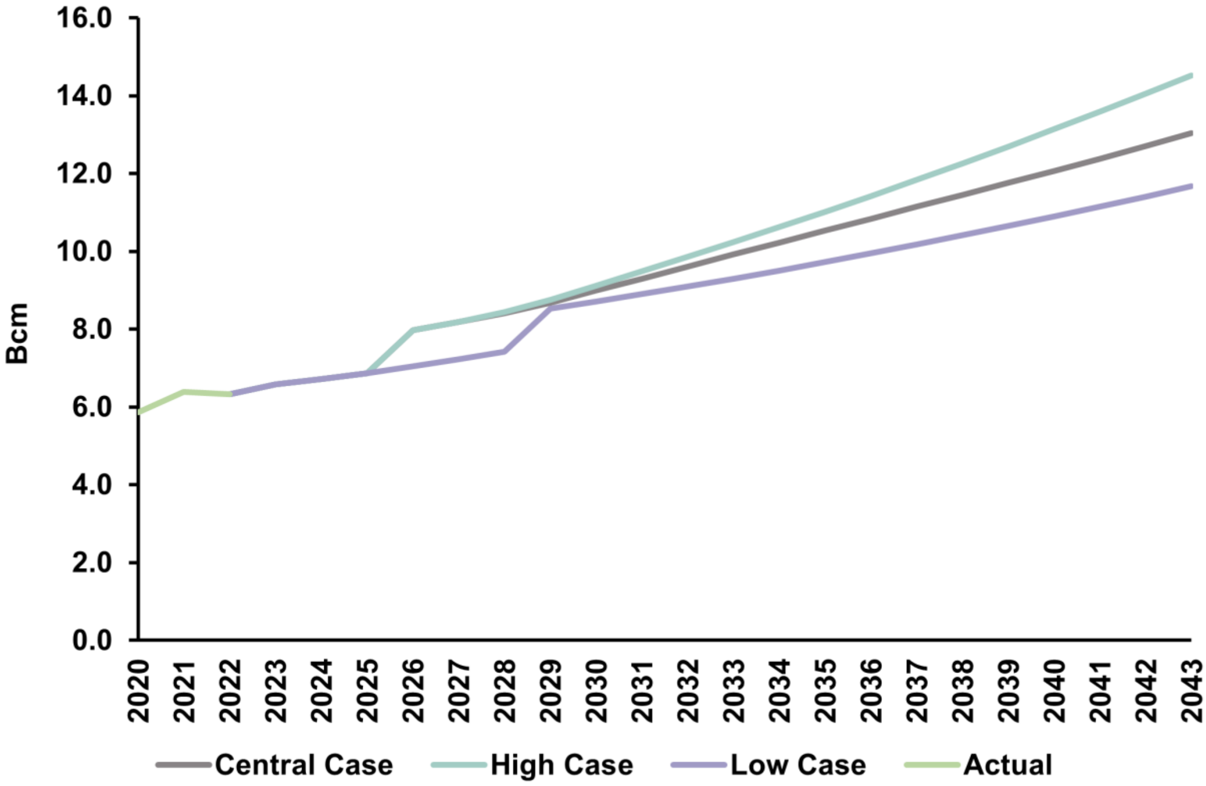
In part, this gas demand growth will come from the new developments in Duqm. The new refinery in Duqm, the commissioning of which was underway in Q1 2023, is expected to have gas consumption of c. 1 BCM per year. A mixed-use petrochemical facility and an acetic acid plant are in development (expected onstream by 2026) and will require an estimated 0.6 BCM and 0.3 BCM of feedgas per annum, respectively. In addition, there are other gas-consuming facilities at earlier stages of consideration at Duqm, for instance, a gas-to-liquids plant that could support 5.2 BCM of gas demand per annum.

However, many future petrochemical facilities are expected to be alternative-energy-based, such as electricity or hydrogen. Notable sub-sectors that would have traditionally supported gas demand that can use clean hydrogen are ammonia and methanol production.

Therefore, a bifurcation in petrochemical gas demand is expected. Gas demand will grow (from existing facilities that are able to increase production and new, CCS-equipped facilities) as GDP and demand for petrochemical production grows. At the same time, potential gas demand growth will be tempered by new facilities that use alternative energy sources (such as hydrogen) as both fuel and feedstock.

Gas Strategies has constructed three scenarios for the evolution of gas demand in the petrochemical sector based on sensitivities relating to both the strength of GDP growth and the extent to which efforts to shift away from gas as a fuel and feedstock occur. These are shown below in Figure 17. The key conclusion is that, despite decarbonisation efforts, gas demand growth from the petrochemical sector will still be expected over the next 20 years, with a CAGR ranging between 2.9% and 4%.

Figure 17 Indicative Outlooks for Gas Demand for Petrochemicals

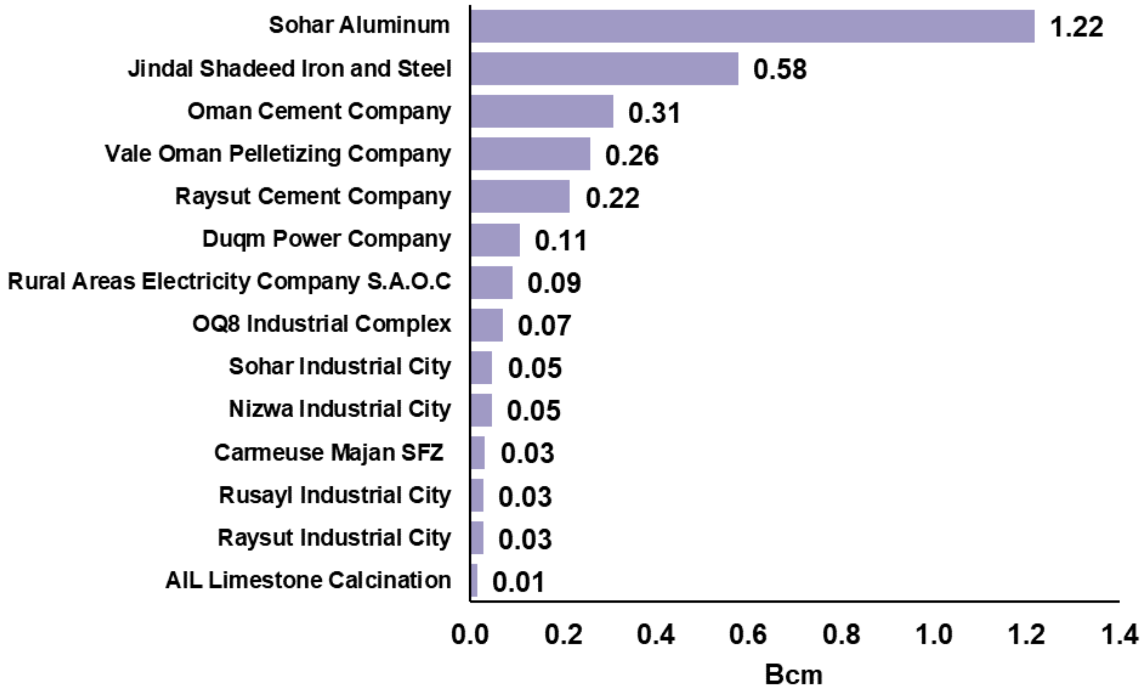


Source: Gas Strategies (outlook from 2023), OQGN (historical to 2022)

3.10 Industrial Sector

The industrial sector in Oman includes a broad range of facilities, such as aluminium, cement, steel, and iron production. There are also several general industrial complexes throughout the country with low gas consumption levels, likely using gas as a minor input rather than a key feedstock. Gas demand in the industrial sector has grown at a CAGR of 4.8% from 2.52 BCM in 2018 to 3.04 BCM in 2022.

Figure 18 2022 Industrial Sector Gas Demand by Facility



Source: OQGN

Facilities with annual gas consumption less than 10 MMcm have been excluded from Figure 18. The Duqm Power Company and Rural Areas Electricity Company have been included in industry as they do not provide grid power, but instead provide captive power directly to industry on-site.

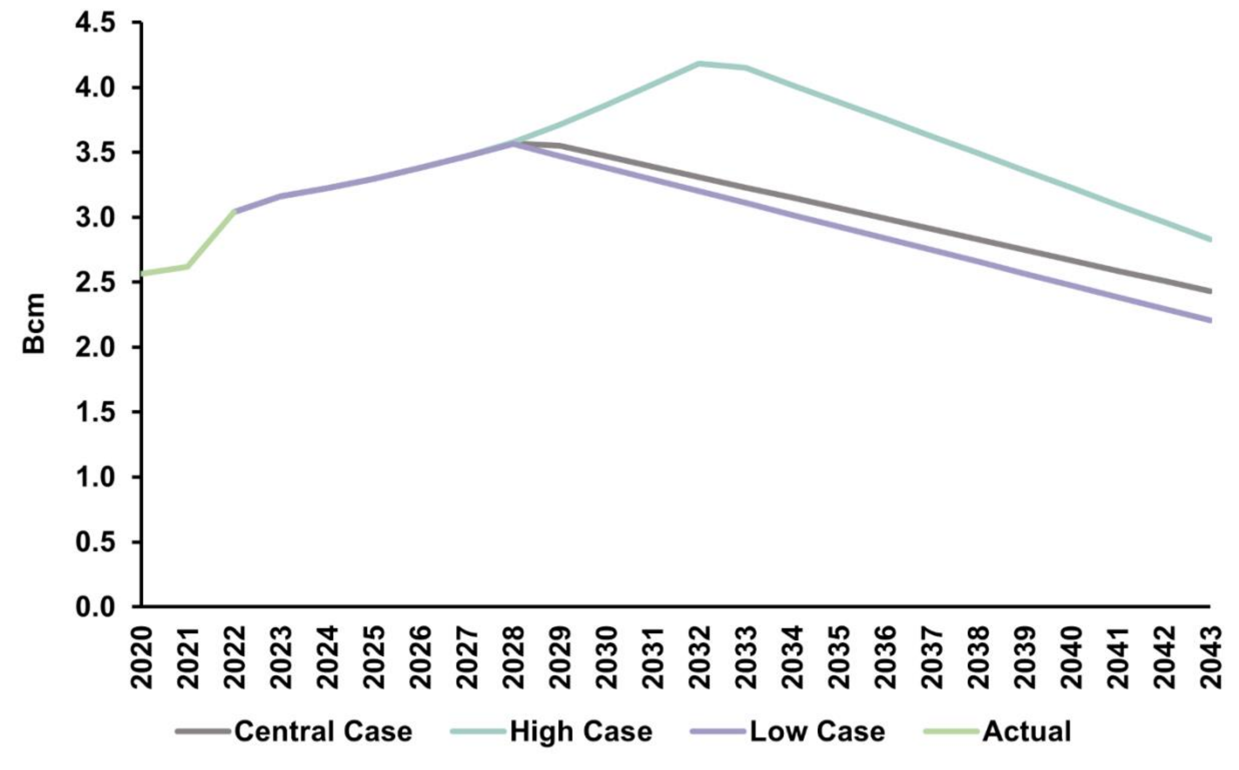
Whilst the most significant industrial consumer is Sohar Aluminium, almost all the facility's gas demand is for power generation for its operations, which could potentially be met through future installation of on-site renewables (if supported by the economics).

Given the costs associated with conversion of existing facilities to alternative feedstock, it can be anticipated that existing industrial facilities will continue to be dependent upon gas. Additionally, CCS developments in Oman also raise the likelihood of new facilities that consume gas being developed with the environmental impact mitigated. Overall, there is an opportunity for industrial gas demand to continue growing for at least the next decade.

However, unlike in the petrochemical sector, where gas is required as a key feedstock, gas is just an input in multiple industrial sub-sectors to provide heat and power. Therefore, it is easier to substitute gas in these sectors. Gas Strategies expects gas demand to peak within the next decade as a result of increased use of renewable electricity and hydrogen (as well as increased energy efficiency).

Gas Strategies has constructed three scenarios for the evolution of gas demand in the industrial sector based on sensitivities relating to both the strength of GDP growth and the extent to which efforts to shift away from gas as a fuel and feedstock occur. These are shown below in Figure 19. The key message is that, even in the Low Case, gas demand will only marginally reduce below 2020 levels.

Figure 19 Indicative outlooks for gas demand for industry



Source: Gas Strategies (outlook from 2023), OQGN (historical to 2022)

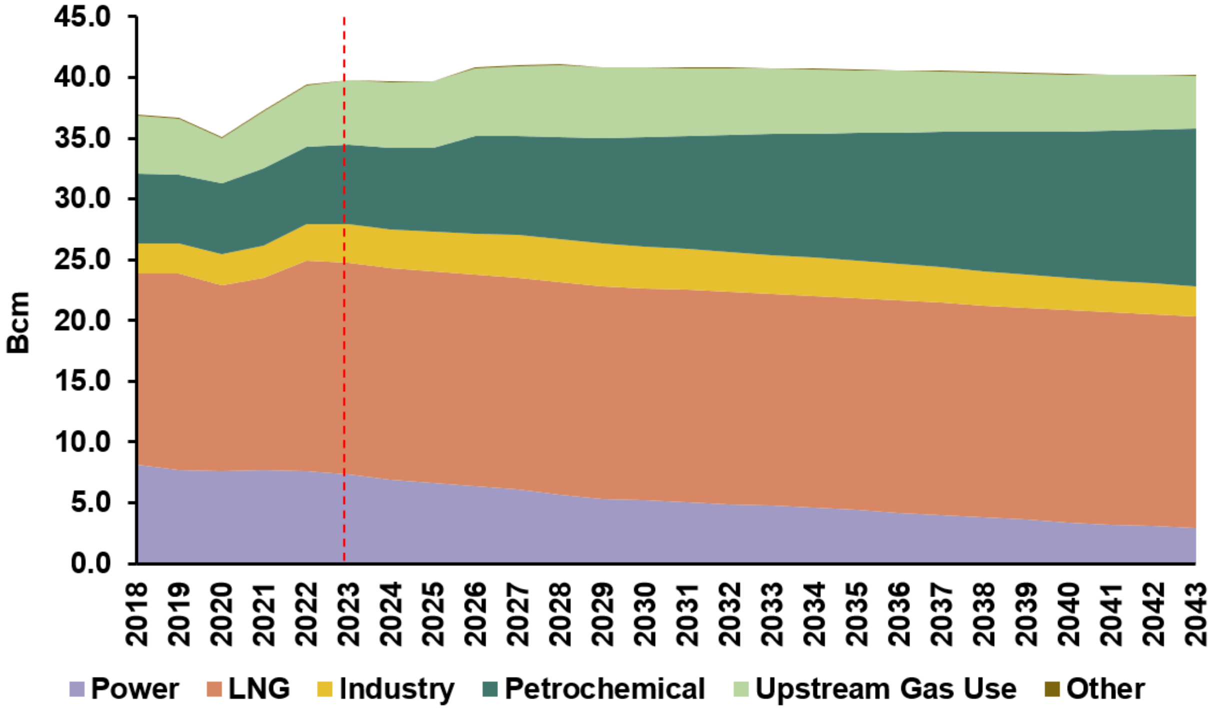
3.11 Overall gas demand outlook

Gas Strategies has developed three scenarios for total gas demand in Oman (see Figures 20-22). These scenarios are potential outlooks and should not be taken as forecasts. Across all three gas demand scenarios, Gas Strategies expects strong flows through the NGTN will continue at least for the next 20 years, with no meaningful reduction in throughput.

Central Case:

- Continued strong activity in the upstream hydrocarbon sector supports strong GDP growth. The economy begins to pivot towards new energy sectors in the 2030s. Increased penetration of renewable power generation and new industrial and petrochemical facilities being built with green feedstocks leads to reduced scope for gas demand growth in the 2030s. Nevertheless, total gas demand in 2043 can be expected to be higher than it was in 2022. Considering multiple factors, including the continued upstream gas production and the low likelihood of accelerated renewable energy investment, Gas Strategies considers this Central Case the most likely scenario.

Figure 20 Central Case Gas Demand Outlook with Recent History

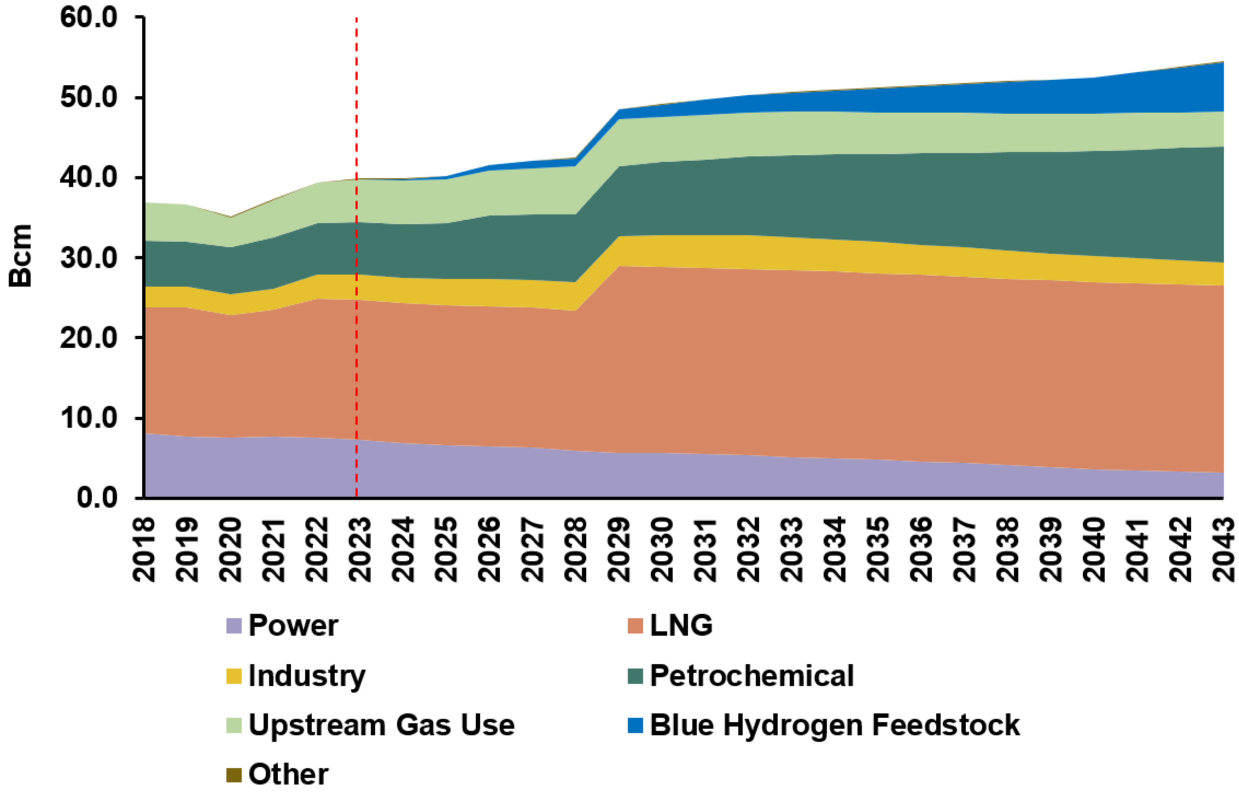


Source: Gas Strategies (outlook from 2023), OQGN (historical to 2022)

High Case:

- A boom in upstream hydrocarbon activity due to strong exploration successes boosts GDP growth expectations and delays the onset of meaningful energy transition efforts as monetisation opportunities are sought for new gas discoveries. More robust GDP growth supports stronger and longer gas demand growth. The increased upstream activity generates investment in new monetisation opportunities, most likely blue hydrogen production and an expansion in capacity at Oman LNG, the latter of which is the most significant gas demand growth opportunity in Oman. In the High Case, total gas demand in 2043 is significantly higher than in 2022, primarily driven by increased LNG production.

Figure 21 High Case Gas Demand Outlook with Recent History

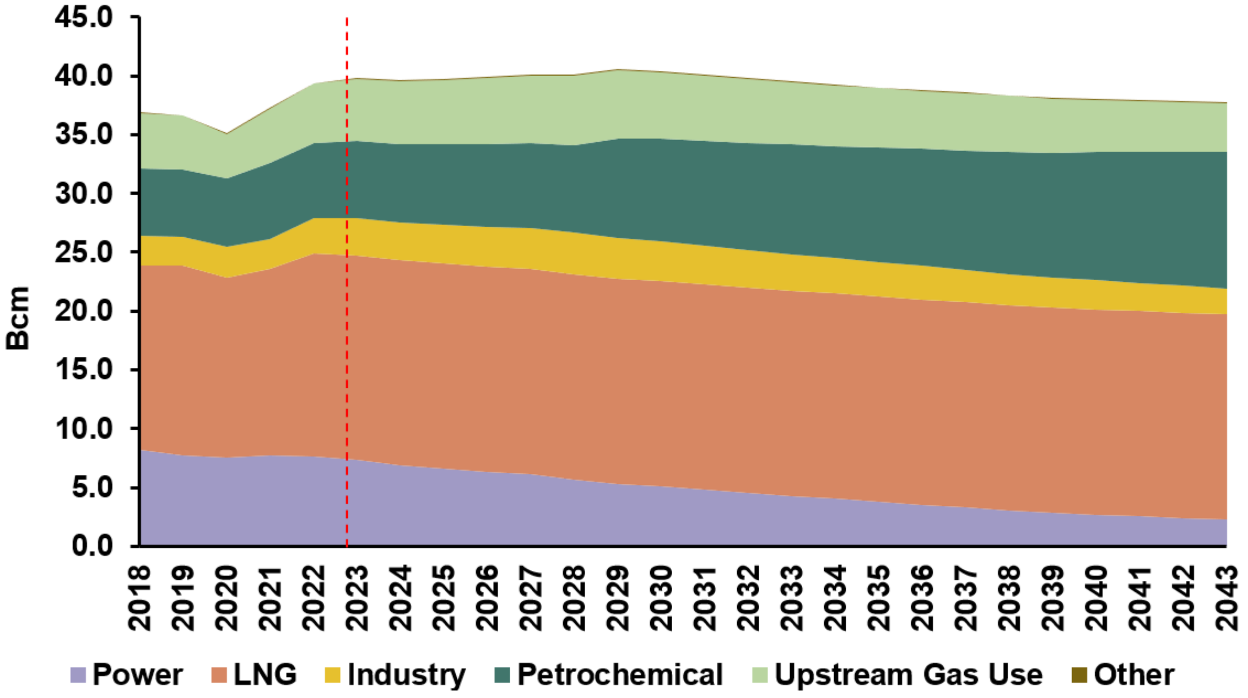


Source: Gas Strategies (outlook from 2023), OQGN (historical to 2022)

Low Case:

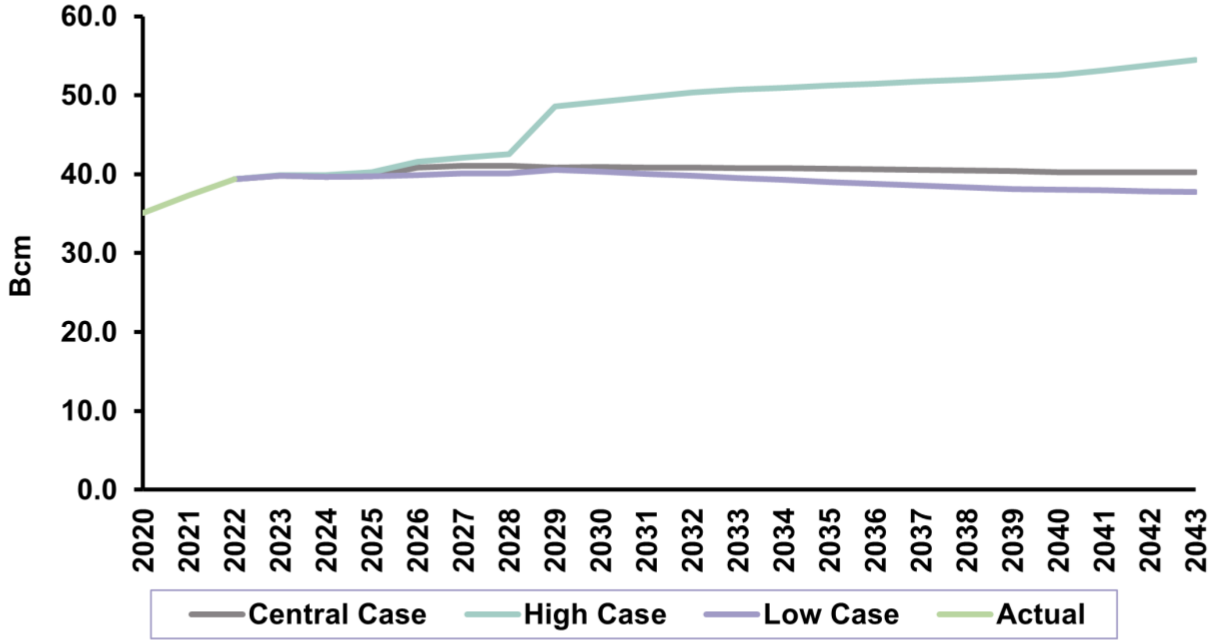
- Weak upstream hydrocarbon activity softens expectations for GDP growth, causing accelerated investment into new energy sectors to support the economy. The consequence of this is more modest gas demand growth in the short term, due to weaker economic conditions, and peak demand occurring earlier (as renewable power penetration and green feedstock usage in industry occur faster). However, despite this, total gas demand in 2043 is only marginally below 2022 levels. Gas Strategies considers this scenario unlikely as it is predicated on two unlikely events, namely a failure in upstream gas production and an accelerated roll-out of carbon-free technology.

Figure 22 Low Case Gas Demand Outlook with Recent History



Source: Gas Strategies (outlook from 2023), OQGN (historical to 2022)

Figure 23 Comparison of Gas Demand Outlooks



Source: Gas Strategies (outlook from 2023), OQGN (historical to 2022)

3.12 Gas Network

Oman's gas network has two components (i) the upstream and (ii) the midstream.

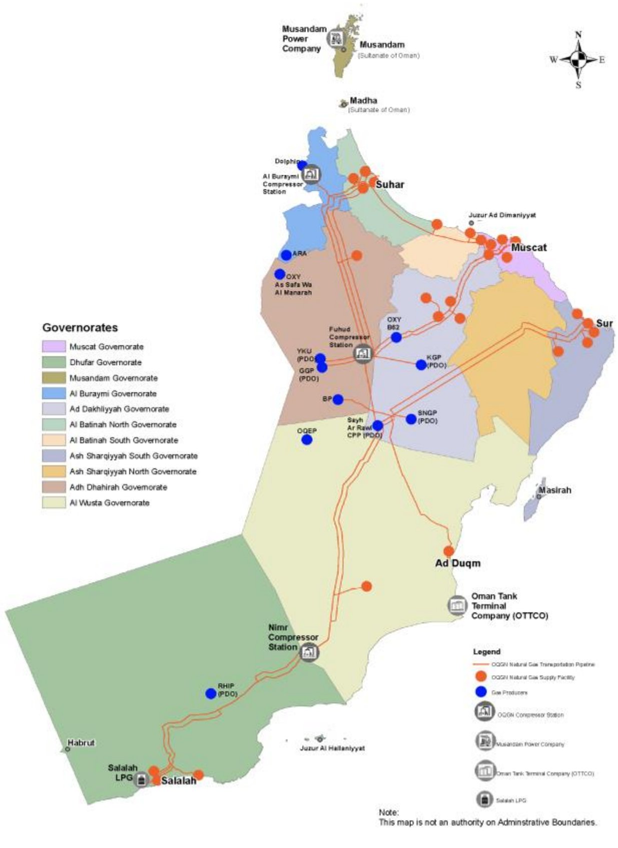
In the upstream, there are gas pipelines and flow lines that gather gas from the wells on the gas fields and transport it to gas processing plants, where the gas is conditioned to remove hydrocarbon liquids (condensate), water, and any other significant impurities such as CO_2 and H_2S (hydrogen sulphide). This infrastructure is owned and operated by the upstream concession holders.

As the upstream supply analysis shows, the existing upstream processing capacity currently exceeds gas demand, and this is expected to continue over the next decade. Although there will be a continued need for upstream producers to invest in wells and to optimise facilities by adding additional water handling capacity and compression, the upstream infrastructure does not represent a bottleneck in the overall gas network.

The upstream gas supply enters the midstream distribution network through connection points, close to the producing fields (see Figure 24). This midstream network (i.e., NGTN) is owned and operated by the Company and transports the gas through a network of regional trunklines and local distribution networks to the end users.

The Company holds a natural monopoly in midstream gas transportation in Oman. Upstream producers will always seek to reduce their investment in export pipelines to maximise upstream returns, allowing the Company the opportunity to expand its asset base. Given the nature of the asset, new rival networks in the downstream (or connecting the downstream with the upstream) are not a realistic prospect. The only area of potential competition lies in services relating to "non-hydrocarbon" pipelines for hydrogen (H_2) and carbon dioxide (CO_2). Nevertheless, Gas Strategies believes that OQGN's extensive experience and successful operational track record would position it as the preferred operator of choice.

Figure 24 OQGN's Natural Gas Transportation Network (NGTN)



Source: OQGN

OQGN boasts a robust NGTN encompassing approximately, 4,031 km of gas pipelines, along with three major compression stations located at Fahud, Nimr, and Buraimi. Additionally, the NGTN comprises 25 supply stations that connect to various customers (2022).

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

There is a pipeline link to the UAE at Buraimi. This connects to the Dolphin gas network, which supplies gas from Qatar to the UAE, and then relatively small quantities onto Oman. Oman imports around 2 BCM/yr from the UAE through this pipeline link.

3.13 Network Investment and Expansion

The current flows through the NGTN have led to an average utilisation rate of approximately 68% of network capacity in 2018-2022, enabling the remaining capacity to handle fluctuations in annual demand. This ongoing excess capacity ensures flexibility and the ability to accommodate changing market conditions. Ongoing debottlenecking and optimisation projects will be required to increase network capacity to meet any significant near-term growth in demand, as well as the shift of demand from the power sector to the expanding industrial and petrochemical sectors.

A selection of these growth projects are summarised as follows:

- **Said Rawl to Sur Trunkline:** the main 48" trunkline line is currently looped with a second 48" line. To better manage the distribution of rich and lean gas to respective customers, a Rich/Lean Segregation project is underway, due for completion in 2024. This line will expand the capacity to supply Oman LNG with rich gas through one of the lines whilst allowing lean gas distribution to other customers in the Sur area through the second line.

- **Fahud-Sohar Trunkline:** the existing 32" trunkline is operating close to capacity, and to accommodate an expansion of demand in Sohar (particularly the Marsa LNG project) this line needs to be looped with a second 32" trunkline. This is planned for completion around the first quarter of 2027, subject to the applicable approvals from the Shipper and Regulator.

- **Southern Grid Debottlenecking:** this is ongoing and is expected to be completed by 2024. This involves looping part of the main trunkline to Salalah.

- **Central Grid and Duqm:** an LPG Extraction Plant is planned for Said Nihayda which is intended to provide NGL feedstock to planned petrochemical plants in Duqm. An NGL line to Duqm will be required if this project is approved. Additionally, as new downstream projects are approved in Duqm, the local gas distribution network will have to be built out.

In addition, there is scope to consolidate the country's pipeline network further through the acquisition of non-operated gas networks from the upstream operators.

Currently, OQGN's mandate does not include ownership of liquid pipelines transporting NGL and LPG. However, OQGN is currently in early-stage discussions to operate the NGL line between Fahud and Sohar and a potential growth opportunity is to acquire this line as well as the proposed NGL line from Said Nihayda to Duqm.

In the longer term, network investment opportunities will likely come from network expansion beyond gas and its derivatives, with an increasing focus on H_2 (hydrogen) and CO_2 transmission, as discussed below

4. Future Opportunities

4.1 Hydrogen Economy

The Government has an objective for the country to become one of world's leading green hydrogen hubs and for the country to produce 1 mtpa of green hydrogen by 2030 and 8.5 mtpa by 2050. This would entail an estimated cumulative investment of $140 billion, with a further investment of an estimated $230 billion required to unlock the hydrogen export economy. The IEA has stated that it believes Oman is on track to not only become the largest Middle Eastern renewable hydrogen exporter, but also the sixth biggest globally by 2030.

Oman has a competitive economic case for producing green hydrogen due to its abundance of renewable energy resources (solar and wind), easy access to seawater, proven desalination capabilities, industrial and free zones for manufacturing, and established infrastructure for global exports. While most discussion surrounds green hydrogen, there is also the potential for blue hydrogen production (which uses gas as a feedstock with CCS). A blue hydrogen industry would provide additional long-term support to gas flows through the NTGN and is increasingly likely given the probable surplus upstream gas capacity. Based on wider developments globally, it could be expected that blue hydrogen production would be approximately one-third of green hydrogen production.

This strategy is aligned with the strategy for economic diversification set out in the Oman Vision 2040 and could enable Oman to:

- create an export market for its renewable energy;
- play a key role in unlocking the replacement of gas in industrial processes (e.g., steel, chemical production); and
- decarbonise challenging sectors like shipping and aviation.

As part of its hydrogen strategy, Oman has created a new state-owned company, Hydrogen Oman (Hydrom). Hydrom is a subsidiary of Energy Development Oman (EDO) and will be regulated by MEM under the new Directorate General for Clean Energy and Hydrogen. Hydrom's responsibilities (as per Royal Decree 10/2023) include demarcating large tracts of state-owned land for clean hydrogen purposes, holding competitive land auctions for such purposes, and acting as an overall purveyor of associated large-scale green hydrogen projects.

On 4 June 2023, Hydrom announced the formation of an Advisory Board to oversee the development of common utilities infrastructure, orchestrated by Hydrom in coordination with the lead developers of green hydrogen projects, national utility operators, and international developers of green hydrogen infrastructure. To support this initiative, a Memorandum of Understanding was signed between Hydrom and OQGN. The Memorandum of Understanding aims to establish collaboration between the parties in the field of green hydrogen pipelines development.

In addition, Hydrom signed its first Project Development Agreement and Sub-Usufruct Agreement with an international consortium (Amnah) which stood out through public auction of Phase A round 1. The block (Z1-01) in the public auction process launched in November last year was awarded to a consortium comprised of Copenhagen Infrastructure Partners (CIP), Blue Power Partners (BPP), and Al Khadra, part of Oman's Hind Bahwan Group. The consortium will develop around 200 ktpa of green hydrogen from 4.5 GW of installed renewable energy capacity for planned green steel plants located in Port of Duqm, within SEZAD. This project demonstrates the potential of harnessing renewable energy in supporting the diversification of the national economy and contributing to a low carbon future.

To achieve its hydrogen ambitions, the Government has awarded concessions for green hydrogen projects in Duqm, Dhofar, Al-Jazir, and Sohar, as shown in Table 3 below.

Table 3 Proposed Green Hydrogen Projects

Promoter	Location	Production Capacity (mtpa)
Hyport Duqm	Duqm	Phase 1: 0.06 Phase 2: 0.33
ACME/Scatec	Duqm	Phase 1: 0.1
Green Energy Oman (GEO)	Al Wusta/Dhofar/Duqm	Unknown
Hydrom	Duqm/Dhofar	Unknown
BP Alternative Energy Investments Limited	Duqm/Dhofar	Unknown
Port of Sohar	Sohar	Unknown

Source: Published information

In contrast to renewables in the power sector, decarbonisation through hydrogen will have a much smaller direct impact on gas demand in Oman. Hydrogen will likely replace gas in some existing industrial processes, such as steel production, in an effort to reduce emissions, and many new steel facilities can be expected to be built to use hydrogen feedstocks rather than gas. However, the potential for blue hydrogen (which is produced using gas as a feedstock, with emissions captured and sequestered) to be utilised in petrochemical production, such as ammonia/urea and methanol, could support gas demand whilst still reducing emissions. In addition, it could create demand for CO_2 pipeline transportation to carbon sinks.

4.2 Hydrogen Transmission

Today, dedicated hydrogen infrastructure is at a nascent stage. There remain questions as to whether existing gas distribution infrastructure could support the development of a hydrogen economy. There is a strong economic case for upgrading existing gas pipelines, as this could avoid decommissioning before the end of their technical lifetimes in the case of reduced gas demand. As well as reduced new material needs, lowering costs significantly.

However, hydrogen is more difficult and costly to transport and store than gas. Additionally, although hydrogen can be transported through steel pipelines in much the same way as gas, hydrogen may have a detrimental effect on the integrity of the pipeline due to embrittlement. Therefore, it is imperative that each network is assessed individually for its suitability.

Blending hydrogen into gas streams could be an interim strategy to kick-start hydrogen production before demand is sufficient to justify investments in dedicated hydrogen pipelines. OQGN commissioned a feasibility study in 2022 to assess how much hydrogen could be introduced into the NGTN before adverse effects would be noticeable and too expensive to mitigate. The findings concluded that there are few constraints from a pipeline integrity perspective to blending hydrogen into the existing NGTN. However, adaptation costs become more expensive for a blend greater than 10%. These results are echoed by other global studies. Whilst a hydrogen blended gas supply will reduce emissions for consumers, the study also identified that the bigger constraint would be overcoming end-users' abilities to accept even the lowest levels of hydrogen co-mingled in their gas supply. Oman LNG, for instance, could not accept a gas supply with any level of hydrogen co-mingled. With certain consumers unable to take blended gas supply, and given the geographical spread of Oman's industrial centres, bespoke regional networks would appear more likely for hydrogen distribution than blending into OQGN's existing NGTN.

When repurposing is not feasible or practical, co-routing new hydrogen pipelines alongside existing gas lines could be beneficial in terms of established right-of-way and siting permits, resulting in reductions in costs and lead times.

The current portfolio of hydrogen projects under development would indicate that any initial dedicated hydrogen network investment is likely to be within the Duqm area, to support its flagship green hydrogen projects. With hydrogen projects likely being financed on the back of export agreements, it is most probable that connections to export facilities would be required first with localised hydrogen hubs in the industry following on from there. It is less likely that a cross-regional green hydrogen network would be required in the short or medium term, as most green hydrogen hubs are planned within or near the major industrial centres. Regardless of the form hydrogen networks take, OQGN would be in prime position to operate these given its current experience in gas transportation networks.

4.3 CO_2 Transmission

In order to achieve Oman's net zero target by 2050, CO_2 sequestration will play an essential role in reducing the carbon footprint of the upstream operations, power, and industrial sectors.

Carbon captured from gas-fired power generation and traditional industrial processes, such as cement manufacturing, could support a case for developing a dedicated CO_2 network. The production of blue hydrogen would also rely on a robust CO_2 sequestration solution. This network could transport CO_2 from Oman's power plants and industrial centres to carbon sinks (i.e., depleted gas fields) for re-injection and storage.

The appropriate regulatory and commercial structures for CCS still needs to be developed in Oman, but there have been some successful carbon sequestration pilot projects. To implement CCS at scale, new pipeline infrastructure is likely to be required however, due to the corrosive nature of CO_2, and specialist stainless steel and nickel alloys would have to be used.

OQGN, with its extensive experience and exclusive rights in building and operating gas infrastructure, could contribute significantly to the development of the infrastructure needed to grow a hydrogen sector, and is likely going to be the partner-of-choice for any hydrogen and CO_2 pipeline network. Indeed, OQGN has already been approached by leading industry partners to support with their CCS commitments.

Chapter XII

Description of the Company and Business Overview

Overview

The Company holds a natural monopoly over the essential gas transportation infrastructure in Oman and is the exclusive owner and operator of the NGTN, serving critical roles in Oman as the asset owner, operator and maintenance and transportation provider of gas through the NGTN. The NGTN is a comprehensive gas transportation network encompassing a system of pipelines, metering facilities, compressor stations, gas supply stations and block-valve stations. The NGTN serves as an essential link connecting gas producers with gas consumers operating in various essential sectors requiring gas as a critical production feedstock or for power generation, such as LNG, power generation and water desalination, oil and gas and industrial and commercial (e.g., petrochemical, fertiliser, aluminium and steel plants).

The Company transports gas, through the NGTN on behalf of the Shipper, which buys gas from gas producers and sells it to gas consumers. At present, there is only one Shipper, IGC, although additional Shippers may be introduced in the future. In 2022, the Company transported 39.4 BCM of gas, from six gas producers to a diverse consumer base of approximately 130 gas consumers through approximately 4,031 kms of gas pipelines, supported by three compressor stations and 25 gas supply stations, providing uninterrupted gas supply in 2022.

The Company operates under a 50-year concession expiring in 2070 granted by the Government under the Amended Concession Agreement and an established RAB Framework, which has been in place since 1 January 2018. The RAB Framework provides a regulated revenue system pursuant to which the Company charges Transportation Charges to the Shipper, as well as Connection Fees to Connected Parties that require the Company to build a Connection to the NGTN. The RAB Framework aims to provide a predictable tariff-setting regime that should allow a relatively stable and cost-reflective revenue stream, with Allowed RAB Revenues not affected by changes in the price and volume of gas transported during a Price Control Period, which is currently set for a period of three years. The Regulator determines the maximum revenue that the Company may earn from gas transportation (i.e., the Allowed RAB Revenues) based on several building blocks set out in the Amended Concession Agreement. The Transportation Charges charged to the Shipper are then derived from the Allowed RAB Revenues as approved by the Regulator and the network capacity booked by the Shipper. A large majority of the Company's income in 2022 was received from the Shipper.

Further, the Company prepares the Financial Statements in accordance with IFRS and applies IFRIC 12 (Service Concession Arrangements), pursuant to which the Company recognises financial assets (concession receivables and contract assets) instead of property, plant and equipment in the statement of financial position and recognises revenue and cost for construction of contract assets and finance income on the concession receivables and contract assets instead of Allowed Return on Capital in the statement of profit or loss and other comprehensive income. For the year ended 31 December 2022, the Company earned income of OMR 160.4 million and profit of OMR 45.6 million, had a Net Profit Margin of 28.4% and contract assets and concession receivables of OMR 997.4 million. For the six months ended 30 June 2023, the Company earned income of OMR 85.0 million and profit of OMR 33.1 million, had a Net Profit Margin of 38.9% and contract assets and concession receivables of OMR 1,002.2 million.

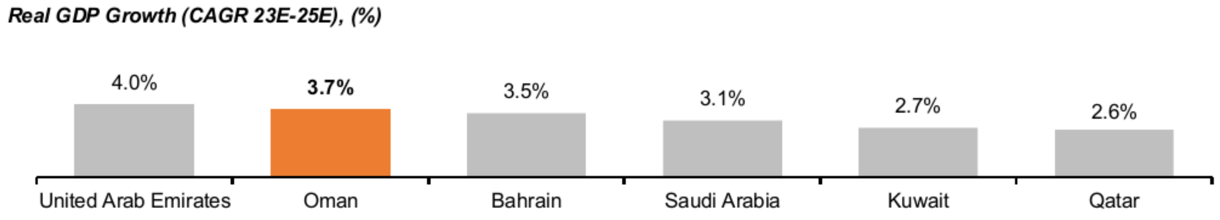
The Company also prepares regulatory financial statements pursuant to the RAB Rules, whereby all adjustments under IFRIC 12 are reversed and property, plant and equipment and related depreciation expense and income and Allowed Return on Capital are recognised under the RAB Rules. For the year ended 31 December 2022, the Company's Regulated Adjusted Income derived from the regulatory financial statements and Regulated Adjusted EBITDA were OMR 136.0 million and OMR 96.4 million, respectively, and its Regulated Asset Base was OMR 972.1 million as at 31 December 2022. For the six months ended 30 June 2023, the Company's Regulated Adjusted Income and Regulated Adjusted EBITDA were OMR 76.0 million and OMR 59.3 million, respectively, and its Regulated Asset Base was OMR 975.6 million as at 30 June 2023. See "*Presentation of Financial, Industry and Market Data—Non-IFRS Information and Certain Other Financial and Operational Data — Regulatory Measures*" and *"Chapter XIII— Selected Historical Financial Information*" for further information.

The Company's growing and successful gas operations are reflected by the increase of its gas deliveries from 17.0 BCM during its year of incorporation in 2000 (when it was known as Oman Gas Company SAOC) to 39.4 BCM in 2022, while achieving an average gas availability of 99.998% since 1 January 2013.

Competitive Strengths

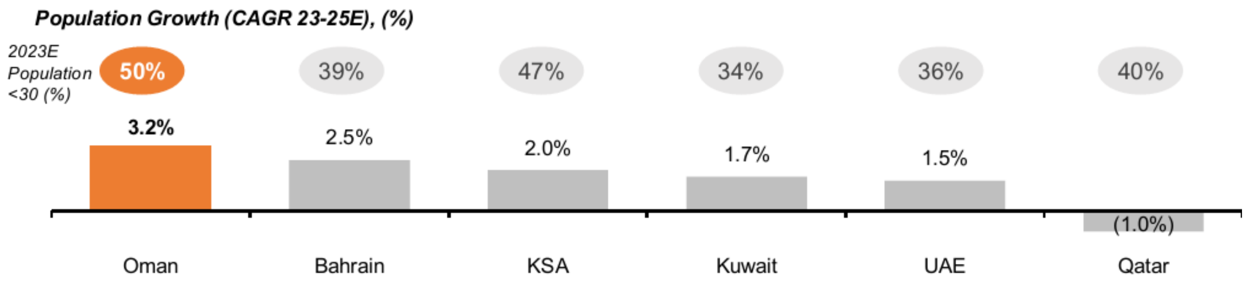
Attractiveness of Oman as an investment destination underpinned by stability and economic growth

Oman has a strong GDP outlook amongst emergent economies in the region. The chart below shows Oman's expected real GDP growth against other emergent economies in the region:



Source: IMF World Economic Outlook

Oman's economy is supported by a young and growing population. The chart below shows the expected population growth and percentage of population below the age of 30 in Oman against other economies in the region:



Source: IMF World Economic Outlook

Oman's economy has a positive outlook with a long-term vision. Oman's favourable economic outlook is evidenced in various ratings including a Ba2 rating with positive outlook from Moody's in May 2023, BB rating with positive outlook from Fitch in April 2023, and BB rating with positive outlook from S&P global in March 2023. The launch of Oman Vision 2040, which is a national comprehensive 20-year plan to create a competitive developed economy, aims for the rationalisation of government expenditures, ensuring Oman is on track to achieve sustainable fiscal surplus with an economic diversification strategy and the introduction of new sources of revenue.

In order to transform Oman into an attractive investment destination, Oman has consolidated most national assets under the OIA and promoted privatisation by announcing the accelerated privatisation programme, and implemented favourable regulatory changes supporting FDI inflows. Additionally, the oil and gas sector in Oman has attracted many international companies. Oman has also received increasing investment interest from regional and foreign countries, including (i) a group of companies in the KSA signed 13 memoranda of understanding worth $30 billion in February 2023, (ii) a memorandum of understanding signed by Oman and the US worth $500 million on economic cooperation promoting trade and investment in strategic sectors in February 2023, (iii) a number of agreements and memoranda of understanding across several fields signed by Bahrain and Oman, and (iv) the Sovereign Investment Partnership deal signed between Oman and the United Kingdom, to strengthen economic ties and work closer together on increasing high value investment into both countries. Oman's FDI as a percentage of its GDP has increased from 2.9% in 2020 to 10.3% in 2021.

Natural monopoly over critical gas transportation infrastructure under a 50-year concession (up to 2070)

Following the acquisition of the Government-owned gas transportation assets effective 1 January 2018 in connection with the initial implementation of the RAB Framework and the subsequent asset transfers to further consolidate NGTN assets under the Company, the Company has developed into a critical element of the energy infrastructure and industrial ecosystem in Oman with a pipeline network spanning across approximately 4,031 kms as at 31 December 2022. As the sole and exclusive operator of the NGTN under the Amended Concession Agreement, the Company benefits from a natural monopoly over gas transportation to gas consumers in Oman. The Company has been granted exclusive rights on the operation and maintenance of the NGTN and a right of first offer on any future gas transportation infrastructure concessions by the Government until 2070. The Amended Concession Agreement provides that if the Government decides to grant any further concessions to own or acquire any gas transportation facility, such concession must first be offered to the Company on terms acceptable to both the Government and the Company. Given that gas is currently amongst the most important energy sources in Oman, the NGTN serves a critical purpose in Oman's gas ecosystem, transporting feedstock to essential sectors in Oman and fuelling more than 90% of the electricity generation in 2020, which is expected to continue to play a critical role through Oman's energy transition (*Source: Market Report*)**.** The NGTN also transports gas feedstock to certain companies in petrochemicals industries, which in turn form an integral part of Oman's economy.

Indispensable role as the link between core Omani gas producers and consumers, with stable long-term demand and supply

With a mandate to act as the exclusive operator and owner of the NGTN, the Company plays the critical role of connecting gas producers with consumers and transporting gas produced to consumers across key industries in Oman. Leveraging Oman's substantial gas reserves estimated by the Market Consultant to be 692 BCM in 2022 and a reserves-to-production ratio estimated at approximately 20 years (*Source: Market Report*), the Company transported 39.4 BCM from six gas producers to approximately 130 consumers across critical industries in Oman in 2022.

International gas producers have been operating in Oman for more than 15 years and supplying gas pursuant to NGSAs with the Government (now through the IGC), which is in turn transported to gas consumers by the Company on behalf of the Government. In 2022, six gas producers fed 39.8 BCM of gas into the NGTN, namely PDO, BP, Dolphin Energy, OXY, OQEP and Ara Petroleum. The following chart sets forth an overview of the gas fed into the NGTN in 2022 by gas producer:

Gas Producers (2022)	BCM	%
Petroleum Development Oman	21.1	53%
BP	15.5	39%
Dolphin Energy	2.0	5%
Others(1)	1.2	3%
Total	**39.8**	**100%**

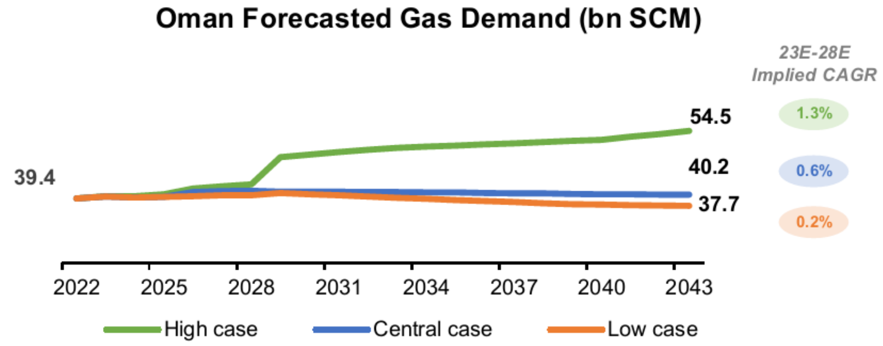
Notes:

(1) *Others include OXY, OQEP, Ara Petroleum.*

The Company transported 39.4 BCM of gas to approximately 130 consumers across various critical industries in Oman in 2022, with the LNG sector comprising the largest consumer sector of the Company's transported gas, followed by the industrial and commercial sector, the power and desalination sector and the oil and gas sector, as further described in the chart below.

Gas Consumers (2022)	BCM	%
LNG	17.3	44%
Industrial & Commercial	10.3	26%
Power & Desalination	7.6	19%
Oil & Gas	4.2	11%
Total	**39.4**	**100%**

The Company's operations are underpinned by Oman's growing demand for gas, which is forecasted to range between 37.7 BCM and 54.5 BCM by 2043 with a rise in economic activity and industrialisation across Oman's critical sectors, including LNG, power and desalination, oil and gas and industrial and commercial (*Source: Market Report*). These end-markets benefit from strong demand drivers, underpinned by population growth, economic development and Oman's development strategy. The following chart illustrates Oman's forecasted gas demand until 2043.



Source: Market Report

Oman's key demand growth prospects, which in turn may unlock further growth and expansion opportunities for the Company, are driven by new projects and expansions across its critical sectors. Additionally, Oman has ongoing exploration projects, such as the exploration and production sharing agreement with Shell and TotalEnergies, which was signed in September 2022 to explore undeveloped gas discoveries in Block 11 located in western Oman, as well as the Block 12 exploration and production sharing agreement in western Oman signed by and with TotalEnergies and PTTEP in February 2020, and the Block 77 exploration and production sharing agreement in central Oman signed by and with Eni and BP in July 2019.

Established regulatory framework underpinning predictable cash flows with Allowed RAB Revenues not affected by fluctuations in gas prices or volume of the gas transported

The Regulator sets the Company's Allowed RAB Revenues and is responsible for the general oversight over the Company's operations pursuant to the Regulated Documents. The APSR is an experienced regulator, with multi-sector regulatory oversight, including the electricity, water, wastewater and gas transportation sectors, with an objective to ensure Oman's public services are accessible and efficient, balancing between the interests of consumers, the Government and investors. The Regulator was established in 2004 and enjoys administrative and financial independence as well as track-record of RAB policy implementation in the electricity sector since 2005, completing the fifth price control period review and currently operating under the sixth price control period. Omani-regulated electricity companies have raised approximately US$ 2.6 billion in debt and approximately US$1 billion in equity since 2015. The RAB model in the electricity sector has been tested and accepted by investors, which could explain international investor interest in the electricity sector in Oman.

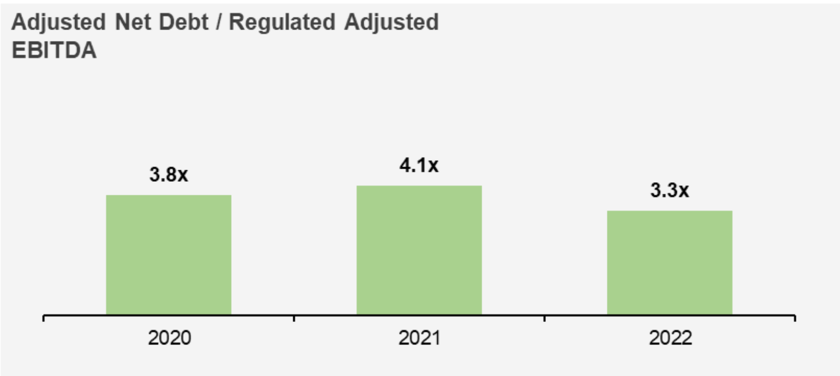
The Company adopted the RAB Framework in 2018, marking the first Price Control Period under the RAB Framework, which expired in 31 December 2020. The second Price Control Period commenced on 1 January 2021 and will expire on 31 December 2023. The Company is in the process of discussing the Allowed RAB Revenues and values of the relevant building blocks for Price Control Period 3 with the Regulator, which will start on 1 January 2024 and may contemplate a four-year Price Control Period compared to the current three-year term of Price Control Period 2. The RAB Framework provides a regulated revenue system, whereby the Company charges Transportation Charges to the Shipper as well as Connection Fees to Connected Parties that require the Company to build a new Connection to the NGTN or modify an existing Connection. The Allowed RAB Revenues are determined by the Regulator using a building block approach, with the key building blocks comprising the Allowed Return on Capital (driven by the Company's WACC and the Regulated Asset Base), the Allowed Operating Expenditure, Pass-through Expenditures, Depreciation allowance and a Tax Allowance, subject to Annual Reconciliation and RSP Reconciliation of certain building blocks. The RAB Framework allows lower risk and more predictable returns with the aim of driving reliable, stable and cost-reflective revenue.

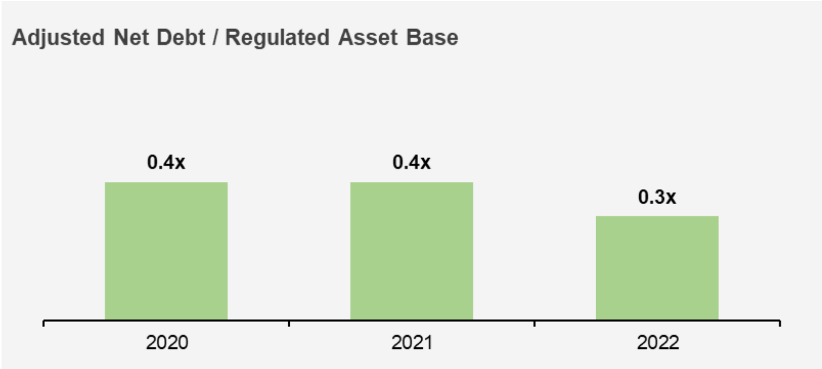
Accordingly, the RAB Framework enables the Company to charge Transportation Charges based on the Allowed RAB Revenues agreed with the Regulator, which is based on the aforementioned building blocks and is not dependent on the price of gas transmitted, thus eliminating the Company's exposure to gas price fluctuations and reducing exposure to the volume of gas transported, as well as allowing for adjustments in the Allowed Operating Expenditure for inflation and provides incentives for cost efficiencies, thus enabling a predictable cash flow profile. In order to incentivize the Company to operate efficiently, the Company is permitted to retain efficiency gains (e.g., lower operating expenditure within a Price Control Period, compared to the Allowed Operating Expenditure determined at the start of such Price Control Period, whereas the Company will be required to bear the cost of any operating expenditure that is higher than the Allowed Operating Expenditure).

Stable financial performance with a growing Regulated Asset Base and efficient capital structure

The implementation of the RAB Framework supports the Company in achieving stable profitability margins with resilient performance and stability against the volatility in commodity prices and gas volumes transported during the Price Control Period. Over the past three years, the Company earned income of OMR 166.1 million in 2020, OMR 157.5 million in 2021, OMR 160.4 million in 2022 and OMR 85.0 million for the six months ended 30 June 2023, and generated profit of OMR 59.3 million for 2020, OMR 43.1 million in 2021, OMR 45.6 million for 2022 and OMR 33.1 million for the six months ended 30 June 2023. Further, the Company achieved EBITDA of OMR 83.2 million in 2020 (EBITDA Margin of 50.1%), OMR 66.7 million in 2021 (EBITDA Margin of 42.4%), OMR 71.3 million in 2022 (EBITDA Margin of 44.5%) and OMR 46.3 million (EBITDA Margin of 54.5%) for the six months ended 30 June 2023.

The Company's Regulated Asset Base, one of the key drivers of its financial performance under the RAB Framework, increased from OMR 923.1 million as at 31 December 2020 to OMR 953.2 million and, OMR 972.1 million and OMR 975.6 million as at 31 December 2021 and 2022 and 30 June 2023, respectively, primarily driven by the addition of new assets. The Company earned Regulated Adjusted Income derived from the regulatory financial statements of OMR 134 million in 2020, OMR 132 million in 2021 OMR 136 million in 2022 and OMR 76.0 million for the six months ended 30 June 2023, resulting from an increase in Regulated Asset Base due to acquisition of new pipeline assets and capital expenditures, which was partially offset by a decrease in the WACC in Price Control Period 2 to 7.30% compared to 8.12% in Price Control Period 1 and one-off costs, with 2022 profitability remaining relatively stable, as the Company achieved attractive Regulated Adjusted EBITDA Margins of 77.1% in 2020, 70.1% in 2021, 70.9% in 2022 and 78.0% in the six months ended 30 June 2023. This was despite adverse macroeconomic conditions during the period, including the oil price shock in 2020 and the COVID-19 pandemic, reflecting the resilience of the RAB Framework against external shocks. The Company has also maintained an efficient capital structure as illustrated in the following charts, which set forth the Company's Adjusted Net Debt-to-Regulated Adjusted EBITDA and Adjusted Net Debt-to-Regulated Asset Base during the periods indicated. See "*Presentation of Financial, Industry and Market Data—Non-IFRS Information and Certain Other Financial and Operational Data — Regulatory Measures*" and "*Chapter XIII — Selected Historical Financial Information*".





The Company's strategy entails maintaining a conservative and healthy long-term capital structure to enable strong shareholder returns in line with the Company's cash flows and growth. In June 2023, the Company entered into the Refinancing Facilities in order to improve the Company's long-term capital structure, with a strategy to provide sufficient capacity to finance the Company's committed capital expenditure, allow maintenance of key debt metrics within investment grade rating parameters by international rating agencies, and provide flexibility to meet future financing requirements as well as prudent currency and interest rate risk management. The Company's strategy contemplates maintaining a strong liquidity position through adequate minimum cash balances and amortising debt repayments, supported by the Company's cash flows. See "*Chapter XIV– Management's Discussion and Analysis of Financial Condition and Results of Operations.*"

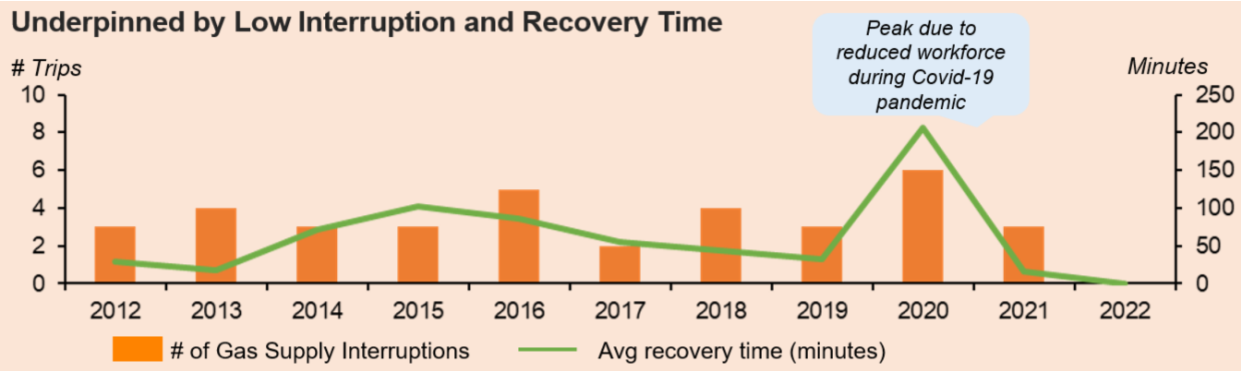
Strong operating track record with consistent gas availability, minimal interruptions and international certifications

The Company prioritizes maintaining high standards of operation and maintenance, which is reflected in the Company's operational track-record, with 99.998% gas availability over the last 10 years. The quality of the Company's assets has been recognised by international bodies as the Company has received important international certifications relating to certain of its network assets, such as ISO 9001:2015 Quality Management Systems, ISO 14001:2015 Environmental Management Systems, ISO 45001:2018 on Occupational Health and Safety Management Systems and ISO 55001:2014 on Asset Management standards.

Availability of the NGTN without interruptions is one of the key requirements from the consumers' perspective, which provides confidence to the consumers in the reliability of the NGTN. The Company is singularly focused on maintaining the high quality of the NGTN. The pipeline network is connected through the SCADA network and is regularly monitored and controlled by the Company to allow process and operational continuity and stability. Furthermore, skilled teams are located across the regional offices, where the NGTN is situated to mobilize and address any interruptions.

The Company has its main team located in Muscat, as well as regional teams and dedicated maintenance crews for each hub, carrying out preventative and corrective maintenance on a regular basis. The Company has eight regional operations offices, located in Mabellah, Sohar, Fahud, Duqm, Sur, Salalah, Nimr and central Oman (Saih Rawl). The regional offices monitor and respond to NGTN incidents across various regions in Oman. The Company's gas dispatching centre ("**GDC**") is located in Muscat and monitors the NGTN and controls gas balancing and dispatching. The GDC contains an emergency control centre on the premises, which is responsible for responding to any emergency incidents. Additionally, the Company maintains a business continuity centre, which incorporates substantially the same functions as the GDC, and provides for a back-up facility to allow business continuity and responses in case of any interruptions of operations at the GDC in case of emergency or any external interference.

The reliability of the NGTN is illustrated by one of the best gas availability KPIs achieved by the Company in 2022, when it recorded no gas supply interruptions and accordingly recorded nil recovery time, which is the lowest in the Company's operating history. The following chart sets forth the development of the Company's gas supply interruptions and average recovery time between 2012 and 2022.



See "—*Maintenance and Safety Control*" below for further information.

Experienced management team with a strong track record of successful project deliveries

The Company is led by an experienced Management with a strong track record of successful delivery of projects within the gas sector. The Management combines private and public experience in the oil and gas sector industry and corporate finance. The Company is led by the Managing Director, Mr. Mansoor Al Abdali, the Vice President of Finance, Mr. Khalid Al Qassabi and the Vice President of Business Development and Commercial, Mr. Saif Al Hosni and other senior management team members who have been involved in Company's evolution as a critical gas infrastructure asset in Oman and have overseen the Company's expansion, including execution of major projects, acquisition of additional NGTN assets and the implementation and development of the RAB Framework. See "*Chapter XVIII – Corporate Governance*" for further information of the management team and their experience.

Strategy

Strong growth prospects through Regulator-approved near-term network expansion and long-term transformative growth initiatives

The Company's growth strategy comprises three key pillars, namely (i) continued investment in NGTN growth, debottlenecking and upgrades, (ii) acquisition of gas transportation assets and (iii) expansion into transportation of other energy sources. The Company's organic growth strategy revolves around continuing to solidify its position as a critical gas transportation infrastructure company in Oman. The Company's revenue growth is linked to the expansion of the NGTN and its Regulated Asset Base. Historically, the Company has maintained a track-record of increasing its Regulated Asset Base, a key driver of its financial performance, since implementation of the RAB Framework through transfer of assets and acquisitions. The Company aims to continue its growth trajectory in the near-term and long-term driven by multiple levers. The Company is in the process of executing a number of projects with estimated completion dates during the remainder of 2023 and 2024, which have been approved by the Regulator. The estimated costs relating to the portion of the projects that is expected to be completed in 2023 have been taken into account in the Capital Expenditure Allowance of OMR 61.9 million for 2023. The Company's projects comprise a mix of (i) Growth Capital Expenditure projects, comprising major development projects to expand the Company's NGTN and connection projects to make gas connections available to various consumers; (ii) Sustaining Capital Expenditure projects, comprising upgrade and maintenance works to maintain the quality of the Company's network assets and improve gas transportation to critical sectors of the Omani economy.

Although the Company bears the costs for each project, the Capital Expenditure Allowance for the projects is approved by the Regulator for each Price Control Period and the Company receives Allowed Return on Capital through the revenue charged to the Shipper. These costs are calculated by the Company based on expansion studies taking into account previous projects, industrial benchmarking and market practice, while the Company also seeks input from third-party consultants on cost estimations from time to time. The Company benefits from a defined and established approval process for capital expenditure projects, which follow the applicable Transportation Code and other Regulated Documents. As at 30 June 2023, the Company's ongoing projects included 18 projects, with estimated target completion dates during the remainder of 2023 and 2024, as set forth in "—*Capital Expenditure and Projects*" below. The Company's strategy also contemplates network expansion opportunities, on the back of the Company's critical midstream position in Oman through potential key transformative growth initiatives.

Additionally, the Company may consider Acquisition Capital Expenditure projects, comprising the acquisition of gas transportation pipelines and other assets, on a case-by-case basis. The Company's growth strategy entails capacity expansion, including pipeline capacity increases as well as extension of the Regulated Asset Base through acquisitions. In the long-term, the Company's strategy contemplates the extension of the NGTN through the potential acquisition of certain existing private gas pipeline assets and networks in Oman that are currently not owned by the Company. While the Company is the exclusive owner and operator of the NGTN, certain gas transportation pipelines and networks in Oman are still owned by other Government-related entities or by certain third-parties (exploration and production companies) which use connecting pipelines for their internal operations. The Company may consider acquiring and operating such private gas pipelines and networks in the future, subject to Management's case-by-case assessments and obtaining any applicable approvals and consolidating these assets in the RAB Framework. Acquisition Capital Expenditure is approved by the Regulator as part of the Price Control Period process or separately under the RAB Framework.

Utilisation of the Company's strengths and market position to play an essential role in energy transition in Oman by facilitating hydrogen and captured carbon transportation and storage

The Government's long-term growth and energy transition strategy contemplates ambitious strategies to build a hydrogen-centric economy and aims to increase green hydrogen production to within the range of 1.0 mtpa to 1.25 mtpa by 2030, 3.25 mtpa to 3.75 mtpa by 2040 and 7.5 mtpa to 8.5 mtpa by 2050. As part of Oman's Vision 2040 to build a hydrogen-centric economy and diversify the economy into non-hydrocarbon sources, Oman has set an ambitious goal to become a key green hydrogen producer and exporter globally, which represents a potential expansion opportunity for the Company. To lead Oman's ambitious green hydrogen strategy, the Government has established Hydrogen Oman S.P.C. ("**Hydrom**"), a subsidiary of Energy Development Oman SAOC and has indicated the intention to make significant investments to support these ambitious plans. To realise this ambition, the Government has estimated approximately US$ 140 billion worth of investment in renewables, production capacity, storage, transport and other assets would be required to reach the 2050 production target of 7.5 mtpa to 8.5 mtpa. The Government has taken multiple steps in furtherance of this strategy, including the establishment of Hydrom, award of projects and signing of commercial term sheets with developers. The Company and Hydrom signed a non-binding, non-exclusive memorandum of understanding in June 2023 to cooperate and share knowledge to support Hydrom's mandate to oversee the planning and development of the hydrogen infrastructure associated with green hydrogen in Oman.

The Company's growth strategy contemplates expanding into the transportation and storage of hydrogen. Given the Company's experience in gas transportation in Oman, the Company has been preliminarily identified by the Government as a potential transportation provider for green hydrogen. While this strategy is still at a nascent stage and the regulatory framework for hydrogen transportation has not been introduced, to the extent that the Company is allocated the responsibility to become a transporter of hydrogen by the Government and relevant regulator in the future, the first phase of such expansion may entail establishment of a common hydrogen pipeline infrastructure to connect hydrogen upstream and export facilities in Duqm and Salalah and a connection between the domestic industrial centre in Sohar and the northern hydrogen hub.

Further, CCUS is amongst the key global decarbonisation pillars in carbon dioxide reduction, which is forecasted to contribute to a 10% reduction in global cumulative energy sector carbon dioxide reductions between 2021 and 2050 (*Source: International Energy Agency- Energy Technology Perspectives 2023*). The Government's energy transition strategy contemplates prioritising CCUS, a key decarbonisation pillar, as a key enabler of the net zero target by 2050. The Company's growth strategy also contemplates potentially expanding into transportation and storage of captured carbon. Additionally, the Company is currently in discussions with the MEM to assist in the development of a regulatory framework for CCUS. To the extent that the Company is allocated the responsibility to become a transporter of captured carbon in the future, expansion into the transportation of captured carbon may in the future entail the establishment of separate carbon dioxide transportation network that connects the relevant carbon dioxide emission sources in Sohar, Sur, Duqm and Salalah with the carbon dioxide storage locations.

Forward-looking organisation with ESG embedded in the Company's strategy.

Oman has an ambitious sustainability agenda outlined in Oman Vision 2040 and the Company has developed a sustainability strategy that is aligned with Oman's national vision.

Oman's sustainability agenda aims to achieve 7% GHG emissions reduction by 2030 compared to 2021 and net zero emissions by 2050. Furthermore, Oman strives to become one of the top 20 countries in the environmental performance index by 2040 by making additional estimated investments of approximately US$ 190 billion to achieve net zero emissions by 2050, and of approximately US$ 230 billion to become a hydrogen exporter, and the Company strives to play a key role in those initiatives. Oman also strives to achieve 30% of its GDP from green power capacity expansion by 2050. With a goal of embedding this agenda in its internal plans and strategies, the Company has recently formed a dedicated sustainability team, including certain senior staff members, which is tasked with overseeing and leading sustainability initiatives and to explore new initiatives to be considered under the Company's sustainability strategy, with the sustainability performance being subject to review by the management-led sustainability committee and the Board.

With respect to environmental performance and management, the Company is committed to contribute to the Environment and Natural Resources Priority in Oman Vision 2040. In addition, the Company strives to minimize its climate-related impact. In recognition of the quality of the Company's environmental management systems, the Company has received ISO 14001:2015 Environmental Management Systems certification. The Company achieved GHG emissions intensity at 0.19 gCO2eq/MJ during the same year. The Company also plans to monitor and report in the future its GHG emissions intensity and gas flaring and is also working on developing a decarbonisation strategy, in line with Oman's Net Zero plan by 2050. In order to align with Oman's commitment towards decarbonisation, the Company completed the 2021 GHG baseline exercise in 2022, has implemented the GHG accounting tools including scope 1, 2 and 3 emissions inventory, and monitors GHG emissions across the NGTN assets. The Company has also conducted a study in order to assess feasibility of blending hydrogen into the NGTN. The study found that 80% of the Company's pipelines may withstand 10% hydrogen transportation, subject to required upgrades and modifications.

The Company is committed to safeguarding and enriching lives with a strategy to closely monitor its HSE indicators, provide regular employee HSE training and engaging with the local communities and providing support to the local economy. On the social front, safety of the Company's employees is a key priority. In 2022, the Company dedicated significant time, namely approximately 2,443 HSE training hours to its employees and personnel, achieved 0.134 Total Recordable Injury Frequency, calculated as the number of total recordable injuries multiplied by one million, divided by the total man-hours. Furthermore, the Company monitors its HSE indicators and endeavours to continuously improve the HSE performance.

With respect to in-country value ("**ICV**") initiatives, the Company also aims to promote local sourcing by giving priority to local suppliers thus contributing to the growth of the local economy. In 2022, the Company has sourced approximately 74% of its requirements from locally registered suppliers. The Company also strives to maximize its engagement in and contribution to the Omani communities.

The Company is committed to supporting the Government's efforts towards environmental sustainability and strengthening community partnerships. The Company is also involved in a range of social initiatives, including the following:

- **Education Initiatives – Collaborating with the Ministry of Education:** The Company contributed to the donation of IT equipment to local public schools. The Company also launched the "Khareef Campaign", which focused on enhancing awareness on safety around the Company's pipelines of the Government and private sector, as well as local communities and Salalah visitors; and

- **Health Initiatives – Support to Local Hospitals and Associations:** The Company contributed to the purchase of medical equipment and facilities and distributed to local hospitals of Izki and Samail, as well as the provision of disability-friendly computers to NGOs.

As at 30 June 2023, the Company had an Omanisation rate of 94%. Further, in preparation for the IPO, the Board approved in September 2023 a corporate governance framework in line with the CMA's corporate governance regime and has established an audit committee, and a nomination and remuneration committee, to meet the CMA's corporate governance standards for SAOGs. For further details on OQGN's corporate governance, see "*Chapter XVIII– Corporate Governance"*. Female directors comprise 40% of the Company's current Board, which was introduced in August 2023 ahead of the IPO. The Company has a dedicated sustainability committee, which is led by the Managing Director as well as a dedicated sustainability team, overseeing operations on its sustainability strategy, with the Board undertaking reviews of ESG performance. The Company has recently established a governance framework in compliance with the CMA regime, with the aim to adopt certain international practices.

Targets

Management has set the below 2023 targets and medium-term targets for the Company's business. The achievement of these targets presupposes the successful and effective implementation of the strategy below. See also "Information Regarding Forward-Looking Statements", "Risk Factors—Risks Relating to the Company and its Business— The Company's organic growth strategy depends on the implementation of capital expenditure projects, which are costly to implement and subject to delays and other risks." and "Risk Factors—Risks Relating to the Company and its Business— Expansion into new business areas, including transportation of other energy sources, will expose the Company to heightened risks and require the Company to incur additional costs." The Company accordingly makes no commitment or guarantee regarding the achievement of the targets presented below.

The Company is targeting (i) aggregate Sustaining and Growth Capital Expenditure of approximately OMR 57 million in 2023 and between approximately OMR 230 million and OMR 290 million in the medium term, (ii) Sustaining Capital Expenditure within the range of approximately 9% to 13% of aggregate Sustaining and Growth Capital Expenditure in the medium term, with Growth Capital Expenditure contributing to CWIP balance. The Company is targeting asset acquisitions amounting to approximately OMR 17 million in 2023 and between approximately OMR 50 million to OMR 90 million in the medium term relating to potential further acquisitions. The Company is targeting RAB depreciation driven by Fixed Assets balance and an average asset life of approximately 40 years in line with historical levels. These targets are based on the Company's existing business operations only and do not take into account any potential expansion into new business areas, including hydrogen or captured carbon.

The Company expects its Allowed Return on Capital to be driven by (i) the WACC rate and (ii) average Regulated Asset Base balance in the medium term. Further, the APSR has provided indicative guidance in the form of a point estimate of the Price Control Period 3 preliminary WACC of 7.79%, which is subject to update by APSR based on prevailing market conditions and variables in the determination of the final WACC length of Price Control Period 3.

The Company expects the Depreciation Allowance to be driven by depreciation on Fixed Assets. The Company is targeting Allowed Operating Expenditure at approximately 85% of actual operating and administrative expenses (excluding depreciation and pass-through costs) in 2023, and thereafter, at approximately 95% of actual operating expenditure between 2024 and 2027. The Company is targeting Pass-through Expenditures to offset the actual costs and the tax allowance for each year to offset the current portion of tax expense in the medium term.

The Company is targeting project management services fees between 2023 and 2027 in line with the 2022 figures. In relation to Finance Income, the Company expects interest on contract assets and concession receivables to be largely in line with the WACC to be determined by the Regulator. The Company does not expect to earn shared services income from 2023 onwards, due to the termination of the Cost Allocation Agreement.

The Company expects pass-through costs to grow in line with inflation between 2023 and 2027, and is targeting actual operating expenditure to grow between approximately 10% and 15% for 2023 (on the back of expected increase in full time employees) and in line with inflation thereafter.

The Company's administrative expenses incurred in 2022 included cost allocation expenses of OMR 8.9 million, which are not expected to continue going forward. The Company expects administrative expenses to grow in line with inflation in the medium term between 2023-2027 with employee costs expected to increase by approximately 10% in 2023 on the back of an expected increase in full-time employees.

IFRS depreciation is targeted to remain in line with 2022 depreciation in the medium term. In relation to taxation, the Company expects (i) a stable 15% corporate tax rate in the medium term (subject to any changes), and (ii) a tax expense which is based on tax depreciation targeted at approximately 10% of the average Regulated Asset Base in 2023 followed by a gradual decline to approximately 5% over the next ten years.

History and Development

An overview of the main events in connection with the history and growth of the Company's business is set out below.

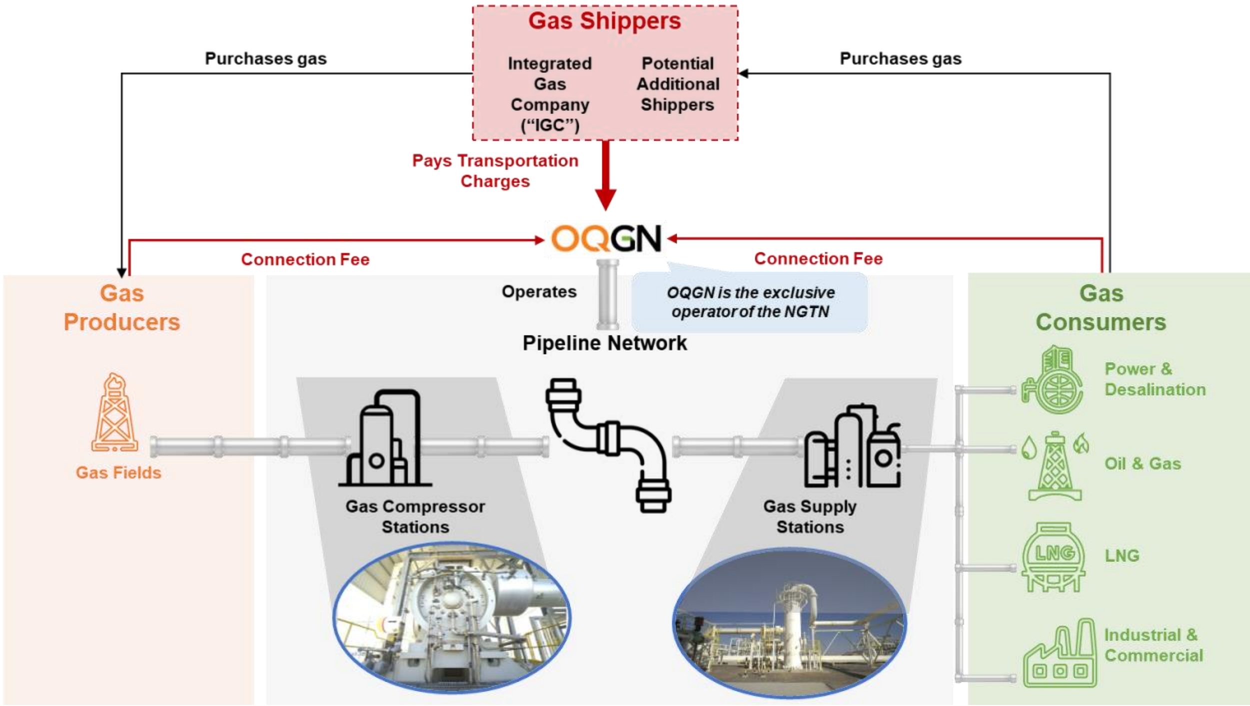
2000	The Company, previously known as Oman Gas Company SAOC, was incorporated on 23 May 2000 and granted concession rights to own, construct, maintain and operate gas facilities in Oman for a period of 27 years commencing from 2000. Upon its incorporation, the Government directly owned 80% of the Company, while OQ owned the remaining 20%.
2004	First gas exported by the Company to Dolphin Energy in the UAE.
2008	First import of gas received from the Dolphin Energy in the UAE.
2013	OQ acquired 100% ownership of the Company following the transfer by the Government of its 80% shareholding in the Company.
2014	Supported the development of new business streams, including the Salalah LPG project and delivered more than 16 BCM of gas.
2016	Commenced the implementation of the RAB approach and the new proposed tariff system. The FAERC approved the establishment of the RAB Framework and the transfer of all Government-owned gas transportation assets to the Company.
2018	Adopted the RAB Framework, a new revenue and tariff mechanism, which is based on the asset ownership and network capacity booked, marking the first Price Control Period under the RAB Framework of three years duration, under the supervision of the RAB JMC (which was appointed by a Ministerial Decision of the MEM as the interim regulator during the transition period between 2018 and 2020). The existing Tariff and Transportation Agreement was amended to allow for RAB based charging until the RAB mechanism was formalised through the execution of the Amended Concession Agreement and issuance of a Royal Decree, ratifying such Amended Concession Agreement (see 2020 below). Signed an asset transfer agreement with the Government effective 1 January 2018 to acquire and transfer the ownership of certain Government-owned and Company operated NGTN assets as part of the consolidation of these assets under a single, regulated company in implementation of the RAB Framework.
2019	Signed an asset transfer agreement with the Government to acquire and transfer gas network assets owned by the Government and operated by PDO effective 1 July 2019 to further consolidate the gas network assets under the Company. In accordance with the RAB Framework requirements for ring fencing the gas transportation business, the Company completed the divestment of the majority of its subsidiaries and non-regulated activities to OQ during 2019.
2020	Company renamed from Oman Gas Company to OQ Gas Networks. Signed an asset transfer agreement with the Government to acquire and transfer assets owned by the Government and operated by BP. The Amended Concession Agreement is signed and ratified pursuant to Royal Decree 122/2020, granting the Company a 50-year concession to own and operate the NGTN for a term ending in 2070.
2021	Signed an asset transfer agreement with Madayn to acquire and transfer the gas distribution assets owned in the industrial estates operated by Madayn, which included assets in five locations, namely Sur, Suhar, Raysut, Nizwa and Rusayl. The Madayn acquisition led to an increase in the total number of the Company's consumer base to approximately 130 in 2022. Signed an asset transfer agreement with SFZC to acquire and transfer gas transportation pipeline and related assets in Salalah Free Zone from SFZC.
2022	The Shareholders elected a new interim Board with 40% female representatives.
2023	Launched the new OQGN brand.

	Established a sustainability committee to oversee the integration of sustainability in the Company's strategy and processes as well as review of the Company's ESG performance. Signed an asset transfer agreement with OQ LPG to acquire gas transportation pipeline system and ancillary connection assets located in Salalah Free Zone. Introduced a new organisational structure and approved a corporate governance framework in line with the CMA's corporate governance regime in preparation for becoming a public company.

Business Operations

Overview

The following graph sets forth an overview of the NGTN operations and the key stakeholders, as further described in the sub-sections below:



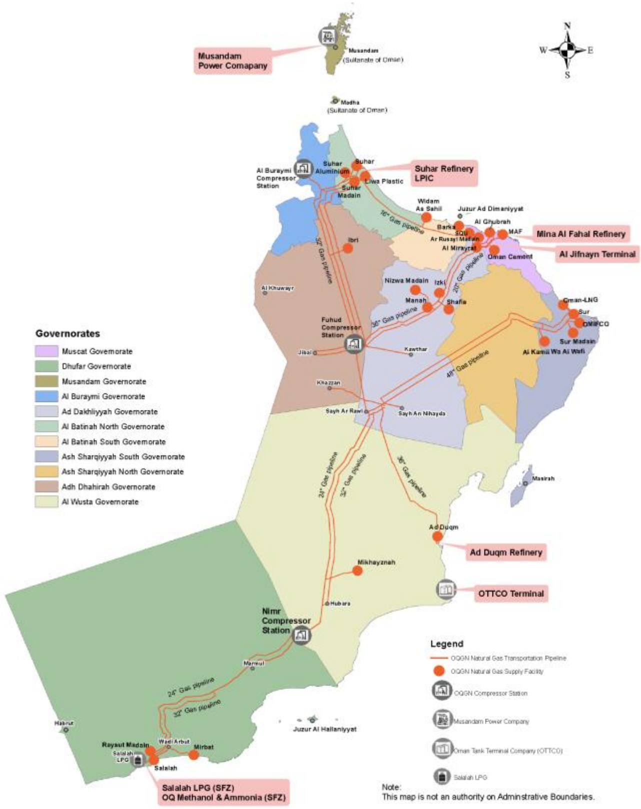
The Natural Gas Transportation Network (NGTN)

The NGTN spans across approximately 4,031 kms of gas transportation pipelines as of 2022. In addition to the pipeline network, the NGTN also includes:

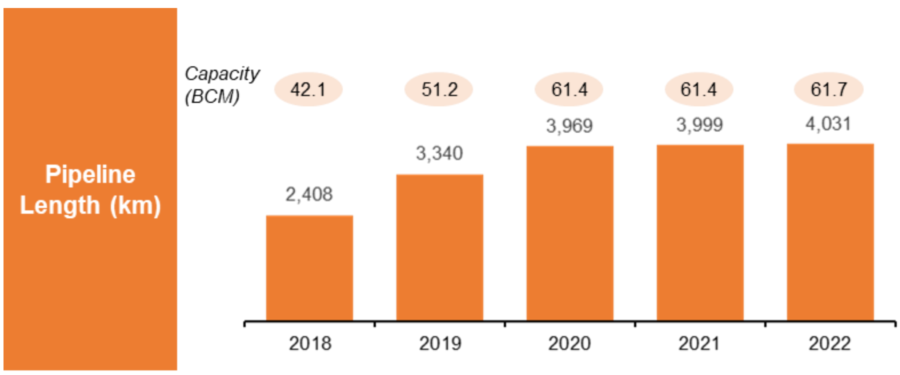
- three compressor stations. These are used to compress the gas (increasing its pressure), thereby providing energy to move the gas through the pipeline;
- twenty five gas supply stations. These are used to treat and condition the gas, including in terms of pressure, quality, moisture etc., in order to comply with the gas specification as per the Shipper's natural gas sales agreements ("**NGSA**") with consumers;
- metering stations which measure the flow of gas along the pipeline, and allow the Company to "track" gas as it flows along the pipeline. Metering stations employ specialised meters to measure the gas as it flows through the pipeline, without impeding its movement; and

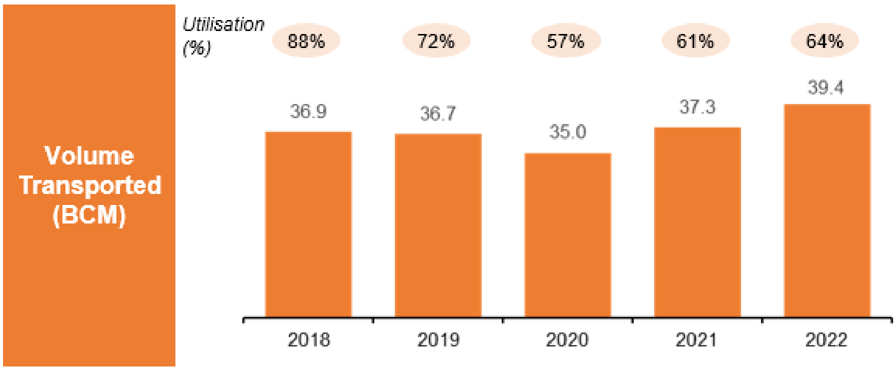
- valves which work like gateways. They are usually open and allow gas to flow freely but they can be used to stop gas flow along a section of the pipe, for example to enable replacement or maintenance of a section of the pipeline between valves.

Set out below is a simplified map of the NGTN.



The Company has been successful in growing the NGTN, which is evident by the growth in pipeline length, as well as completion of other construction projects related to NGTN upgrades and debottlenecking, gas supply stations and gas compression stations. The following charts set forth the expansion of the NGTN pipeline length (in kms), capacity (in BCM), volume of gas transported (in BCM) and utilisation rate (in %) between 2018 and 2022:





Shipper

The MEM was the sole Shipper to the NGTN until 31 December 2022. Pursuant to the MEM Transfer Decision, effective 1 January 2023, IGC (which is 100% owned by the Government acting through the MoF) has formally assumed the role of the Shipper from MEM. IGC was established pursuant to the MoF IGC Decision as a Government owned company to act on behalf of the Government in the management of, *inter alia*, gas sales and purchases. Accordingly, gas produced is now purchased by the IGC from gas producers and sold to gas consumers. The key drivers for the establishment of IGC by the Government include (i) improving the fiscal performance of Oman; (ii) enhancing efficiency of the gas sector in Oman; (iii) implementing Government policies and plans with respect to gas prices and quantity allocated to each sector; and (iv) increasing economy activity and in-country value of the gas sector and related activities.

The MEM Transfer Decision provided that the Transportation Framework Agreement appointing MEM as the Shipper, which was signed between the Government (acting through MEM) and the Company, would be transferred as a matter of law from MEM to IGC with effect from 1 January 2023. The transition from MEM to IGC is still being implemented in practice and IGC will take on the Shipper role from the MEM in a phased manner during 2023.

While the IGC is currently officially the only Shipper, additional Shippers, including international exploration and production companies who are allocated exploration blocks by the Government may be contemplated in the future. There are ongoing discussions with a potential international exploration and production company to act as an additional Shipper to the NGTN.

Gas Producers

Six gas producers fed 39.8 BCM of gas into the NGTN in 2022, as further described below.

Gas Producers (2022)	BCM[(1)]	%
Petroleum Development Oman [(2)]	21.1	53%
BP	15.5	39%
Dolphin Energy	2.0	5%
OXY[(3)]	0.9	2%
OQEP[(4)] **(Block 60)**	0.2	0.5%
ARA Petroleum	0.1	0.2%
Total	**39.8**	**100%**

Notes:

(1) Represents gas shipped through the NGTN on behalf of the Shipper from each producer.

(2) Owned by the Government (through Energy Development Oman) (60%), Royal Dutch Shell (34%), TotalEnergies (4%) and PTTEP (2%).

(3) Through OXY Safa (1%) and OXY Block 62 (1%).

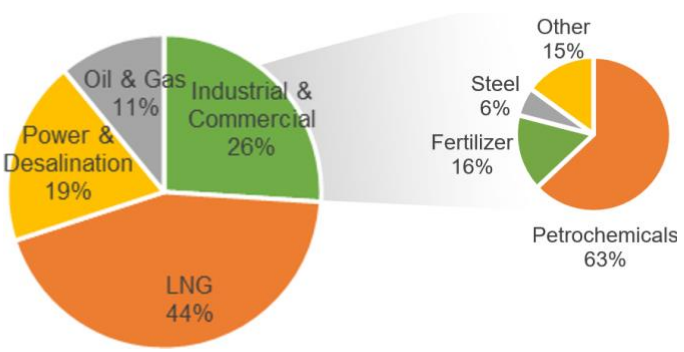
(4) A wholly-owned subsidiary of OQ.

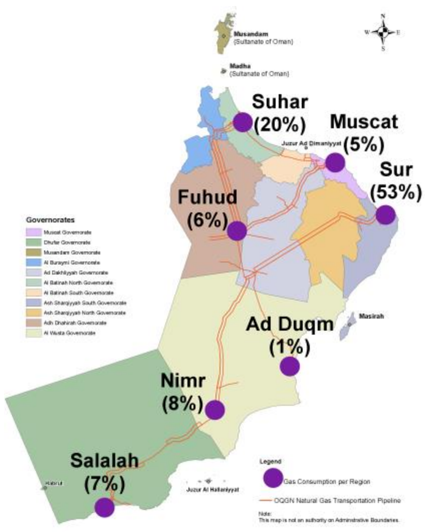
Gas Consumers

The Company transports the gas sold by the Shipper to gas consumers in Oman. The LNG sector comprised the largest consumer of gas transported through the NGTN in 2022, representing approximately 44%, followed by industrial and commercial sector consumers representing approximately 26%, power and desalination sector consumers representing approximately 19%, and oil and gas sector consumers representing approximately 11% of gas transported by the Company in 2022. The following table sets forth the Company's key gas consumers for 2022:

Consumers (2022)	Consumer Sector	Region	BCM	%
Oman LNG	LNG	Sur	17.3	44%
OXY Mukhazina	Oil and Gas	Nimr	2.4	6%
Sur Independent Power Plant	Power and Desalination	Sur	1.6	4%
Oman India Fertiliser Project	Industrial and Commercial	Sur	1.5	4%
Sohar 3	Power and Desalination	Suhar	1.5	4%
Ibri Independent Power Plant	Power and Desalination	Fahud	1.3	3%
Salalah Methanol Company	Industrial and Commercial	Salalah	1.3	3%
Sohar Aluminium Power Plant	Industrial and Commercial	Suhar	1.2	3%
Oman Methanol Company	Industrial and Commercial	Suhar	1.1	3%
Al Suwadi Power Company	Power and Desalination	Muscat	0.9	2%
Others			9.3	24%
Total			39.4	**100%**

The following chart sets forth the gas consumers breakdown by industry and by region in Oman, in each case based on volumes transported in 2022:





While the main drivers of the Company's Allowed RAB Revenues and Transportation Charges are the RAB building blocks and the booked transportation capacity, the Company has developed certain operational key performance indicators to monitor the operations of the Company, including total gas delivered, average recovery time from disruptions and gas availability, as set forth in the table below for the periods indicated:

	2020	2021	2022
Total gas delivery (million SCM)[(1)]	35,101.0	37,292	39,380
Average recovery time (minutes)[(2)]	206	17	0
Gas availability (%)[(3)]	99.9977%	99.9999%	100%

Notes:

(1) *Total gas delivery is calculated as the aggregate of all gas consumption recorded for all gas consumers through the NGTN.*

(2) *Average recovery time is calculated as total asset downtime divided by number of trips.*

(3) *Gas availability as the percentage of the undelivered volume of gas by the total delivered volume in that year.*

Capital Expenditure and Projects

In accordance with the RAB Framework, network development as well as connection projects and related capital expenditure are required to be approved by the Regulator as part of the Price Control process. The Company submits to the Regulator for approval the required investments for capital expenditure projects through a comprehensive plan for ongoing and new network development and connection projects ahead of each Price Control Period as part of the submissions for the Regulator's assessment of the Allowed RAB Revenues.

Capital Expenditure approval process

The Company engages in Growth Capital Expenditure, namely network development projects as well as connection projects, Sustaining Capital Expenditure, which comprises upgrade and maintenance works to sustain and upgrade the quality of the NGTN assets and improve gas transportation, and Acquisition Capital Expenditure in connection with the acquisition of gas pipelines and other gas transportation assets. Capital expenditure projects are approved as part of the Price Control process. NGTN development project costs are borne by the Company, while the Company charges Allowed RAB Revenues to the Shipper on such projects. The projects are monitored by the Shipper, and any change in the scope, timeline and cost are required to be approved by the Shipper and Regulator.

The Company's track record of successful delivery of large-scale development projects is illustrated by the construction and installation of a new 221 km pipeline and gas supply station within the Duqm industrial area in the special economic zone at Duqm ("**SEZAD**") providing 29,125 million SCM of gas capacity per year. The project was successfully completed in 2020. Additionally, the Company completed the construction of a new 32-inch 301 km loop line parallel to an existing 32-inch pipeline from Fahud compressor station to Sohar gas supply station, to supply gas to the new Sohar and Ibri power plants in Northern Oman. The project was successfully completed in January 2020. Both projects cost approximately US$ 250 million each and were completed in Price Control Period 1.

The Capital Expenditure Allowance for each Price Control Period is approved by the Regulator. Set forth below is the Capital Expenditure Allowance for Price Control Period 2 (i.e., 1 January 2021 until 31 December 2023):

	2021	2022	2023	Total
Capital Expenditure Allowance (OMR million)	76.0	97.6	61.9	235.5

The Company is in the process of executing a number of growth projects with estimated completion dates during the remainder of 2023 and 2024, which have been approved by the Regulator. The estimated costs relating to the portion of the projects that is expected to be completed in 2023 has been taken into account in the Capital Expenditure Allowance of OMR 61.9 million for 2023. The projects comprise a mix of (i) maintenance projects relating to upgrade and maintenance works with a goal to maintain the quality of the Company's network assets and improve gas transportation to critical sectors of the Omani economy; (ii) major development projects to expand the NGTN; and (iii) connection projects to make gas connections available to various consumers based on their NGSAs with the Shipper. Further, the Company has identified several opportunities to acquire certain privately owned gas pipeline assets in Oman that are used by upstream exploration and production companies for their own requirements of gas transportation within their respective concession areas.

The Capital Expenditure Allowance includes the following ongoing projects:

	Project Size(1)	As at June 2023 *(percentage completed)*	Estimated Completion Date(2)
Network Development Projects:			
South Grid De-Bottlenecking Phase 2	Major	93%	October 2023
Central 48 Rich & Lean Segregation	Major	70%	October 2024
Sohar Phase 7 (Gas Supply to MISCO & Keryas)	Medium	95%	July 2023
SLIA GSS De-Bottlenecking	Medium	99%	July 2023
SIE De-Bottlenecking	Medium	88%	December 2023
Connection Projects:			
Duqm SEZAD Phase II Pipeline Project	Medium	14%	October 2024
Gas Supply to Oman Oil Seed Crushing Factory & Oman Sugar Refinery	Medium	79%	September 2023
Gas Supply to Keryas Paper Industries	Minor	96%	July 2023
Salalah Free Zone Bulk	Minor	82%	October 2023
OMIFCO GSS Update	Minor	91%	October 2023
Gas Supply to Global Development & Cont.	Minor	95%	December 2023
Gas Supply to Saheer Al Maaden	Minor	70%	December 2023
Gas Supply to Al Namariq	Minor	95%	September 2023
Gas supply to Pride Packaging	Minor	59%	December 2023
Gas Supply to Bolten Beads & Horizon (HID)	Minor	91%	July 2023
Gas supply to Salalah Mills	Minor	9%	December 2023
Gas Supply to Dhofar Fishers	Minor	8%	December 2023
Gas Supply to Gulf Gypsum Products	Minor	9%	December 2023

Notes:

(1) "*Major" projects include projects with estimated capital expenditure of OMR 25 million or more, "Medium" projects include projects with estimated capital expenditure between OMR 5 million to OMR 25 million and "Minor" projects include projects with estimated capital expenditure of less than OMR 5 million*.
(2) *The Estimated Completion Date is based on the Company's internal targets for each project's estimated completion as of 30 June 2023, which is subject to change, based on the actual progress of the respective projects.*

The key ongoing projects include projects involving piping and allocation of meters, facility upgrades and three projects involving the construction of additional loop lines. Two of the projects, which are considered major projects, are described in more detail below:

South Grid De-bottlenecking

This project involves (i) installing a new 32" loop line between block valve stations 9 and 10 (a distance of approximately 32 kms) on the existing 24" southern grid gas pipeline to Salalah including the construction of both a launching and receiving station (which are located at the start and end of each pipeline and contain the equipment used for cleaning and pipeline inspection gauges used for various maintenance activities), (ii) installing a new 32" loop line from block valve station 17 to the Salalah gas supply station (approximately 177 kms) on the existing 24" southern grid gas pipeline to Salalah including the construction of both a launching and receiving station, (iii) installing six new block valve stations on the new 32" loop line from block valve station 17 to Salalah, (iv) installing the power supply, control and telecom system (integrated system) for the two new 32" loop lines and (v) installing the new cathodic protection system for the two new 32" loop lines. The project was launched in February 2021 and as at 30 June 2023 was expected to be completed by October 2023.

Central 48" rich and lean gas pipeline segregation

The Company was requested by the MEM to maximize rich gas utilisation in the network through the segregation of rich and lean gas supply to consumers. As a result, priority of rich gas supply will be given to new LNG and LPG extraction plants. Segregation of rich and lean gas for the southern network became operational in 2019. This project involves similar segregation for the central gas network. The scope of the project includes extending the 48" loop line from BVS-09 to Sur (approximately 65 kms) and dedicating this loop line to deliver lean gas to consumers not requiring rich gas through a gas network hub construction. The Capital Expenditure Allowance for Price Control 2 only considers the portion of the Central 48 Rich & Lean Segregation project, which is expected to be completed during Price Control Period 2. Once completed, the Central 48 Rich & Lean Segregation project is expected to increase capacity of supply to the Oman LNG by approximately 6 BCM per year. The project was launched in September 2021 and as at 30 June 2023 was expected to be completed by October 2024.

Maintenance and Safety Control

Maintenance is an integral part of the Company's operations, given that the quality of the Company's transportation services relies on the reliability and quality of its NGTN. The Company conducts three types of maintenance in the NGTN, namely preventative, corrective and predictive maintenance. The Company carries out maintenance on its pipelines across eight regions in Oman through various operational hubs across the network using an in-line inspection and a preventative maintenance program. The Company utilizes various methods to maintain and assess the quality and performance of the NGTN, including predictive maintenance methods such as the risk-based inspection ("**RBI**") and corrective methods, such as the inline inspection ("**Inline Inspection**"). RBI involves the planning of inspection activities based on information obtained from risk assessments. Pipeline segments with high susceptibility and high consequence of failure are given a higher priority for inspection than pipeline segments with a low susceptibility and low consequence of failure. Accordingly, the Company conducts more frequent inspections with the aim of reducing susceptibility to failure. RBI includes visual inspections, pipeline cleaning, pressure checking, ROW maintenance, cathodic protection system maintenance and corrosion monitor pits. Inline Inspection involves the intelligent pigging inspection of the interior of the pipeline using inspection tools, with the aim of assessing the condition of each pipeline and identifying and measuring metal loss defects, which could result in loss of the pipeline's technical integrity. The Inline Inspection is also combined with corrosion monitoring with a fixed inspection frequency. The Company also maintains its compressor stations, gas supply stations and fiscal metering systems by conducting routine maintenance and inspection activities, daily and weekly operator rounds and in-vehicle motor systems, periodic function checks, visual inspections, test performances and electronic journey management systems. The Company is also assessing the potential use of drones and leak detectors, as well as a machinery management system for gas turbines in the future.

The Company has its main team located in Muscat and regional teams and dedicated maintenance crews for each hub, carrying out preventative and corrective maintenance on a regular basis. The Company's GDC is located in Muscat and contains an emergency control centre on the premises, which is responsible for responding to any emergency incidents. The GDC operates 24 hours per day, seven days per week, through rolling 12-hour shifts. The shift teams comprise two gas dispatchers and are led by a shift team lead. The GDC monitors and controls the NGTN through various modern systems, including the SCADA, distributed control system ("**DCS**"), pipeline management system ("**PLMS**"), leak detection system ("**LDS**") and automated gas reporting ("**AGR**"). The shift teams comprise two gas dispatchers and are led by a shift team lead.

The Company has a dedicated third-party contractor maintenance team and arranges for extended crews to be available on a contractual basis for periods of heavy maintenance or on an as-needed basis. The Company has contracted with several external suppliers to perform supporting and ancillary activities. Such outsourced activities and resources comply with the Company's competence, awareness and documentation, which are monitored, measured and analysed according to the Company's standards. The Company's outsourced activities include pipeline inspection, solar turbine and gas facilities monitoring, non-hazardous waste management and management and engineering services. The key benefits of outsourcing such activities include cost savings due to increased efficiency, increased quality due to skilled expertise, which leave room for more flexibility and focus by the Company's employees on the core activities and functions of the Company. The Company uses a combination of an in-house maintenance crew as well as subcontractors to make available the necessary expertise. The Company maintains a digital systems to plan and schedule maintenance activity and monitor inspections of the NGTN. The regional team include specialized services, such as instrument, electrical and mechanical who carry out the day-to-day maintenance and are supported by the headquarters' central team, who are the engineers operate as a second line of maintenance and provide support as necessary. The Company has an integrity and reliability team, who carry-out periodic inspections of the assets with different methodologies. The Company conducts an assessment every five years to inspect assets, in addition to routine checks and major maintenance.

The Company calculates quantified risks and reliability, which are used as an input for the decision making of the appropriate levels of maintenance and the investment required to ensure the asset performs its function throughout its design life.

With respect to security, the Company's gas network has engaged a third-party security force, which is distributed across all the regional offices. The Company's compressor and gas supply stations are protected by fences and locked doors. The main gas supply stations are provided with local CCTV used for monitoring and security surveillance. The Company has also deployed CCTV across most of the NGTN stations for close monitoring remotely from its head office on a 24 hours per day and seven days per week basis. Security surveillance for pipelines is provided by the gas network pipeline surveillance team, which ensures that the network is properly patrolled and physically monitored for any encroachment and third-party activities. The pipeline network is monitored and inspected through routine inspections by surveillance teams.

Environment and Sustainability

The Company seeks to protect the environment and make a positive impact on the wider community and its various internal and external stakeholders. With a goal of embedding the sustainability agenda in its internal plans and strategies, the Company has recently formed a dedicated sustainability team, including certain senior staff members, which is tasked with overseeing sustainability initiatives and to explore new initiatives to be considered under the Company's sustainability strategy. The sustainability performance is also subject to review by the Board.

The Company is subject to regulation by the EA, which has wide powers that include the implementation and enforcement of environmental regulations. Under the supervision of the EA, the Company is subject to the Law on Environment and the rules and regulations issued by the EA (and the Ministry of Environment and Climate Affairs, which was the predecessor of the EA). Compliance with special provisions may be appropriate or required in environmentally sensitive areas.

The EA has jurisdiction over Oman's environmental policies and regulates environmental management, pollution prevention and environmental conservation through issuance of regulations and standards. The Company is also required to obtain, maintain and renew environmental licenses, permits and approvals in order to operate its business.

The Company has also developed certain environmental and sustainability strategies, which include, among others:

- selection of modern techniques for resource conservation, including minimization and optimization of energy intensity and carbon footprint;
- environmental protection including water management, particularly groundwater resources, waste management, spill prevention to ensure avoidance of future liabilities;
- pollution prevention measures and environmental performance improvement plans commensurate with the upcoming technologies and best practices; and
- biodiversity conservation, e.g., route surveys to identify and map sensitive ecosystems and avoid them during the development stages of a project.

Regarding the Company's use of resources, the Company:

- uses some of the gas transported as fuel for gas turbine compressors and some gas heaters;
- uses diesel mainly for the vehicles used by the operation and maintenance team, as well as the right of way inspection team for their routine activities and a small quantity of diesel is also used in back-up power generators at some of the gas infrastructure locations;
- procures fresh water through approved contractors from approved groundwater supply well-operators in the various regions; and
- purchases electricity from either the public grid or from grids operated by private operators (e.g., Petroleum Development Oman).

The Company manages waste by offering dedicated containers within the regional offices, compressor stations and gas supply stations. Hazardous waste is immediately transferred to the central hazardous waste storage yards located at Fahud or Sohar, as applicable. The Company has also in the past undertaken certain formal and informal audits and inspections to verify general compliance with Omani laws regarding the storage and handling of chemicals and non-hazardous and hazardous waste. The Company's strategy entails minimizing noise generating sources at the regional offices and along the operating pipelines. Furthermore, the compressor stations are located away from any permanent settlements, villages or towns. The Company has implemented certain engineered controls to limit source noise to certain thresholds. Where such controls are not possible, the Company's strategy is to implement sufficient noise attenuation and buffer distance. The main sources of noise are located within the Company's fenced compressor stations. Additionally, the Company has a number of sources of air emissions, mainly the stationary combustion sources, including compressor stations and gas fired heaters. The fuel combusted in these stationary combustion sources contains sweet natural gas, which contains lower levels of sulphur content.

The Company also plans to monitor and report in the future its GHG emissions intensity and gas flaring and strives to maintain GHG emissions within the parameters set out under applicable Omani laws and regulations. The Company recorded GHG emissions intensity at 0.19 gCO2eq/MJ in 2022. The Company is also working on developing a decarbonisation strategy, in line with Oman's Net Zero plan by 2050. Furthermore, as the exclusive owner and operator of the NGTN, the Company strives to play a critical role in the transition to hydrogen. A technical feasibility study was carried out to assess the blending of hydrogen in the NGTN, and upgrading its existing infrastructure for transportation of hydrogen and viability of establishing a new pipeline network that may be available for potential hydrogen transportation in the future, subject to regulatory approvals and the introduction of the applicable regulatory framework for hydrogen in Oman. The study found that 80% of the Company's pipelines may withstand 10% hydrogen transportation, subject to the required upgrades and modifications. See "*—Strategy — Forward-looking organization with sustainability as an integral part of its strategy*" above for further information.

The quality of the Company's assets and environmental systems has been recognised by certain international bodies as evidenced by the receipt of relevant certifications, including ISO 14001:2015 Environmental Management Systems and ISO 45001:2018 on Occupational Health and Safety Management Systems.

Health and Safety

The Company is required to comply with applicable laws and regulations on labour and occupational health and safety standards. This includes compliance with the Oman Labour Law (Royal Decree 35/2003) which has recently been repealed and replaced by a new Labour Law (Royal Decree 53/2023) ("New Labour Law"). While the New Labour Law has come into effect on 31 July 2023, it provides for a period of six months for employers to make the necessary amendments to their internal documentation and policies to comply with the New Labour Law. The Company has initiated the process of making necessary amendments to their existing documents and policies. Furthermore, the Company is also required to comply with the Law on Environment and the Ministry of Labour (formerly known as Ministry of Manpower) MD 286/2008 (as amended) issuing the Regulations for Occupational Health and Safety at Enterprises Governed by the Oman Labour Law. These laws and regulations impose a number of health and safety requirements and place the main responsibility to take precautionary health and safety measures on the employer (i.e., the Company). Under HSE related laws and regulations, the Company is required to identify potential health and safety hazards, evaluate the potential risk to the employees and promote an occupational health and safety policy.

In line with applicable HSE related laws, the Company is committed to the protection of the health, safety and welfare of its employees and recognises health and safety as an integral part of its business performance. To that effect, the Company has in 2022 introduced a health and safety policy, which aims to continuously focus on employee safety by:

- ensuring that each employee focuses on achieving excellence in safety, health, work environment, quality and productivity;
- routinely evaluating practices and procedures and implement the necessary processes to maintain and improve the health and safety of employees, consumers and contractors;
- providing adequate training for all staff to reduce risks and hazards;
- promoting a safety-focused culture;
- ensuring that every employee and contractor whose work may give rise to health and safety concerns is fully trained and held accountable for the implementation of the Company's health and safety policies and related health and safety legislation in Oman;
- ensuring that the Company's safety rules are followed by all;
- ensuring that the environment is protected against any pollution created in the Company's business;
- promoting understanding that all injuries, incidents and occupational illnesses and the investigation of such incidents is fundamental to future prevention;
- ensuring that employees and contractors are aware of hazards and safe work practices in their work premises;
- motivating all employees and contractors to report near misses and health and safety violations to ensure that everyone can contribute to the safety of the community; and
- setting objectives, targets and measures, appraise and publicly report on the Company's health and safety performance.

The following chart sets forth certain key metrics relating to the Company's health and safety performance for each of 2022, 2021 and 2020:

	2022	2021	2020
Near misses, unsafe conditions, unsafe acts	51	45	2
Medical treatment	0	2	1
Number of first aid cases	4	0	0
Number of restricted work days	0	0	0
Fatalities	1	0	0
TRIF(1)	0.13	0	0.19
MVIF(2)	0.11	0.35	0.00
Observations(3)	7,866	2,280	2,581

Notes:

(1) TRIF means Total Recordable Injury Frequency and is calculated as the number of Total Recordable Injuries multiplied by one million and divided by total man-hours.

(2) MVIF means Motor Vehicle Incident Frequency and is calculated as the number of Vehicle Incidents multiplied by one million divided by total kilometres driven.

(3) Observations include unsafe conditions and unsafe acts. The Company started utilising Intelex, an automated system for HSE incident reporting in 2022, which improved the Company's HSE reporting records in 2022, compared to 2021 and 2020.

The Company's TRIF and MVIF results for 2022 were below the target thresholds of 0.86 for TRIF and 0.38 for MVIF. The Company has also implemented the following 2023 targets: (i) 0.86 TRIF; and (ii) 0.34 MVIF.

Social Responsibility

The Company actively considers the interests of society at large and the economic development of Oman in the course of its operations and strives to maximize its engagement in and contribution to the Omani communities and supporting the Government's efforts towards environmental sustainability and strengthening community partnership. The Company's social responsibility strategy entails focusing on human capital development by implementing several practices to encourage a culture of volunteering amongst its employees, supporting local suppliers, contractors and entrepreneurs, and by implementing its agenda. With respect to social responsibility initiatives, the Company also aims to promote local sourcing by giving priority to local suppliers, thus contributing to the growth of the local economy. The Company typically includes ICV terms and conditions in most of its major contracts. Moreover, as a member of Oman's national procurement system for the oil and gas industry ("**Joint Supplier Registration System**"), the Company promotes the centralized registration of vendors to provide better access to small and medium enterprises (SMEs) and local companies in the oil and gas sector.

In 2022, the Company sourced approximately 74% of its requirements from suppliers registered on the Joint Supplier Registration System and had an Omanisation rate of 94% in 2022.

Information Technology

The Company had historically retained and procured IT and OT systems internally. However, most of the Company's IT systems were centralised and consolidated into OQ's IT systems as part of the OQ integration initiative around 2020. In 2022, the Company commenced its IT systems carve-out and the Cost Allocation Agreement, which previously governed the procurement of these shared services from OQ, was terminated effective 1 January 2023. However, the Company decided to retain the procurement of certain IT services from OQ, due to cost optimisation and value creation considerations. The Company and OQ are currently in the process of formalising the contractual arrangement for the procurement of the aforementioned services.

The Company's IT infrastructure includes purpose-built data centres, control rooms, an extensive fibre optic network, security and support infrastructure designed to deliver corporate information technology required services. The main systems deployed include a telecommunications network, asset performance monitoring, operational management tools, the SCADA and distributed control systems. The Company utilizes the centralised SAP system, One ERP, for enterprise resource planning. The Company utilises Mueen, a customised online right of way management system, which digitalises the NGTN monitoring process, provides live data updates on intrusions and anomalies across the right of way as well as visual reporting and trend analysis. The Company also introduced Intelex in 2022, which is a software solution for health and safety incident reporting and the Company's employees and contractors have since commenced utilizing Intelex for HSE reporting. Accordingly, the Company's HSE reporting practices and records improved in 2022, which led to higher HSE incidents and observations being reported in 2022 compared to 2021 and 2020, see "— *Health and Safety*" above for further information on the Company's health and safety performance between 2020 and 2022.

The incidents are reported to the Muscat head office with email notifications generated to the concerned parties.

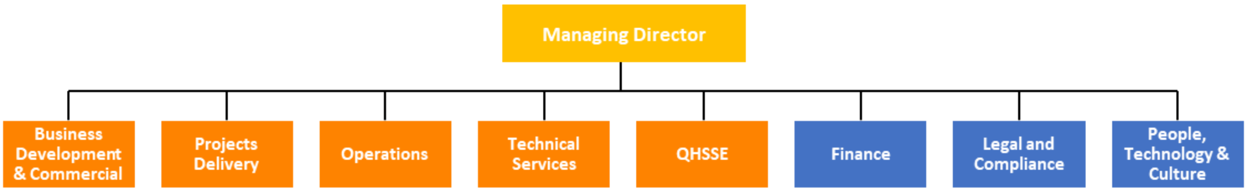
The pipeline network is connected via the SCADA network and is managed and monitored by the Company's network management team.

Employees

The Company has an efficient organizational structure which aims to enhance performance of the Company's operations and ensure compliance with the regulatory requirements.

As at 30 June 2023, the Company had 480 permanent employees across its operations, 450 of which were Omani nationals comprising approximately 94% of the Company's workforce and 30 of which were expatriates comprising approximately 6% of the Company's workforce.

Set forth below is an overview of the organisational structure implemented by the Company in 2023 and a breakdown of the Company's total employees as at 30 June 2023:



Department	Permanent Employees as at 30 June 2023
Managing Director's Office	2
Business Development & Commercial	28
Projects Delivery	27
Operations	188
Technical Services	57
Quality, Health, Safety, Security and Environment	52
Finance	35
Legal and Compliance	2
People, Technology and Culture	63
Others[(1)]	26
Total	480

Notes:

(1) Others include certain employees that are expected to be transferred to other OQ Group companies in the near future.

The Company has several programs focused on talent management, employee development and employee retention. Accordingly, the following strategies and processes have been introduced:

- a leadership program aimed at developing current and future business leaders by establishing a professional career path;
- succession planning, which aims to focus on ensuring the development of critical position holders and potential technical and non-technical employees;
- competency management, which assesses an employee's competency level, conducts gap analysis, and provides a development plan using the development needs analysis strategy to bridge the competencies; and
- technical and non-technical e-learning, with the aim to offer employees opportunities for self-learning and develop their professional skills during their preferable time.

In addition, the Company provides on-the-job training and in-house training. The Company's strategy also entails focusing on hiring Omani national graduates and offering them intensive technical training programs to help meet the Company's future expertise and manpower needs and requirements. The Company has dedicated significant time to HSE training of its employees, including approximately 2,443 training hours in 2022.

The Company does not provide a separate pension or retirement plan for its employees. The Company's Omani employees participate in the national retirement system and are registered with Public Authority for Social Insurance. Expatriate employees are paid end-of-service benefits in accordance with the New Labour Law. Additionally, the new Social Protection Law (Royal Decree 52/2023) ("**Social Protection Law**") provides for a new scheme in relation to pension and other benefits for Omani and expatriate employees. While a number of provisions of the Social Protection Law have come into force from 24 July 2023, a number of other provisions have been stated to come into effect at differing dates over the next three years. The Company has commenced amending its internal documentation to comply with the Social Protection Law.

Real Estate Properties

The Company does not own the land on which its gas transportation assets are situated. Rather, the Company has land rights under the Amended Concession Agreement and has entered into usufruct agreements with the Government, whereby the Government has granted the Company usufruct rights, rights of way and easement rights over land required for purposes of the construction and operation of the NGTN for a term equivalent to that of the Amended Concession Agreement. See "*—Material Agreements – Usufruct Agreements*" below. Under the Amended Concession Agreement, to the extent that any land is not covered by the master usufruct agreement and which is required for the NGTN, the Government has agreed to take all necessary steps to acquire title of such land in order to give the Company the same rights as in the land covered by the master usufruct agreement. The cost of any compulsory acquisition of land by the Government for the benefit of the Company shall be borne by the Company.

Due to the Company's expansion of the NGTN, some of the Company's assets are located on lands owned by third-parties. The Company has entered into certain lease and usufruct agreements for the use of lands owned by third-parties, including the Salalah, Sohar and Madayn industrial areas with the relevant land owning or controlling entities. The Company is also working on entering into contractual agreements and documenting its land rights over certain ancillary lands owned by third-parties in the ordinary course of business. The Company has also leased office premises at various locations in Oman under standard tenancy agreements. The Company has entered into usufruct agreements with Madayn and Salalah Free Zone in connection with the assets transferred under the relevant asset transfer agreements with such parties. In addition, the Company has obtained the benefit of a number of rights of way in relation to the NGTN.

The Company's head office is located in Muscat. The Company has eight regional operation offices, located in Mabellah, Sohar, Fahud, Duqm, Sur, Salalah, Nimr and central Oman (Saih Rawl). These offices are responsible for all asset inspections and asset operations and maintenance activities in their region, as well as technical and end user support. The Sur and central Oman offices are leased, while Mabellah, Sohar, Fahud, Duqm, Nimr and Salalah offices are owned by the Company.

Intellectual Property

The Company recently launched its own logo, OQGN, which it registered for a period of ten years through 12 October 2032. The Company historically operated under the OQ logo and trademark. The Company has entered into a trademark licensing agreement with OQ which authorises the Company to use the OQ trademarks (the "**Trademark License Agreement**"). See "*—Material Agreements*" below.

Insurance

The Company maintains insurance coverage that it believes is in line with customary practice in its industry. The Company currently maintains comprehensive insurance policies for the NGTN against a number of risks arising in connection with the NGTN distribution operations, either directly or through OQ's umbrella insurance policies, including property damage and business interruption, third-party liability, terrorism and cyber security (physical and non-physical damage). The Company also benefits from OQ's property all risk insurance against fire, earthquakes, explosions and other potential risks. In addition, the Company maintains other insurance policies including motor fleet insurance, fidelity guarantee, marine cargo transit, travel and directors' and officers' liability insurance. The Company's employees benefit from insurance procured by OQ covering medical, group life and workmen's compensation insurance. The Company's insurance policies are typically concluded for a period of one year and are renewed annually upon their expiry. See "*Chapter IV– Risk Factors — Risks relating to the Company and its Business — The insurance coverage of the Company may not be sufficient to cover all losses and liabilities and the Company may sustain losses from risks not covered by, or exceeding the coverage limits of, its insurance policies*."

Legal Proceedings

Save as provided in this Prospectus, there are no governmental, legal or arbitration proceedings that have been commenced against or on behalf of the Company during the 12 months preceding the date of this Prospectus which may have, or have had in the recent past, a material adverse effect on the Company's business, financial condition or results of operations. From time to time the Company has been, and will continue to be, subject to legal proceedings in relation to its businesses, some of which may be significant. These claims may seek, among other things, compensation for alleged losses, civil penalties or injunctive or declaratory relief. For example, the Company is currently party to certain employment-related claims, litigation with the Company's EPC contractors and other project related litigation. See "*Chapter IV– Risk Factors — Risks relating to the Company and its Business —Legal proceedings or claims or regulatory investigations could affect the Company results of operations and financial condition*."

The MEM served the MEM Letter dated 6 September 2022 on the Company claiming compensation, pursuant to the Amended Concession Agreement in the sum of OMR 19.5 million in respect of delays in gas supply which MEM alleges has been caused by the Company. The Company, on behalf of the Government, transports gas to consumers in accordance with the terms of the NGSA. Delays in the supply of gas occurred on two occasions between 2018 and early 2019, as a result of which MEM failed to supply gas to two IPPs in accordance with the terms of their NGSAs. Such unavailability of gas ultimately delayed the IPPs achievement of the commencement of their power supply obligations under their power purchase agreements with the Oman Power and Water Procurement Company SAOC ("**Delays**"). As per the MEM Letter, pursuant to an expert determination made under the NGSA, MEM has been obliged, in accordance with the terms of the NGSAs it had entered into with the IPPs, to compensate the IPPs for the Delays which occurred partially due to project delivery issues. The Company and the MEM have appointed an independent consultant to review the merits of the MEM Claim.

The Company was defending certain claims brought by Al Turki Enterprise LLC ("**Al Turki**") in relation to EPC services carried out on behalf of the Company in connection with an EPC Contract (the "**Contract**") with a total value of OMR 7.9 million in relation to several variation of works, including extension of time, COVID-19 related, release of penalty related and increased cost claims under the Contract (the "**Al Turki Claim**"). The Company and Al Turki have entered into a settlement agreement, which was agreed by both parties and signed on 13 August 2023, dated 6 August 2023 ("**Settlement Agreement**"), whereby the Company and Al Turki have negotiated an amicable resolution in relation to the Al Turki Claim. Pursuant to the Settlement Agreement, the Company has agreed to pay an amount of OMR 4.8 million withheld by it in full and final settlement of the Al Turki Claim and any future claims related thereto. The settlement amount comprised (i) OMR 3.2 million for actual construction work completed by the Contractor under the relevant Contract, which was undisputed and budgeted by the Company for payment as part of the Capital Expenditure Allowance for 2023 (the "**Undisputed Amount**"), and (ii) an amount of OMR 1.6 million for the variation works and other claims by the Contractor under the Al Turki Claim, which was not accounted for in the 2023 Capital Expenditure Allowance (the "**Disputed Amount**").

On 28 August 2023, the Company and OQ have entered into an indemnity agreement, whereby OQ has agreed to indemnify the Company from and against any amount determined to be payable by the Company in respect of the MEM Claim and the Al Turki Claim and any costs and expenses (including legal fees) incurred with respect to such claims, subject to certain conditions set out in the indemnity agreement. See "*—OQ Indemnity Agreement*" below. While OQ agreed under the OQ indemnity agreement to cover amounts payable under the Al Turki Claim, the Company will not seek an indemnity for the Undisputed Amount and intends to seek an indemnity from OQ only for the Disputed Amount to the extent that it is unable to obtain reimbursement of such amount from the Regulator.

The Company is also currently defending two employment related disputes filed by ex-employees of the Company seeking compensation for non-availed benefits for approximately OMR 0.11 million. With respect to one claim, the parties have agreed to settle the dispute and are in the process of preparing and filing a settlement agreement with the court. In addition to the above, the Company has also filed an appeal against a recent judgement awarding end of service benefits, compensation and other charges of approximately OMR 110,000 to an ex-employee of the Company against his claim of OMR 217,000.

Further, eight compensation claims were instituted against the MOHUP and the Company in March 2023. These disputes relate to the construction of gas pipelines near the lands of the plaintiffs, whereby the plaintiffs are seeking land replacement from MOHUP (i.e., to be provided with alternative land) and the cost of constructing the buildings from the Company as compensation for constructing gas pipelines near their lands. The claim amount has not been specified by the plaintiffs. The Company has not made any provisions in its Financial Statements for the foregoing claims.

Material Agreements

The following is a summary of the agreements that the Company considers material or important or which may otherwise influence an investor's decision to invest in the Shares. These summaries do not purport to describe all the applicable terms and conditions of such agreements and are qualified in their entirety by the respective agreements.

Amended Concession Agreement

The Company entered into a concession agreement with the Government represented by the MEM and the MoF on 22 August 2000, which was ratified by the Royal Decree 78/2000 ("**Concession Agreement**"), whereby the Government granted to the Company a concession to own, finance, operate, maintain, repair and augment the existing gas transportation facilities and to finance, construct, own, operate, maintain, repair and augment new gas transportation facilities. In order to support the evolution of the Company into a fully independent operator of the NGTN and implement the RAB Framework, the Government and Company entered into the Amended Concession Agreement on 9 June 2020, which became effective upon the coming into force of the Royal Decree No. 122/2020 on 28 October 2020, which ratified the Amended Concession Agreement.

Pursuant to the Amended Concession Agreement, the Government granted the Company an exclusive concession to own, acquire, finance, design, construct, operate, maintain, repair and augment the NGTN for a term of fifty years from 28 October 2020. Pursuant to the Amended Concession Agreement, the Company is entitled to (i) charge a tariff to Shippers for gas transportation services that is cost reflective as determined in accordance with the RAB Tariff Rules and the RAB Revenue Rules, and (ii) recover Connection Fees from a Connected Party in respect of the costs incurred by the Company in the design, construction and commissioning of a new or modified Connection. As the owner of the NGTN, the Company is required to protect the NGTN against all external interferences, including physical and cyber interferences and is prohibited from selling or supplying gas. The Company's obligations under the Amended Concession Agreement include, among other things, the obligation to: (i) provide transportation services to Shippers; (ii) maximize the utilisation of the NGTN and sell capacity in the NGTN; (iii) undertake all technical and operational tasks to ensure the efficient operation of the NGTN; (iv) prepare and maintain a Transportation Code; (v) prepare and maintain the Connection Agreements; (vi) establish and implement the Modification Procedures; (vii) coordinate, own, finance, design, construct, operate, maintain and augment any further developments; and (viii) obtain and maintain comprehensive insurance to cover the NGTN to the extent expected of a reasonable and prudent operator. The Amended Concession Agreement provides that the Company shall perform its obligations under such agreement without recourse to the Government or other public funds or guarantees. The Amended Concession Agreement also requires the Company to take measures necessary under applicable law to maximize the employment of Omani nationals in accordance with Omanisation policies and to prioritize the purchase of Omani products in the first instance, followed by products of the member state of the GCC that are of the same value and quality where available.

The Amended Concession Agreement stipulates that if the Government decides to grant any further concessions to own or acquire any gas transportation facilities, the concession must first be offered to the Company on terms acceptable to both the Government and the Company. The Amended Concession Agreement provides that the Regulator will regulate the NGTN in accordance with the Regulator's Terms of Reference, the Amended Concession Agreement (including the RAB Rules), the Transportation Code and the Modification Procedures. With respect to land rights, the Amended Concession Agreement provides that the Government will procure that the Company is granted rights to the land required by the Company under the usufruct agreement dated 22 August 2000 between the Company and the Government represented by MEM.

Under the Amended Concession Agreement, each of the Government and the Company shall indemnify and hold harmless the other for loss directly resulting from any breach of the Amended Concession Agreement and which in the ordinary course of events was reasonably foreseeable as likely to result from such breach and results in (i) physical damage to property; (ii) death or personal injury; or (iii) any third-party claims. The scope of the indemnification is subject to certain exclusions, including on loss of profit or consequential losses, as well as any loss resulting from the liability of the other party to any other person or any loss resulting from the liability of the other party to any other person.

The Amended Concession Agreement provides for termination: (i) by the Government if it considers it is in the national interest to do so or in the event of certain Company events of default; (ii) by the Company in the event of certain Government events of default (in each case on 180 days prior written notice); and (iii) by either party in the event of an event of prolonged force majeure that persists for a continuous period of more than 180 days. If the Amended Concession Agreement is terminated due to national interest, a Government event of default or a prolonged force majeure, the Company will be paid (a) the value of the Regulated Asset Base on the termination date (determined in accordance with the RAB Revenue Rules) plus, (b) the amount (if any) by which the value of the RAB is less than any senior debt related to the Regulated Asset Base, and (c) third-party costs which cannot be avoided by the Company acting in accordance with best commercial practice. If the Amended Concession Agreement is terminated due to a Company event of default, the Company will only be paid the value of the Regulated Asset Base on the termination date. Upon termination, the Company will be required to transfer ownership of the NGTN to the Government (or its nominee). Notwithstanding the foregoing, prior to issuing any termination notice, the terminating party shall first consult with the Regulator (in an advisory capacity only) and the other party.

Transportation Framework Agreement and Transportation Code

The Company entered into a transportation framework agreement with the Government acting through the MEM on 9 February 2020 ("**Transportation Framework Agreement**") to give effect to and be legally bound by the Transportation Code. Any new Shipper seeking to transport gas through the NGTN is required to enter into an accession agreement acceding to the Transportation Framework Agreement and will become legally bound to adhere to the provisions of the Transportation Code. The Transportation Code, annexed to the Transportation Framework Agreement, sets out the technical, operational and design specifications and requirements to be complied with by the Shippers and the procedures with respect to, among other things, booking capacity, nominating gas deliveries, invoicing and payment.

Under the Transportation Code, the Company makes gas available for offtake from the NGTN at exit points, which comply with the gas exit specifications set out in the Transportation Code. If the Company fails to deliver gas for offtake and such failure results in a failure by the Shipper to supply gas to a gas buyer under a GSA (other than by reason of force majeure or such Shipper's or a third-party's act or omission), the Company shall, subject to the liability cap, pay such Shipper an amount equal to the value of the aggregate shortfall gas (gas not made available), calculated based on the formula set out in the Transportation Code. The Transportation Code sets out the calculation of the value of aggregate shortfall gas as the lesser of (i) the price for gas for the relevant day set out in the relevant GSA multiplied by the quantity of gas which the Shipper failed to supply to the gas buyer under the GSA; and (ii) the amount of compensation which the Shipper is liable for to the gas buyer by reason of the failure to supply gas under and in accordance with the terms of the GSA. The Company's aggregate liability under the Transportation Code in respect of claims relating to any single contract year for (i) failure to make gas available from the NGTN which complies with the gas exit specifications; or (ii) failure to make gas available for offtake, is subject to a liability cap of OMR 3.5 million.

Additionally, the Transportation Code allows the Company to shut down without penalty all or part of the NGTN by ceasing to accept delivery of gas at a NGTN entry point, and/or ceasing to make available gas for offtake at a NGTN exit point, in case of the occurrence of certain events set out in the Transportation Code, including (i) the delivery of gas at a NGTN entry point which is off-specification entry gas, or making available gas at a NGTN exit point that does not comply with the gas exit specification; (ii) undertaking of scheduled maintenance in accordance with an annual maintenance program or (iii) any failure by a Shipper to comply with a material provision of the Transportation Code.

In order to become a Shipper under the Transportation Code, a prospective shipper must satisfy certain requirements, including (i) submitting an application to the Company; (ii) receiving an assigned code credit limit, which is an amount representing the Shipper's maximum permitted code indebtedness to the Company; (iii) providing security as the Company may require in accordance with the code credit rules, which set out the basis on which the Company assesses the credit-worthiness of the Shipper to establish the code credit limit; and (iv) signing the accession agreement to the Transportation Framework Agreement.

The Transportation Code provides that the Shipper shall indemnify the Company against all claims, demands, actions, proceedings and liabilities against the Company by any third-party arising from the delivery of off-specification entry gas and against any and all damages or costs awarded against the Company or incurred by the Company as a result of such delivery. Each of the Company and the Shipper shall indemnify and hold harmless the other for losses directly resulting from any breach of the Transportation Code and which at the date of the Transportation Framework

Agreement was, in the ordinary course of events, reasonably foreseeable as likely to result from such breach and which resulted in (i) physical damage to property; (ii) death or personal injury; or (iii) any third-party claims, of or against the other party, its contractors, officers, employees or agents. Such indemnity is subject to certain customary limitations, including exclusion of loss of profit, loss of revenue, indirect, special or consequential loss or any loss resulting from the liability of such other party to any other person. With respect to invoicing and payments, the Transportation Code sets out invoicing processes which indicate certain deadlines for the submission and payment of invoices, including for the collection of overdue outstanding debt invoices. The Company is required to inform the Shipper of the expected timing for the submission of invoices in a calendar year, while interest on any overdue amounts would accrue from the payment due date until payment is made in full at a rate equal to 2% per annum above the reference interest rate set out in the Transportation Code, calculated on a daily basis and compounded quarterly.

The Transportation Code provides that unresolved disputes between the Company and the Shipper shall be referred to the Regulator, whose decision shall be final and binding in that respect. The parties may appeal the Regulator's decision and refer the decision to a panel of three justices of the Primary Court in Muscat assigned in accordance with the Judiciary Law issued by Royal Decree 90/99, as amended.

Pursuant to the MEM Transfer Decision, effective 1 January 2023, IGC (which is 100% owned by the Government acting through the MoF) has formally assumed the role of the Shipper from MEM. IGC was established pursuant to MoF IGC Decision as a Government owned company to act on behalf of the Government in the management of, *inter alia*, gas sales and purchases. Further, the MEM Transfer Decision provided that the Transportation Framework Agreement would be transferred as a matter of law from MEM to IGC with effect from 1 January 2023.

Usufruct Agreements

The Company entered into a usufruct agreement with the Government represented by the MEM on 22 August 2000. The usufruct agreement confers usufruct rights in favour of the Company in relation to the land details of which are provided under Royal Decree 3/1999. Under the usufruct agreement, the Government is obliged to ensure that the Company has undisputed enjoyment of the land, including non-exclusive right of access, and the land shall be granted to the Company free and clear of any adverse right adverse, including any third-party claims relating to the land. The usufruct agreement has a term equal to the term of the Concession Agreement. The land was granted by the Government to the Company for owning, operating, exploiting and expanding gas transport facilities defined in the Concession Agreement.

In addition to the above, the Company also entered into a usufruct agreement with MOHUP for a plot of land in Al Khuwair, Muscat for constructing its head office. The agreement is for a term of seventeen years commencing from 12 November 2009 and will expire on 11 November 2027. The agreement may be renewed for a further period upon a request at least three months prior to the expiry of the agreement.

The Company also entered into a usufruct agreement with PEIE (Madayn) in 2021 for a plot of land in Madayn for the establishment, operation and maintenance of a gas network within industrial cities. The usufruct right to the plot of land is for the duration of the project and the continuance of related activities, which term should not exceed 99 years commencing from the date of the agreement. The terms of the agreement may be renewed for the same or further periods upon a request by the Company to PEIE (Madayn) at least three months prior to the expiry of the agreement. PEIE (Madayn) has the right to terminate the agreement, which amongst other things, includes the termination of the Concession Agreement.

The Company entered into a sub-usufruct agreement and an easement agreement with SFZC on 30 December 2021. The sub-usufruct agreement was entered into by SFZC on the basis of the head usufruct agreement dated 12 March 2007, whereby the Government being the owner of the plot of land, granted a usufruct right to SFZC. The easement agreement entered into by the Company and SFZC is in respect of the gas pipeline corridor situated on the SFZC land. Both agreements are for a period of thirty years commencing from 1 November 2021.

Connection Agreements and Connection Fee Statements

The Company enters into different forms of Connection Agreements with the parties connected to its network (i.e., the Connected Parties) which governs the establishment of Connections, the payment by the Connected Parties of the Connection Fees and the operation of the Connection. With respect to the establishment of new Connections, the Company enters into Connection Agreements with Connected Parties, where a Connection is either built by a Connected Party, and ownership of the same is transferred to the Company pursuant to the terms of the said

Connection Agreement, or a Connection is built by the Company. In each case, such Connection Agreement sets out the basis on which the works to establish the new Connection will be carried out and the operational procedures that would apply to the new Connection once established.

The Company also enters into Connection Agreements for existing facilities (i.e., the Connection already exists in relation to a legacy NGSA) that records details relating to the Connection, including the ownership of the Connection facilities, as well as the operational procedures which apply in relation to a Connection. In the event that there is a transfer of ownership of Connection facilities following the execution of any Connection Agreement, then such transfer of ownership is given effect to by virtue of such Connection Agreement signed by both parties.

In accordance with the RAB Rules, the Company is required to maintain connection fee statements with respect to a new or modified Connection at which (i) gas is off-taken from the NGTN; or (ii) gas is delivered to the NGTN, or which comprise of an integrated energy project where gas is both delivered to and off-taken from the NGTN ("**Connection Fee Statements**"). The Connection Fee Statements apply in relation to Connections where the Connection works commence after 1 March 2020. The Connection Fee Statements provide that a Connection Agreement is required in respect of (i) a Connection established after the date of the Connection Fee Statement (i.e., 1 March 2020); or (ii) a Connection which is existing at the date of the Connection Fee Statement but which is modified subsequently. The Connection Fee Statements also provide that the Company is not required to undertake Connection works or allow a Connection to the NGTN in the absence of a binding Connection Agreement between the Company and the Connected Party (unless otherwise agreed by the Company).

The Connection Fee Statements also set out a formula for calculating the Connection Fees, which varies depending on the estimated cost of the Connection works required to establish the Connection and the categorisation of the Connected Party, based on the maximum daily quantity of gas specified in the relevant Connected Party's gas allocation letter or NGSA ("**MDQ**"). For example, if the estimated cost of the Connection works are more than OMR 3 million and the MDQ is more than 200,000 SCM, the Connected Party shall pay a Connection Fee equal to the total Connection costs incurred by the Company and if the MDQ is less than 200,000 SCM, the Connection Fee would be determined by the Gas Allocation Committee.

If the Connection is designed, completed and commission by the Connected Party, the Connected Party is required to obtain the Company's prior written approval to the design of the Connection, and would not pay a Connection Fee to the Company. In this case, it is a condition of the Connection Agreement that the Connected Party transfers to the Company at zero cost the Connection assets once the Connection is fully built and commissioned.

The Connection Agreements permit the Company to terminate any such agreement on various grounds, which amongst other matters, includes the consequences for non-payment of any sum due to the Company by the Connected Parties. The form of Connection Agreements contain an indemnity whereby the Company shall be responsible for, indemnify and hold harmless the Connected Party against all claims, losses, damages, liabilities in respect of personal injury and damage to property of any third-party to the extent that this loss or damage is caused by the negligence or breach of duty by the Company.

Trademark License Agreement

The Company entered into a trademark license agreement with OQ effective 26 January 2020 ("**Trademark License Agreement**"), whereby OQ granted to the Company a non-exclusive, non-transferable, royalty-free, fully paid up license to use certain OQ trademarks in Oman.

The Trademark License Agreement is valid until the date mutually agreed by the parties, and may be terminated by either party for convenience upon a one-month prior written notice. The Trademark License Agreement may also be terminated by OQ immediately on written notice in the event of change of control of the Company. The Trademark License Agreement defines "control" as the possession, directly or indirectly, or the power to direct or cause the direction of the management, business, or policies whether through the ownership of shares or the power to elect or appoint at least 50% of the directors, managers or other individuals exercising similar authority.

OQ Indemnity Agreement

OQ has agreed pursuant to the terms of an indemnity agreement dated 28 August 2023 (the "**Indemnity Agreement**") to indemnify the Company from and against any amount determined to be payable by the Company in respect of the MEM Claim and the Al Turki Claim (including, without limitation, under any arbitration proceedings, appeal or proceedings supplemental to the said claims before any court of law) and any costs and expenses (including legal fees) incurred with respect to the said claims. While OQ agreed under the Indemnity Agreement to cover amounts payable under the Al Turki Claim, the Company will not seek an indemnity for the Undisputed Amount and intends to seek an indemnity from OQ only for the Disputed Amount to the extent that it is unable to obtain reimbursement of such amount from the Regulator. See "— *Legal Proceedings*" above.

The Indemnity Agreement provides for a continuing indemnity, which will remain in force with respect to each claim until the earlier of the MEM Claim and the Al Turki Claim being settled or finally decided by an arbitration tribunal or a court of final jurisdiction. OQ's obligations under the Indemnity Agreement are conditional on the Company:

- conducting itself, in relation to the defence of the said claims, at the level that would reasonably be expected of a party acting as defendant in such disputes, and acting in accordance with the instructions provided by OQ;
- promptly providing OQ with copies of all relevant documents received by the Company in connection with the said disputes; and
- not settling or compromising the said disputes or admitting liability in relation to the same without OQ's prior written approval. Any such settlement, compromise or admission of liability would result in OQ ceasing to be liable under the Indemnity Agreement.

The Indemnity Agreement is governed by English law, and disputes (if any) arising under the Indemnity Agreement are subject to resolution through arbitration in the Dubai International Financial Centre arbitration by a panel of three arbitrators under the auspices of the Dubai International Arbitration Centre Court.

Maintenance and Engineering Service Contract

The Company entered into a maintenance and engineering service contract with Gulf Petrochemical Services & Trading LLC ("**GPS**") effective 13 September 2022 ("**Maintenance and Engineering Service Contract**"), whereby GPS provides the Company with (i) general maintenance services, including preventive, corrective and predictive maintenance; (ii) mechanical crew services for maintenance of gas supply stations, fiscal metering stations and compressor stations; (iii) pipeline crew services to carry out routine and non-routine pigging operations on the entire NGTN; (iv) cathodic protection crew services to carry out cathodic protection monitoring, inspection and routine maintenance; (v) hazardous waste disposal and waste management services in accordance with EA rules and regulations; and(vi) certain call-off services that may be requested by the Company from time to time The Company pays GPS the agreed contract price and rates for the services provided at the times and in the manner set out in Maintenance and Engineering Service Agreement. GPS provides all personnel, equipment and materials and in order to perform the required services in accordance with the standards and specifications set out in the Maintenance and Engineering Service Contract, including "good industry practice", certain HSE specifications as well as ICV and Omanisation requirements. The term of the Maintenance and Engineering Service Contract is five years, expiring on 12 September 2027, subject to renewal for a term of one year subject to two months' prior notice.

Under the Maintenance and Engineering Service Contract, GPS is required to submit written progress reports at such intervals and containing certain specific information or as requested by the Company. In the event that GPS becomes aware of any circumstance or event which is likely to cause delay in the performance of its services, GPS may claim for an extension subject to certain requirements. The Maintenance and Engineering Service Contract provides certain qualifying causes for claiming any extension of time. Additionally, GPS is liable to pay to the Company liquidated damages at the daily rates set out in the Maintenance and Engineering Service Contract. However, if the Company approves an extension and there is a delay or prevention of the services caused by or attributable to the negligent act or omission of the Company or any member of the Company's group, GPS shall be entitled to claim delay damages from the Company for every day of delay, being extra costs necessarily incurred by GPS by reason of the compensable cause excluding profit.

Call-off Agreement for Pipeline In-Line Inspection and Integrity Services

The Company entered into a call-off agreement for pipeline in-line inspection and integrity services with Rosen Middle East FZE ("**Rosen**") effective 14 May 2023 ("**Rosen Call-Off Agreement**"), whereby Rosen provides the following services to the Company: (i) in-line inspection on pipelines; (ii) magnetic flux leakage inspection; (iii) in-line geometry survey; and (iv) in-line geographical mapping. In return, the Company pays the agreed contract price and rates at the times and in the manner as stipulated therein. Rosen provides all personnel, equipment and materials in order to perform the required services in a workmanlike manner that safeguards and protects the Company's interests, and in accordance with the specifications set out in the Rosen Call-Off Agreement (including "good industry practice" and certain HSE specifications defined therein). The term of the Rosen Call-Off Agreement is five years, expiring on 13 May 2028.

Under the Rosen Call-Off Agreement, Rosen is required to submit written progress reports at such intervals and containing such information as may be specified therein or as requested by the Company. In the event that Rosen becomes aware of any circumstance or event which is likely to cause delay in the performance of its services, Rosen may claim for an extension, subject to certain requirements. Additionally, Rosen is liable pay to the Company liquidated damages at the daily rates set out in the Rosen Call-Off Agreement. However, if the Company approves an extension and there is a delay or prevention of the services caused by or attributable to the negligent act or omission of the Company or any member of its group, Rosen shall be entitled to claim delay damages from the Company for every day of delay, being extra costs necessarily incurred by Rosen by reason of the compensable cause excluding profit.

The Company may terminate the Rosen Call-Off Agreement at its discretion by giving Rosen notice of such termination, or in the event of the failure, refusal or inability of Rosen to perform any or part of the services, subject to a remedy period or in the event that Rosen breaches the HSE specifications, Omanisation and ICV obligations outlined in the Rosen Call-Off Agreement. The Rosen Call-Off Agreement contains a limitation on the Company's total aggregate liability to Rosen, which shall be the lower of 50% of the contract price or OMR 1 million.

Solar Turbines Call-Off Agreement

The Company entered into a call-off agreement with Solar Turbines Europe S.A. ("**Solar Turbines**") effective 25 December 2022 ("**Solar Turbines Call-Off Agreement**"), whereby Solar Turbines provides the Company with periodic maintenance services including machinery management services and equipment health management services on the Company's compressors, and the Company pays Solar Turbines the agreed contract price and rates at the times and in the manner as stipulated therein. Solar Turbines provides all personnel, equipment and materials and adequate supervision in order to perform the required services in accordance with the specifications set out in the Solar Turbines Call-Off Agreement. The term of the Solar Turbines Call-Off Agreement is five years, expiring on 24 December 2027.

The machinery management services comprise comprehensive machinery management solutions including periodic preventative maintenance services and overhaul exchange services. The Company may also request Solar Turbines to provide service parts at discounted rates and with prioritized delivery in case of contingent situations. Solar Turbines also assesses the performance of the Company's compressor equipment and submits to the Company a list of equipment requiring upgrade. This also includes the provision (on a call-off basis) of qualified technical training instructors to train the Company's personnel on operation and maintenance of the Company's assets.

Under the Solar Turbines Call-Off Agreement, Solar Turbines is required to submit written progress reports at such intervals and containing such information as may be specified therein or as requested by the Company. In the event that Solar Turbines becomes aware of any circumstance or event which is likely to cause delay in the performance of its services, Solar Turbines may claim for an extension subject to certain requirements. Additionally, Solar Turbines is liable to the Company as due and payable to the Company, liquidated damages at the daily rates set out in the Solar Turbines Call-Off Agreement.

The Solar Turbines Call-Off Agreement may also be terminated at will at any time upon written notice (i) if the other party is in breach of any material obligation, subject to a cure period; (ii) if Solar Turbines fails to receive any undisputed payment in full when due; or (iii) if any party is in material breach of HSE specifications and requirements.

Oman Broadband Company Cooperation Agreement

The Company entered into the Cooperation Agreement with Oman Broadband Company ("**OBC**") on 22 December 2022 (the "**Cooperation Agreement**"), whereby the Company has agreed to provide to OBC access rights to the Company's passive fiber optic infrastructure and colocation space and certain services, including additional assets which may be added based on feasibility and the Company's prior written consent. The initial term of the Cooperation Agreement is 15 years and may be extended for a further period by mutual agreement of the parties. OBC shall pay certain amounts to the Company for each year during the initial term of the Cooperation Agreement through a revenue share arrangement outlined in the Cooperation Agreement, whereby OBC would accrue 71.4% of revenues and the Company accrues 28.6% of revenues, while other payment arrangements may be agreed between the parties on a case by case basis, subject to obtaining the required regulatory approvals in accordance with the terms of the Cooperation Agreement. The Cooperation Agreement also sets out certain performance targets and measures for service levels of the parts of the Company's fiber optic infrastructure. These are subject to annual review, or may be reviewed by the parties as required.

Under the Cooperation Agreement, the provision of the Company's fiber optic infrastructure to other parties, for purposes other than the Company's and/or its affiliates' operational uses, must first be coordinated with OBC, in accordance with the regulatory policy of Oman. Additionally, the Cooperation Agreement includes a negative covenant on the Company, whereby the Company is restricted from competing with OBC in the provision of any telecommunication services to any other licensed operators.

IGC Operational Support Services Agreement

The Company entered into an operational support services agreement with IGC effective 1 January 2023 ("**IGC Operational Support Services Agreement**"), whereby the Company has agreed to provide to IGC certain services including (i) human resources management; (ii) financial accounting; (iii) IT management; (iv) internal audit; (v) corporate and legal; (vi) general management; (vii) administrative; (viii) procurement and facility management; and (ix) communication services. The IGC Operational Support Services Agreement shall remain in effect until terminated by the agreement of the parties. The IGC Operational Support Services Agreement also provides that additional services may be provided on a call-off basis from the Company or a third-party provider as agreed between the parties, setting out certain steps required for such additional services to be performed, including IGC's submission of a written request to the Company. Additionally, where any services or additional services are performed by a third-party provider rather than by IGC, IGC shall ensure that such third-party provider performs such services or additional services in accordance with the applicable requirements of the IGC Operational Support Services Agreement and IGC shall be exclusively liable to the Company where this fails at any time to be the case. Under the IGC Operational Support Services Agreement, IGC shall pay the Company the direct costs incurred by the Company for provision of the services and any additional services plus a margin of 5% on a monthly basis, which are invoiced no later than 14 days after the last day of each month.

The IGC Operational Support Services requires the IGC to defend, indemnify and hold harmless the Company against any claims, actions, losses or damages suffered or incurred by the Company arising out of or in connection with IGC's use of any software licensed to the Company (which IGC is granted access to by virtue of the IGC Operational Support Services Agreement) or the services provided under the IGC Operational Support Services Agreement, except where such claims arise as a result of the Company's breach of the IGC Operational Support Services Agreement. The Company shall indemnify and hold harmless the IGC for claims, actions or losses or damages suffered as a result of the Company's breach of the IGC Operational Support Services Agreement. The IGC Operational Support Services Agreement provides that IGC shall assume sole responsibility for the results obtained from the use of any software or services procured under the IGC Operational Support Services Agreement and that the Company assumes no liability for any damage caused by errors or omissions in any information. The indemnity is subject to certain limitations including exclusion of loss of profit, loss of business or depletion of goodwill, provided that nothing in the IGC Operational Support Services Agreement excludes the Company's liability for death or personal injury caused by the Company's negligence or for the Company's fraud or negligence.

OQ LPG Asset Transfer Agreement

On 3 August 2023, the Company entered into an asset transfer agreement with OQ LPG, an indirect subsidiary of OQ, whereby OQ LPG agreed to sell and transfer to OQGN certain gas transportation pipeline system and ancillary connection assets located in Salalah Free Zone, which are owned and operated by OQ LPG for a purchase price of OMR 16.8 million ("**OQ LPG Asset Transfer Agreement**"). Pursuant to the terms of the OQ LPG Asset Transfer Agreement, the transfer is effective 31 May 2023 and the purchase price is payable by the Company within 45 calendar days from execution of the OQ LPG Asset Transfer Agreement.

Financing Agreements

Refinancing Facilities

On 19 June 2023, the Company entered into the Conventional Facilities, comprising two separate, unsecured *pari passu* term financing facilities with a syndicate of local and regional financial institutions, which will be made available to the Company on a dual currency OMR/US$ loan basis, comprising the OMR Conventional Facility of up to OMR 60 million and the USD Conventional Facility of up to US$ 225 million (equivalent to OMR 86.7 million).

On 19 June 2023, the Company entered into the USD Wakala Facility with certain local and regional financial institutions, whereby the Company may utilise up to US$ 395 million (equivalent to OMR 152.1 million), as permitted under the principles of Sharia. Further, the Company entered into the OMR Wakala Facility with certain local financial institutions on 20 June 2023, whereby the Company may utilise up to OMR 165 million, as permitted under the principles of Sharia.

The purpose of the Refinancing Facilities is to finance the Company's general corporate purposes, including refinancing the Credit Facility, repayment of loans made to the Company by OQ and financing the Company's capital expenditure requirements. The Refinancing Facilities are repayable in semi-annual instalments commencing six months after the date of execution of the relevant Refinancing Facilities, with the final instalment repayable during (i) the tenth anniversary of the OMR Conventional Facility and OMR Wakala Facility, respectively, in relation to OMR-denominated facilities (i.e., 20 instalments); and (ii) the seventh anniversary of the USD Conventional Facility and the USD Wakala Facility in relation to the US$-denominated facilities (i.e., 14 instalments), in accordance with the terms set out in the respective Refinancing Facilities. The repayment schedule for the US$- denominated Refinancing Facilities entails repayment of 2% per annum for the first four years, 4% per annum for the next two years and 84% of the total borrowed amounts in the seventh year. The repayment schedule for the OMR-denominated facilities under the Refinancing Facilities entails repayment of 2% per annum for the first four years, 4% per annum for the next five years and 72% of the total borrowed amounts in the tenth year.

Interest/profit on both the OMR Conventional Facility and OMR Wakala Facility is payable at the rate of (i) 5.70% per annum until the fourth anniversary of the OMR Conventional Facility and the OMR Wakala Facility; and (ii) 2.00% per annum plus the OMR base rate (the Private Sector OMR Time Deposit rate), after the fourth anniversary of the OMR Conventional Facility and the OMR Wakala Facility, while interest/profit on both the USD Conventional Facility and the USD Wakala Facility is payable at the compounded SOFR rate, plus the applicable margin, which is set at 1.9% per annum.

The Refinancing Facilities permit the Company to voluntarily prepay the respective facilities in full or in part, subject to minimum payment requirements under the respective facilities, namely USD 5 million or its equivalent for the Conventional Facilities and the USD Wakala Facility and OMR 2 million for the OMR Wakala Facility. The Refinancing Facilities contain customary undertakings, financial covenants and restrictions for a facility of the nature, including restrictions on disposing of or creating any security or pledge over any NGTN assets owned by the Company from time to time, entering into any merger or amalgamation and conditions for incurring indebtedness exceeding 70% of the Regulated Asset Base (in each case, subject to certain exceptions and permissions). Additionally, certain events may be deemed an event of default under the Refinancing Facilities, including default in payment obligations or if the Government ceases to retain direct or indirect legal ownership of at least 51% of the Issued Share Capital. Upon the occurrence of any events of default, the lenders have the right, at their discretion, to cease further disbursements of the loan and to cancel their commitments, and demand the immediate repayment of any outstanding dues, in respect of any of their commitments under the Refinancing Facilities.

Chapter XIII

Selected Historical Financial Information

The selected historical financial information set forth below as at and for the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023 have been derived from the audited Annual Financial Statements, which have been prepared in accordance with IFRS, and the unaudited Interim Financial Statements, which have been prepared in accordance with IAS 34.

Results in the Interim Financial Statements are not necessarily indicative of the results that can be expected for the full year. The selected historical financial information should be read in conjunction with "Chapter XIV—Management's Discussion and Analysis of Financial Condition and Results of Operations", and the Financial Statements, including the related notes, included elsewhere in this Prospectus.

Statement of Profit or Loss and Other Comprehensive Income Data

	For the year ended 31 December*			For the six months ended 30 June**	
	2020 (1)	**2021(1)**	**2022**	**2022**	**2023**
			(OMR)		
Income					
Revenue	91,146,386	84,689,573	81,353,698	36,207,682	38,318,710
Finance income	74,760,231	67,456,435	69,437,276	34,809,814	45,149,101
Other income	196,308	5,340,645	9,645,126	1,962,574	1,532,979
	166,102,925	**157,486,653**	**160,436,100**	**72,980,070**	**85,000,790**
Expenses					
Construction costs	(52,124,773)	(51,304,483)	(49,503,405)	(20,233,501)	(21,984,576)
Operating expenses	(19,299,008)	(22,905,587)	(22,893,485)	(11,584,188)	(11,220,486)
Administrative expenses	(10,010,349)	(16,509,747)	(16,913,668)	(6,434,167)	(4,973,078)
Impairment (expense)/ reversal	(23,798)	(316,332)	316,332	-	-
Finance cost	(16,896,953)	(14,710,609)	(18,339,468)	(7,422,213)	(9,370,342)
	(98,354,881)	**(105,746,758)**	**(107,333,694)**	**(45,674,069)**	**(47,548,482)**
Profit before income tax	**67,748,044**	**51,739,895**	**53,102,406**	**27,306,001**	**37,452,308**
Taxation	(8,398,120)	(8,631,466)	(7,506,182)	(3,922,061)	(4,371,387)
Profit for the year/period	**59,349,924**	**43,108,429**	**45,596,224**	**23,383,940**	**33,080,921**
Other comprehensive income:					
Items that will not be reclassified to profit or loss					
Defined benefit obligation actuarial gain / (loss)	-	301,317	(210,020)	(105,010)	(15,269)
Items that are or may be reclassified subsequently to profit or loss					
Effective portion of changes in fair value of cash flow hedges –net of tax	(618,761)	3,231,465	5,771,436	4,298,448	385,188
Reclassified to statement of profit or loss on termination of hedge	-	-	-	-	(8,769,328)
Other comprehensive (loss)/ income for the year/period	**(618,761)**	**3,532,782**	**5,561,416**	**4,193,438**	**(8,399,409)**
Total comprehensive income for the year/period	**58,731,163**	**46,641,211**	**51,157,640**	**27,577,378**	**24,681,512**
Basic and diluted earnings per share	**0.176**	**0.128**	**0.135**	**0.005(2)**	**0.008**

* Derived from the audited annual financial statements.
** Derived from the unaudited interim financial statements.

(1) *As explained in "Presentation of Financial, Industry and Market Data — Comparability of the Company's Financial Information", the presentation of impairment reversal/expense and operating expenses for the year ended 31 December 2021 has been changed in order to conform with the presentation in the 2022 Annual Financial Statements and hence may not be directly comparable to the 2021 financial information included in the 2021 Annual Financial Statements. The financial information for the year ended 31 December 2020 has been extracted from the 2021 Annual Financial Statements, which were not updated to conform to the presentation in the 2022 Annual Financial Statements.*

(2) *The weighted average number of shares is adjusted retrospectively for the purpose of the earnings per share calculation for the period ended 30 June 2022, as a result of the stock split and stock dividend completed in the six months ended 30 June 2023.*

Statement of Financial Position Data

	As at 31 December*			As at 30 June **
	2020(1)	**2021(1)**	**2022**	**2023**
			(OMR)	
Assets				
Non-current assets				
Concession receivables	772,297,746	799,126,029	782,487,965	770,540,984
Contract assets	146,198,081	147,023,458	184,092,430	204,399,461
Right of use assets	3,546,178	4,451,356	8,645,236	8,276,122
Investment property	943,096	881,036	985,783	4,935,218
Deferred tax assets	-	1,049,837	2,838,186	2,674,176
Derivatives	-	2,609,809	4,638,938	-
Total non-current assets	**922,985,101**	**955,141,525**	**983,688,538**	**990,825,961**
Current assets				
Concession receivables	26,465,942	30,402,988	32,582,564	28,125,307
Inventories	1,787,751	1,818,383	2,127,206	2,220,833
Trade and other receivables	67,175,711	57,349,271	25,263,862	26,523,419
Advances to contractors	1,014,131	7,564,200	5,272,132	4,223,157
Derivatives	-	2,895	5,224,757	-
Short term deposits	-	3,350,370	18,600,000	-
Cash and cash equivalents	12,797,288	34,357,645	48,777,590	26,128,218
Total current assets	**109,240,823**	**134,845,752**	**137,848,111**	**87,220,934**
Total assets	**1,032,225,924**	**1,089,987,277**	**1,121,536,649**	**1,078,046,895**
Equity and liabilities				
Equity				
Share capital	336,787,394	336,787,392	336,787,392	336,787,392
Share capital pending registration	-	-	-	96,275,000
Legal reserve	21,709,555	26,020,398	30,580,020	33,888,112
Hedging reserve	(618,761)	2,612,704	8,384,140	-
Retained earnings	152,915,525	192,014,430	232,841,012	157,554,244
Total equity	**510,793,713**	**557,434,924**	**608,592,564**	**624,504,748**
Liabilities				
Non-current liabilities				
Term loan	278,639,595	250,199,813	219,925,065	320,717,692
Loan from Parent Company	20,145,304	137,600,804	137,600,804	-
Employees' end of service benefits	6,227,687	406,990	556,772	512,371
Lease liabilities	3,129,909	4,158,186	9,040,724	8,976,193
Derivatives	165,740	-	-	-
Deferred income	-	4,148,058	4,864,801	4,934,064
Deferred tax liabilities	22,576,313	31,034,807	41,808,891	44,536,713
Total non-current liabilities	**330,884,548**	**427,548,658**	**413,797,057**	**379,677,033**
Current liabilities				
Term loan	104,861,630	29,144,368	30,869,616	9,255,985
Lease liabilities	614,542	510,491	308,905	105,181
Trade and other payables	82,974,382	75,303,405	67,923,076	64,458,517
Derivatives	453,021	-	-	-
Income tax payable	1,644,088	45,431	45,431	45,431
Total current liabilities	**190,547,663**	**105,003,695**	**99,147,028**	**73,865,114**
Total liabilities	**521,432,211**	**532,552,353**	**512,944,085**	**453,542,147**
Total equity and liabilities	**1,032,225,924**	**1,089,987,277**	**1,121,536,649**	**1,078,046,895**

* *Derived from the audited annual financial statements.*

*** Derived from the unaudited interim financial statements.*

(1) As explained in "Presentation of Financial, Industry and Market Data — Comparability of the Company's Financial Information", the presentation of trade and other receivables, deferred tax assets, deferred tax liabilities and deferred income for the year ended 31 December 2021 has been changed in order to conform with the presentation in the 2022 Annual Financial Statements and hence may not be directly comparable to the 2021 financial information included in the 2021 Annual Financial Statements. The financial information for the year ended 31 December 2020 has been extracted from the 2021 Annual Financial Statements, which were not updated to conform to the presentation in the 2022 Annual Financial Statements.

Statement of Cash Flows Data

	For the year ended 31 December*			For the six months ended 30 June**	
	2020[(1)]	**2021 [(1)]**	**2022**	**2022**	**2023**
			(OMR)		
Cash flows from operating activities					
Profit before income tax	67,748,044	51,739,895	53,102,406	27,306,001	37,452,308
Adjustments for:					
Depreciation	507,585	567,574	869,794	283,022	646,013
Lease concession	-	(20,523)	-	-	-
Impairment expense/ (reversal)	23,798	316,332	(316,332)	-	-
(Reversal)/ provision for obsolete inventories	-	(6,008)	24,955	21,165	43,959
Provision for employees' end of service benefits	118,066	163,228	116,288	96,856	133,956
Interest on concession receivables and contract assets	(72,835,126)	(67,178,437)	(68,462,378)	(34,471,214)	(35,220,000)
Deferred income	-	-	(35,741)	-	(12,181)
Finance income	(1,925,105)	(277,998)	(974,898)	(338,600)	(1,159,773)
Gain transferred on termination of hedge	-	-	-	-	(8,769,328)
Finance cost	16,896,953	14,710,609	18,339,468	7,422,213	9,370,342
Operating cash flows before working capital changes	**10,534,215**	**14,672**	**2,663,562**	**319,443**	**2,485,296**
Changes in:					
Receipts against concession receivables	81,811,710	89,008,375	85,867,430	45,325,365	43,671,707
Receipts against contract assets	15,774,167	10,552,615	10,485,434	4,919,757	6,098,482
Inventories	43,457	(24,624)	(333,778)	(117,468)	(137,586)
Trade and other receivables and advances	(27,044,645)	2,960,039	34,693,809	10,969,935	(210,582)
Trade and other payables	636,062	(11,344,379)	(7,903,627)	(2,257,765)	(5,448,822)
Cash generated from operations	**81,754,966**	**91,166,698**	**125,472,830**	**59,159,267**	**46,458,495**
Income tax paid	(2,701,435)	(2,821,466)	-	-	-
Employees' end of service benefits paid	(138,096)	(5,682,608)	(176,526)	(53,201)	(193,626)
Interest paid	(14,570,655)	(13,701,696)	(17,317,482)	(7,016,407)	(6,553,953)
Interest income received on fixed deposits	1,925,105	277,998	974,898	338,600	1,159,773
Receipt of connection fee	-	4,148,058	752,484	449,556	81,444
Net cash generated from operating activities	**66,269,885**	**73,386,984**	**109,706,204**	**52,877,815**	**40,952,133**
Cash flows from investing activities					
Payment for acquisition of assets	-	(8,006,978)	-	-	-
Additions in contract asset	(56,273,905)	(52,292,879)	(49,715,894)	(20,233,501)	(21,984,576)
Additions in investment property	-	-	(164,987)	-	-
Payment to Government on acquisition of assets	(113,142,833)	-	-	-	-
Movement in term deposits	10,000,000	(3,350,370)	(15,249,630)	(1,270,830)	18,600,000
Loan to a related party	2,136,564	-	-	-	-
Net cash used in investing activities	**(157,280,174)**	**(63,650,227)**	**(65,130,511)**	**(21,504,331)**	**(3,384,576)**
Cash flows from financing activities					
Loan received from Parent Company	19,255,000	117,455,500	-	-	-
Loan repaid to Parent Company	-	-	-	-	(136,710,500)
Repayment of term loan	(344,781,866)	(104,861,630)	(29,144,368)	(13,678,752)	(252,902,873)
Proceeds from term loan from commercial bank	308,080,000	-	-	-	333,762,000
Payment of loan issuance costs	(4,078,013)	-	-	-	(3,799,923)
Payment of lease liabilities	(473,597)	(770,270)	(1,011,380)	(358,612)	(565,633)
Net cash (used in)/generated from financing activities	**(21,998,463)**	**11,823,600**	**(30,155,748)**	**(14,037,364)**	**(60,216,929)**

	For the year ended 31 December*			For the six months ended 30 June**	
	2020(1)	2021 (1)	2022	2022	2023
			(OMR)		
Net (decrease)/ increase in cash and cash equivalents	**(113,008,765)**	**21,560,357**	**14,419,945**	**17,336,120**	**(22,649,372)**
Cash and cash equivalents at the beginning of the period	125,806,053	12,797,288	34,357,645	34,357,645	48,777,590
Cash and cash equivalents at the end of the period	**12,797,288**	**34,357,645**	**48,777,590**	**51,693,765**	**26,128,218**

* *Derived from the audited annual financial statements.*

** *Derived from the unaudited interim financial statements.*

(1) *As explained in "Presentation of Financial, Industry and Market Data — Comparability of the Company's Financial Information", the presentation of* cash flows from investing activities and cash flows from operating activities *for the year ended 31 December 2021 have been changed in order to conform with the presentation in the 2022 Annual Financial Statements and hence may not be directly comparable to the 2021 financial information included in the 2021 Annual Financial Statements. The financial information for the year ended 31 December 2020 has been extracted from the 2021 Annual Financial Statements, which were not updated to conform to the presentation in the 2022 Annual Financial Statements*.

Other Financial and Operational Data

The following table sets out certain financial and operating data of the Company as at and for the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023:

	As at and for the year ended 31 December			As at and for six months ended 30 June	
	2020	2021	2022	2022	2023
			(OMR, except percentages)		
Non-IFRS Measures					
EBITDA(1)(2)	83,227,477	66,740,080	71,336,770	34,672,636	46,308,890
EBITDA Margin(1)	50.1%	42.4%	44.5%	47.5%	54.5%
Adjusted Net Working Capital(1)(3)	(12,996,789)	(8,571,551)	(35,259,876)	n.a.	(31,491,108)
Capital Expenditure(1)(4)	(169,416,738)	(60,299,857)	(49,715,894)	(20,233,501)	(21,984,576)
Adjusted Free Cash Flow(1)(5)	(87,661,772)	30,866,841	75,756,936	38,925,766	24,473,919
Total Debt(1)(6)	403,646,529	416,944,985	388,395,485	n.a.	329,973,677
Adjusted Net Debt(1)(7)	390,849,241	379,236,970	321,017,895	n.a.	303,845,459
Construction Margin(1)(8)	7.96%	7.16%	7.16%	7.16%	7.16%

	For the year ended 31 December		
	2020	2021	2022
Operating KPIs			
Total gas delivery(1)	35,101	37,292	39,380
Gas availability(1)	99.9977%	99.9999%	100%
Average own consumption(1)	88	86	92
Recovery time(1)	206	17	0
TRIF(1)	0.19	0	0.134
MVIF(1)	0	0.35	0.11

Notes:

(1) *See "Presentation of Financial, Industry and Market Data—Non-IFRS Information and Certain Other Financial and Operational Data".*

(2) The following table sets forth a reconciliation of EBITDA to net profit for the periods indicated.

EBITDA and EBITDA Margin

	For the year ended 31 December			For the six months ended 30 June	
	2020	**2021**	**2022**	**2022**	**2023**
	(OMR, except percentages)				
Profit for the year/period	59,349,924	43,108,429	45,596,224	23,383,940	33,080,921
Interest income received on fixed deposits	(1,925,105)	(277,998)	(974,898)	(338,600)	(1,159,773)
Finance cost	16,896,953	14,710,609	18,339,468	7,422,213	9,370,342
Taxation	8,398,120	8,631,466	7,506,182	3,922,061	4,371,387
Depreciation (Operating Expenses)	455,309	505,514	809,554	252,757	392,091
Depreciation (Administrative Expenses)	52,276	62,060	60,240	30,265	253,922
EBITDA	**83,227,477**	**66,740,080**	**71,336,770**	**34,672,636**	**46,308,890**
EBITDA Margin (%)	***50.1%***	***42.4%***	***44.5%***	***47.5%***	***54.5%***

(3) The following table sets forth a reconciliation of Adjusted Net Working Capital to the Company's statement of financial position for the periods indicated.

Adjusted Net Working Capital

	For the year ended 31 December			For the six months ended 30 June
	2020	**2021**	**2022**	**2023**
	(OMR)			
Inventories	1,787,751	1,818,383	2,127,206	2,220,833
Trade and other receivables	67,175,711	57,349,271	25,263,862	26,523,419
Advances to contractors	1,014,131	7,564,200	5,272,132	4,223,157
Trade and other payables	(82,974,382)	(75,303,405)	(67,923,076)	(64,458,517)
Adjusted Net Working Capital	**(12,996,789)**	**(8,571,551)**	**(35,259,876)**	**(31,491,108)**

(4) The following table sets forth a reconciliation of Capital Expenditure to the Company's statement of cash flows for the periods indicated.

Capital Expenditure

	For the year ended 31 December			For the six months ended 30 June	
	2020	**2021**	**2022**	**2022**	**2023**
	(OMR)				
Payment for acquisition of assets	-	(8,006,978)	-	-	-
Additions in contract assets	(56,273,905)	(52,292,879)	(49,715,894)	(20,233,501)	(21,984,576)
Payment to Government on acquisition of assets	(113,142,833)	-	-	-	-
Capital Expenditure	**(169,416,738)**	**(60,299,857)**	**(49,715,894)**	**(20,233,501)**	**(21,984,576)**

(5) The following tables set forth a reconciliation of Adjusted Free Cash Flow to the Company statement of cash flows for the periods indicated.

Adjusted Free Cash Flow

	For the year ended 31 December			For the six months ended 30 June	
	2020	**2021**	**2022**	**2022**	**2023**
	(OMR)				
Cash generated from operations	81,754,966	91,166,698	125,472,830	59,159,267	46,458,495
Capital Expenditure	(169,416,738)	(60,299,857)	(49,715,894)	(20,233,501)	(21,984,576)
Adjusted Free Cash Flow	**(87,661,772)**	**30,866,841**	**75,756,936**	**38,925,766**	**24,473,919**

(6) The following table sets forth a reconciliation of the Total Debt to the Company's statement of financial position for the periods indicated.

Total Debt

	As at 31 December			As at 30 June
	2020	2021	2022	2023
			(OMR)	
Non-current liabilities				
Term Loan	278,639,595	250,199,813	219,925,065	320,717,692
Loan from Parent Company	20,145,304	137,600,804	137,600,804	-
Current Liabilities				
Term Loan	104,861,630	29,144,368	30,869,616	9,255,985
Total Debt	**403,646,529**	**416,944,985**	**388,395,485**	**329,973,677**

(7) The following table sets forth a reconciliation of the Adjusted Net Debt to the Company's statement of financial position for the periods indicated.

Adjusted Net Debt	As at 31 December			As at 30 June
	2020	2021	2022	2023
			(OMR)	
Total Debt	403,646,529	416,944,985	388,395,485	329,973,677
Cash and cash equivalents	(12,797,288)	(34,357,645)	(48,777,590)	(26,128,218)
Short term deposits	-	(3,350,370)	(18,600,000)	-
Adjusted Net Debt	**390,849,241**	**379,236,970**	**321,017,895**	**303,845,459**

(8) The following table sets forth a reconciliation of the Construction Margin to the Company's statement of profit or loss and other comprehensive income.

Construction Margin	For the year ended 31 December			For the six months ended 30 June	
	2020	2021	2022	2022	2023
			(OMR, except percentages)		
Construction revenue	56,273,905	54,977,885	53,047,850	21,682,220	23,558,672
Construction costs	(52,124,773)	(51,304,483)	(49,503,405)	(20,233,501)	(21,984,576)
Construction Margin	**4,149,132**	**3,673,402**	**3,544,445**	**1,448,719**	**1,574,096**
Construction Margin (%)	***7.96%***	***7.16%***	***7.16%***	***7.16%***	***7.16%***

Regulatory Measures

	As at and for the year ended 31 December			As at and for the six months ended 30 June	
	2020	2021	2022	2022	2023
			(OMR, except percentages)		
Regulated Revenue[(1)]	130,373,455	126,140,877	125,166,396	64,455,964	64,461,945
Regulated Adjusted Income[(1)(3)]	133,999,223	132,002,041	136,001,757	67,071,758	75,992,307
Regulated Adjusted EBITDA[(1)(4)]	103,248,548	92,559,951	96,405,832	48,997,825	59,284,983
Regulated Adjusted EBITDA Margin[(1) (4)]	77.1%	70.1%	70.9%	73.1%	78.0%
Regulated Adjusted Cash Conversion[(1)]	(84.9%)	33.3%	78.6%	79.4%	41.3%
Regulated Asset Base[(1)(5)]	923,115,304	953,173,186	972,138,598	n.a.	975,621,020
Adjusted Net Debt-to-Regulated Adjusted EBITDA[(1)]	3.8x	4.1x	3.3x	n.a.	2.8x[(2)]
Adjusted Net Debt-to-Regulated Asset Base[(1)]	0.4x	0.4x	0.3x	n.a.	0.3x

Notes:

(1) *See "Presentation of Financial, Industry and Market Data—Non-IFRS Information and Certain Other Financial and Operational Data — Regulatory Measures".*

(2) *The Adjusted Net Debt-to-Regulated Adjusted EBITDA calculation for the six months ended 30 June 2023 is based on the "last twelve months" Regulated Adjusted EBITDA, which is calculated as the sum of the Regulated Adjusted EBITDA for the year ended 31 December 2022 and the six months ended 30 June 2023, minus the Regulated Adjusted EBITDA for the six months ended 30 June 2022.*

(3) *The following table set forth a reconciliation of Regulated Adjusted Income to total income in accordance with the Financial Statements for the periods indicated. See "Management's Discussion and Analysis of Financial Condition and Results of Operations – Regulatory Measures" for the calculation of Regulated Adjusted Income derived from the regulatory financial statements.*

Reconciliation of Regulatory Measures

Reconciliation of Regulated Adjusted Income to total Income

	For the year ended 31 December			For the six months ended 30 June	
	2020	2021	2022	2022	2023
			(OMR)		
Total Income	**166,102,925**	**157,486,653**	**160,436,100**	**72,980,070**	**85,000,790**
Construction revenue	(56,273,905)	(54,977,885)	(53,047,850)	(21,682,220)	(23,558,672)
Interest on concession receivables and contract assets	(72,835,126)	(67,178,437)	(68,462,378)	(34,471,214)	(35,220,000)
Receipts against concession receivables	81,811,710	89,008,375	85,867,430	45,325,365	43,671,707
Receipts against contract assets (due from Shipper)	15,774,167	9,416,347	10,485,434	4,919,757	6,098,482
Others	(580,549)	(1,753,012)	723,021	-	-
Regulated Adjusted Income	**133,999,223**	**132,002,041**	**136,001,757**	**67,071,758**	**75,992,307**

(4) *The following table set forth a reconciliation of Regulated Adjusted EBITDA to profit for the periods indicated.*

Reconciliation of Regulated Adjusted EBITDA and Regulated Adjusted EBITDA Margin and EBITDA and EBITDA Margin to profit for the period

	For the year ended 31 December			For the six months ended 30 June	
	2020	2021	2022	2022	2023
			(OMR, except percentages)		
Profit for the year/period	**59,349,924**	**43,108,429**	**45,596,224**	**23,383,940**	**33,080,921**
Interest income received on fixed deposits	(1,925,105)	(277,998)	(974,898)	(338,600)	(1,159,773)
Finance cost	16,896,953	14,710,609	18,339,468	7,422,213	9,370,342
Taxation	8,398,120	8,631,466	7,506,182	3,922,061	4,371,387
Depreciation (Operating Expenses)	455,309	505,514	809,554	252,757	392,091
Depreciation (Administrative Expenses)	52,276	62,060	60,240	30,265	253,922
EBITDA	**83,227,477**	**66,740,080**	**71,336,770**	**34,672,636**	**46,308,890**
EBITDA Margin	***50.1%***	***42.4%***	***44.5%***	***47.5%***	***54.5%***
Construction revenue	(56,273,905)	(54,977,885)	(53,047,850)	(21,682,220)	(23,558,672)
Construction cost	52,124,773	51,304,483	49,503,405	20,233,501	21,984,576
Interest on concession receivables and contract assets	(72,835,126)	(67,178,437)	(68,462,378)	(34,471,214)	(35,220,000)
Receipts against concession receivables	81,811,710	89,008,375	85,867,430	45,325,365	43,671,707
Receipts against contract assets (due from Shipper)	15,774,167	9,416,347	10,485,434	4,919,757	6,098,482
Others	(580,549)	(1,753,012)	723,021	-	-
Regulated Adjusted EBITDA	**103,248,548**	**92,559,951**	**96,405,832**	**48,997,825**	**59,284,983**
Regulated Adjusted EBITDA Margin	***77.1%***	***70.1%***	***70.9%***	***73.1%***	***78.0%***

(5) The following table set forth a reconciliation of Regulated Asset Base to contract assets and concession receivables for the periods indicated. See "Management's Discussion and Analysis of Financial Condition and Results of Operations – Regulatory Measures" for further information on the breakdown of the Regulated Asset Base.

Reconciliation of Regulated Asset Base to the contract assets (due from Shipper) and concession receivables

	As at 31 December			As at 30 June
	2020	**2021**	**2022**	**2023**
			(OMR)	
Concession Receivables (Non-current)	772,297,746	799,126,029	782,487,965	770,540,984
Contract Assets (due from Shipper)	144,460,415	145,433,664	182,290,147	203,499,511
Concession Receivables (current)	26,465,942	30,402,988	32,582,564	28,125,307
Contract Assets and Concession Receivables..	**943,224,103**	**974,962,681**	**997,360,676**	**1,002,165,802**
Construction Revenue	(56,273,905)	(54,977,885)	(53,047,850)	(23,558,672)
Construction Cost.................................	52,124,773	51,304,483	49,503,405	21,984,576
Interest on concession receivables and contract assets.......................................	(72,835,126)	(67,178,437)	(68,462,378)	(35,220,000)
Receipts against concession receivables	81,811,710	89,008,375	85,867,430	43,671,707
Receipts against contract assets (due from Shipper)..	15,774,167	9,416,347	10,485,434	6,098,482
Depreciation on Regulated Asset Base	(24,149,717)	(30,060,422)	(26,643,956)	(14,298,797)
Transfers from Regulated Asset Base to Investment Property	-	(943,096)	-	-
Transfers between Regulated Asset Base and other assets	962,069	1,750,167	(1,134,668)	-
Others	5	(228)	-	-
Impact of previous years' reconciliation	(17,522,775)	(20,108,799)	(21,789,495)	(25,222,078)
Regulated Asset Base..........................	**923,115,304**	**953,173,186**	**972,138,598**	**975,621,020**

Chapter XIV

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of the financial condition and results of operations of the Company should be read in conjunction with the information set out in "Chapter XIII—Selected Historical Financial Information" and the Financial Statements included elsewhere in this Prospectus. For a description of the financial information presented in this Prospectus, please see "Presentation of Financial, Industry and Market Data" and "—Presentation of the Company's Financial Information" below.

The following discussion contains certain forward-looking statements that reflect the Company's plans, estimates and beliefs and involve risks and uncertainties. Actual results may differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to those differences include, but are not limited to, those discussed below and elsewhere in this Prospectus, including under "Forward-looking Statements", "Risk Factors" and "Description of the Company and Business Overview".

In addition, the Company also presents certain regulatory measures below under "—Regulatory Measures", including separate performance indicators calculated by Management based on information derived from the regulatory financial statements, which apply accounting policies different than those used in the Financial Statements. While the figures comprising the regulatory measures are derived from the Company's regulatory financial statements, such accounts may materially differ from the Financial Statements and should not be relied on as a substitute for the Financial Statements.

Overview

The Company holds a natural monopoly over the essential gas transportation infrastructure in Oman and is the exclusive owner and operator of the NGTN, serving critical roles in Oman as the asset owner, operator and maintenance and transportation provider of gas through the NGTN. The NGTN is a comprehensive gas transportation network encompassing a system of pipelines, metering facilities, compressor stations, gas supply stations and block-valve stations. The NGTN serves as an essential link connecting gas producers with gas consumers operating in various essential sectors requiring gas as a critical production feedstock or for power generation, such as LNG, power generation and water desalination, oil and gas and industrial and commercial (e.g., petrochemical, fertiliser, aluminium and steel plants).

The Company transports gas, through the NGTN on behalf of the Shipper, which buys gas from gas producers and sells it to gas consumers. At present, there is only one Shipper, IGC, although additional Shippers may be introduced in the future. In 2022, the Company transported 39.4 BCM of gas, from six gas producers to a diverse consumer base of approximately 130 gas consumers through approximately 4,031 kms of gas pipelines, supported by three compressor stations and 25 gas supply stations, providing uninterrupted gas supply in 2022.

The Company operates under a 50-year concession expiring in 2070 granted by the Government under the Amended Concession Agreement and an established RAB Framework, which has been in place since 1 January 2018. The RAB Framework provides a regulated revenue system pursuant to which the Company charges Transportation Charges to the Shipper, as well as Connection Fees to Connected Parties that require the Company to build a connection to the NGTN. The RAB Framework aims to provide a predictable tariff-setting regime that should allow a relatively stable and cost-reflective revenue stream, with Allowed RAB Revenues not affected by changes in the price and volume of gas transported during a Price Control Period, which is currently set for a period of three years. The Regulator determines the maximum revenue that the Company may earn from gas transportation (i.e., the Allowed RAB Revenues) based on several building blocks set out in the Amended Concession Agreement. The Transportation Charges charged to the Shipper are then derived from the Allowed RAB Revenues as approved by the Regulator and the network capacity booked by the Shipper. A large majority of the Company's income in 2022 was received from the Shipper.

Further, the Company prepares the Financial Statements in accordance with IFRS and applies IFRIC 12 (Service Concession Arrangements), pursuant to which the Company recognises financial assets (concession receivables and contract assets) instead of property, plant and equipment in the statement of financial position and recognises revenue and cost for construction of contract assets and finance income on the concession receivables and contract assets instead of Allowed Return on Capital in the statement of profit or loss and other comprehensive income. For the year ended 31 December 2022, the Company earned income of OMR 160.4 million and profit of OMR 45.6 million, had a Net Profit Margin of 28.4% and contract assets and concession receivables of OMR 997.4 million. For the six months ended 30 June 2023, the Company earned income of OMR 85.0 million and profit of OMR 33.1 million, had a Net Profit Margin of 38.9% and contract assets and concession receivables of OMR 1,002.2 million.

The Company also prepares regulatory financial statements pursuant to the RAB Rules, whereby all adjustments under IFRIC 12 are reversed and property, plant and equipment and related depreciation expense and income and Allowed Return on Capital are recognised under the RAB Rules. For the year ended 31 December 2022, the Company's Regulated Adjusted Income derived from the regulatory financial statements and Regulated Adjusted EBITDA were OMR 136.0 million and OMR 96.4 million, respectively, and its Regulated Asset Base was OMR 972.1 million as at 31 December 2022. For the six months ended 30 June 2023, the Company's Regulated Adjusted Income and Regulated Adjusted EBITDA were OMR 76.0 million and OMR 59.3 million, respectively, and its Regulated Asset Base was OMR 975.6 million as at 30 June 2023. See "*Presentation of Financial, Industry and Market Data—Non-IFRS Information and Certain Other Financial and Operational Data — Regulatory Measures*" and *"Chapter XIII— Selected Historical Financial Information*" for further information.

The Company's growing and successful gas operations are reflected by the increase of its gas deliveries from 17.0 BCM during its year of incorporation in 2000 (when it was known as Oman Gas Company SAOC) to 39.4 BCM in 2022, while achieving an average gas availability of 99.998% since 1 January 2013.

Presentation of the Company's Financial Information

Except as otherwise indicated, the discussion and analysis of the Company's results, financial position and cash flows in this "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" is presented on the basis of the Financial Statements, which have been prepared in accordance with IFRS and are included elsewhere in this Prospectus.

The presentation of certain corresponding figures for the year ended 31 December 2021 in the 2022 Annual Financial Statements has been changed in order to conform with the presentation of the figures for the year ended 31 December 2022 and are accordingly different from those included in the 2021 Annual Financial Statements. Such changes do not affect previously reported profit, shareholders' equity or net cash flow. See Note 35 to the 2022 Annual Financial Statements for further information on the change in presentation in the financial information for the year ended 31 December 2021 in the 2022 Annual Financial Statements. The financial information for the year ended 31 December 2020 has been extracted from the 2021 Annual Financial Statements, which financial statements were not updated to conform to the presentation in the 2022 Annual Financial Statements. Therefore, the financial information for the year ended 31 December 2020 does not reflect the changes in presentation noted above and is not directly comparable to the financial information in the 2022 Annual Financial Statements. If the financial information for the year ended 31 December 2020 had been updated to conform to the presentation in the 2022 Financial Statements, such adjustments would not have been considered material. See "*Presentation of Financial, Industry and Market Data — Comparability of the Company's Financial Information".*

In addition, a supplemental discussion and analysis of certain Regulatory Measures of the Company is provided in "*—Regulatory Measures—Discussion of Key Regulatory Measures for the Six Months ended 30 June 2023 and the Years Ended 31 December 2022, 2021 and 2020*" and is presented on the basis of, or derived from, the Company's regulatory financial statements, which are not included in this Prospectus. The Company prepares the regulatory financial statements for purposes of submission to the Regulator and compliance with the RAB Rules. See "*Presentation of Financial, Industry and Market Data—Non-IFRS Information and Certain Other Financial and Operational Data — Regulatory Measures*" for a discussion on the main differences between the regulatory financial statements and the Financial Statements prepared in accordance with IFRS.

The Regulatory Measures of the Company should be read only in conjunction with the corresponding IFRS financial numbers. For a reconciliation of these Regulatory Measures to the corresponding IFRS measure, see "*Regulatory Measures— Reconciliation of Regulatory Measures*" below.

Key Factors Affecting the Company's Business and Results of Operations

The most significant factors that have affected or are expected to affect the Company's results of operations and financial condition include the following:

Recognition of construction revenue and construction costs based on the level of construction activity

Given that the Company applies IFRIC Interpretation 12 (Service Concession Arrangements) ("**IFRIC 12**") to its concession from the Government and the RAB Framework effective from 1 January 2018, the Company's construction revenue and construction costs are recognised over time by reference to the percentage of completion of the Company's gas transportation infrastructure projects in accordance with IFRS 15 (Revenue from Contracts with Customers) ("**IFRS 15**"). Pursuant to IFRS 15, the Company is required to estimate the stage of completion of each of its NGTN projects in progress at each reporting date. The Company's project managers measure the stage of the project's completion or milestones reached. Accordingly, the Company's revenue and its expenses for the year will vary based on the NGTN construction activity carried out during such year. The application of IFRIC 12 has affected, and is expected to continue to affect, the Company's revenue recognition in the future.

Factors such as delays in the expected completion date, changes in the scope of work, changes in material prices, increases in labour and other costs are included in the construction cost estimates based on best estimates and impact the Company's percentage of completion estimation, revenue and costs recognised during a reporting period. The effects of any revision to these estimates are reflected in the year in which the estimates are revised. When it is probable that total contract costs will exceed total contract revenue (in case the additional cost is not approved by the Regulator), the total expected loss is recognised immediately, as soon as foreseen, whether or not work has commenced on these contracts. See Notes 4 and 5 of the 2022 Annual Financial Statements.

Finance income on concession receivables and contract assets

Under the Amended Concession Agreement, Allowed Return on Capital forms part of the allowances received by the Company from the Shipper. Under IFRS, the Allowed Return on Capital is recognised in the form of finance income on the concession receivables and contract assets (recorded as finance income) using the effective interest method.

Infrastructure within the scope of the IFRIC 12 is not recognised as property, plant and equipment of the Company; rather, the Company acts as an operator that constructs and upgrades the infrastructure used to provide a public service and operates and maintains that infrastructure for the 50-year concession period. In accordance with the requirements of the IFRIC 12, the Company has recognised a financial asset as a concession receivable and contract asset when it constructs or upgrades the NGTN infrastructure. This financial asset covers the costs incurred in relation to the construction of the NGTN. The amount of the Company's finance income is principally a function of changes in the balances of concession receivables and contract assets in a given financial period and the effective interest rate at which the finance income is charged. The Company calculates the effective interest rate based on the internal rate of return of cash flows from concession arrangements. Concession receivables and contract assets had an effective interest rate of 7.22% in the six months ended 30 June 2023 and 7.23% in 2022, 7.28% in 2021 and 8.20% in 2020.

The principal factors affecting the balance of the Company's concession receivables and contract assets are: (i) the acquisition of additional NGTN assets (see "— *Acquisition of NGTN Assets*" below); (ii) construction works in progress; and (iii) transfer from contract assets to concession receivables following the completion of new infrastructure. Both concession receivables and contract assets are also reduced by payments made by the Shipper against the Allowed Return on Capital and Depreciation Allowance, and increased by the finance income recognised using the effective interest method.

Acquisition of NGTN assets

In implementation of the RAB Framework, the Company commenced the acquisition of gas transportation assets in Oman in 2018 to consolidate the NGTN under a single regulated company. In addition to the increase of the balance of concession receivables, which in turn increase the Company's finance income, NGTN acquisitions also impact the Company's net cash flows used in investing activities.

In 2021, the Company recorded an amount of OMR 8.0 million in connection with the payments made for the acquisition of assets owned and operated by PEIE (Madayn) in industrial estates and assets owned and operated by SFZC in the Salalah Free Zone, which impacted the Company's net cash used in investing activities for the year ended 31 December 2021. These assets were acquired for the total purchase prices of OMR 2.5 million (Madayn) and OMR 5.5 million (SFZC). The Madayn acquisition entailed a change in the NGTN boundary limit resulting in the introduction of approximately 98 additional consumers, which led to an increase in the total number of the Company's consumer base to approximately 130 in 2022.

Furthermore, the Company recorded an amount of OMR 113.1 million in connection with payments made for the acquisition of assets owned by the Government and operated by PDO and BP, which impacted the Company's net cash used in investing activities for the year ended 31 December 2020, and contributed to the total net cash used in investing activities reaching OMR 157.3 million in 2020, compared to OMR 63.7 million in 2021 and OMR 65.1 million in 2022. These assets were acquired for the total purchase prices of OMR 183.7 million (PDO) and OMR 42.6 million (BP). The remaining 50% of the purchase price for these assets was settled by issuance of additional shares by the Company to OQ equivalent to the remaining value of the purchase price, amounting to OMR 113.1 million, in the year ended 31 December 2020. OQ in turn issued additional shares to its shareholder.

Related party transactions and Shipper concentration risk

The Company has, during the periods under review, engaged in certain related party transactions. The significant related party transactions included income from the Shipper, which accounted for a large majority of the Company's income. Accordingly, while additional Shippers may be introduced to the NGTN in the future, the Company had only one Shipper to the NGTN, which was the MEM until 31 December 2022. Pursuant to the MEM Transfer Decision, the role of the Shipper was transferred to IGC effective 1 January 2023. However, the transition of the Shipper is expected to take place in a phased manner in practice. The concentration of revenue from one sole Shipper exposes the Company to a revenue concentration and collection risk. While payments have been made by the Shipper mostly in a timely manner in the past few years, one invoice amounting to OMR 10.5 million relating to additional Allowed RAB Revenues for the acquisition of NGTN assets from the Government was delayed by more than one year and was received in 2022. Any significant or recurring delays in invoice payments or collection of receivables from the Shipper may have a negative impact on the Company's liquidity and cash flows. This may in turn lead to insufficient funding for capital and operating expenditure or cause delays in the execution of the Company's projects.

Other related party transactions included the shared services under the Cost Allocation Agreement, which was terminated effective 1 January 2023, in addition to certain project management services provided by the Company to related parties. The introduction of this cost allocation arrangement has led to an increase in the administrative expenses incurred by the Company, as well as other income generated by the Company in 2021 and 2022 compared to 2020. However, the cost allocation expenses incurred by the Company for the years ended 31 December 2021 and 2022 exceeded the cost allocation income generated by the Company through this arrangement by OMR 5.5 million in 2021 and OMR 4.4 million in 2022, which was among the factors that contributed to the decrease in the Company's profit for the year in 2021 (OMR 43.1 million) and 2022 (OMR 45.6 million) compared to 2020 (OMR 59.3 million). The Cost Allocation Agreement has been terminated effective as of 1 January 2023. The Company and OQ are currently in the process of formalising the contractual arrangement for the procurement of certain support services. See "*Chapter XII—Description of the Company and Business Overview – Material Agreements – OQ Services Agreement*".

Price Control Period, WACC setting and interest rates

The WACC is a central component of the Company's Allowed Return on Capital, which is determined by the Regulator prior to the commencement of each Price Control Period, taking into account the operational information submitted by the Company to the Regulator. The effective interest rate used to recognise finance income on concession receivables and contract assets under IFRS changes in line with the WACC determined by the Regulator. See "*—Finance income on concession receivables and contract assets*" above.

The following table sets out the applicable WACC and effective interest rate on concession receivable and contract assets during the periods indicated:

	For the year ended 31 December			For the six months ended 30 June
	2020 (PC1)	2021 (PC2)	2022 (PC2)	2023 (PC2)
WACC Rate (%)	8.12%	7.30%	7.30%	7.30%
Effective interest rate...................................	8.20%	7.28%	7.23%	7.22%

The reduction of the WACC rate in Price Control Period 2 compared to Price Control Period 1 has contributed to the decrease in Regulated Adjusted Income from OMR 134 million in 2020 to OMR 132 million in 2021 (compared to the Company's income in accordance with the Financial Statements from OMR 166 million in 2020 to OMR 157 million in 2021).

Differences between the Regulator's views and the Company's submissions may result in a reduction of the WACC compared to the Company's submission or delay in a Price Control Period decision, which may lead to delay in the payment of invoices in the new Price Control Period. Further, market risks that may transpire after the WACC is proposed by the Company and approved by the Regulator at the beginning of the Price Control Period may impact the Company's WACC. For example, if the actual cost of debt, which is a component of WACC, is higher than the approved cost of debt due to an interest rate hike subsequent to the setting of the WACC for the relevant Price Control Period, this will result in the Company incurring additional costs, which have not been approved by the Regulator.

Interest rates are highly sensitive to many factors beyond the Company's control, including the monetary policies of the Government and the CBO, as well as changes in the applicable benchmark interest rates, including changes in LIBOR and SOFR rates. In light of the Company's US$-denominated floating rate debt, the Company has in the past been affected by changes in the US Federal Reserve Board's interest rates. For example, with respect to borrowings under the Credit Facility (which was subject to LIBOR-linked interest rate and repaid in June 2023), interest rate increases by the US Federal Reserve Board led to an increase in the LIBOR-linked interest rate applicable to the Credit Facility from 2.9% for the interest rate period between 24 August 2021 and 15 December 2021 to 7.9% for the interest rate period between 31 May 2023 and 22 June 2023. Additionally, following the fourth anniversary of the Refinancing Facilities, the Company's OMR-denominated borrowings will switch from fixed rate above the CBO's Private Sector OMR Time Deposit rate, which will increase the Company's exposure to interest rate fluctuations.

As at 30 June 2023, following the refinancing completed in June 2023 and execution of the Refinancing Facilities, the Company maintains borrowings in both Omani Rial and US Dollars. Interest rates affect the Company's cost of borrowing. As at 30 June 2022, 72% of the Company's outstanding borrowings incur interest/profit at a fixed margin of 1.9% plus compounded SOFR, while 28% are denominated in Omani Rial and incur interest/profit at a fixed rate of 5.70% per annum until the fourth anniversary of the Refinancing Facilities signature date and will incur interest/profit at 2.00% per annum plus the OMR base rate (the Private Sector OMR Time Deposit rate) thereafter.

The Company has not engaged in interest rate hedging activities following the refinancing in June 2023. Accordingly, if the average interest rates for any Price Control Period increase more than anticipated and exceed the allowed cost of debt in the Company's WACC as approved by the Regulator, the Company's interest expense will increase on the variable portion of the borrowings, which would impact its profitability. The allowed WACC rate is not subject to any revision in retrospect, except where the Company requests a revision, and is able to demonstrate to the Regulator's reasonable satisfaction that the assumptions used to determine the WACC during a Price Control Period are materially incorrect for reasons beyond the reasonable control of the Company.

Network expansion and capital expenditure

The Company's growth is closely tied to the expansion of the NGTN and the number of Connections. The Company internally categorises its Capital Expenditure into growth capital expenditure, sustaining capital expenditure and acquisition capital expenditure projects. The Company invests in, and expects to continue to undertake future investment in: (i) major development and growth projects to expand the NGTN, as well as connection projects to make gas connections available to various customers based on their NGSAs with the Shipper ("**Growth Capital Expenditure**"); (ii) upgrade and maintenance works with a goal to sustain and upgrade the quality of the Company's network assets and improve gas transportation ("**Sustaining Capital Expenditure**") and (iii) acquisition of gas transportation pipelines and other assets ("**Acquisition Capital Expenditure**"). Sustaining Capital Expenditure represented between 9% and 13% of the aggregate Growth and Sustaining Capital Expenditure incurred between 2021 and 2022.

Under IFRS, increased construction activity in connection with the Company's network expansion projects would result in an increase in construction costs and a larger increase in construction revenue, as well as an increase in concession receivables and contract assets, which will in turn increase finance income on concession receivables and contract assets.

Under the RAB Framework, the Capital Expenditure Allowance is approved for the Price Control Period, based on capital expenditure projections submitted by the Company and reviewed by the Regulator in the Base Year. Capital expenditure is subject to ex-post reconciliation under the RAB Framework for over or under spend in the subsequent Price Control Periods. Where a project is delivered at a lower cost compared to the allowance approved by the Regulator (i.e., there is an underspend), the actual capital expenditure costs spent are added to the Regulated Asset Base, and the Capital Expenditure Allowance will be reconciled in the subsequent Price Control Period to account for the unspent amounts in the prior Price Control Period, which would have an impact on the cash flow received by the Company in the following Price Control Period. However, in the event of an overspend in excess of the Capital Expenditure Allowance, the Regulator may decline to reimburse or otherwise reconcile such costs even in a subsequent Price Control Period, if it determines that costs arose as a result of inefficiencies caused by or attributable to the Company. The timing and amount of capital expenditure is highly dependent on market conditions, the progress of projects, new opportunities that may arise and a range of other factors outside the control of the Company.

The Capital Expenditure Allowance approved by the Regulator for Price Control Period 2, which ends on 31 December 2023 is (i) OMR 76.0 million for 2021, (ii) OMR 97.6 million for 2022, and (iii) OMR 61.9 million for 2023, amounting to a total of OMR 235.5 million, while the construction costs incurred by the Company in 2020, 2021 and 2022 amounted to OMR 52.1 million, OMR 51.3 million and OMR 49.5 million, respectively. In 2021, the Company also recorded an amount of OMR 8 million in connection with payments made for the acquisition of assets owned by PEIE (Madayn) in industrial estates and assets owned by SFZC in the Salalah Free Zone. Accordingly, the Company recorded an underspend of OMR 16.7 million in 2021 and OMR 48.1 million in 2022. One of the main contributors to the underspend in Price Control Period 2 relates to a major pipeline project, which is on hold until the final investment decision of the related major downstream project by an exploration and production company is finalized. Only the actual capital expenditure costs incurred in 2021 and 2022 would be added to the Regulated Asset Base in the Price Control Period 2 review process.

The Capital Expenditure Allowance for Price Control Period 2 takes into account the phases of the projects that are expected to be completed during such Price Control Period, while the expenditure for the phases to be completed in Price Control Period 3 will be taken into account in the Allowed RAB Revenues determination for such Price Control Period, which is expected to be finalized by November 2023. See "*Chapter XII— Description of the Company and Business Overview — Capital Expenditure and Projects*" for a summary of the ongoing capital expenditure projects as at 30 June 2023.

Recognition of Connection Fees as Income

The Company receives Connection Fees from Connected Parties in the form of a partial or full contribution for the connection projects undertaken by the Company to connect the relevant Connected Parties to the NGTN or modify existing connections in accordance with the Connection Fee statements prepared by the Company and approved by the Regulator. In the Financial Statements, these contributions are initially recorded at fair value as a deferred income liability in the statement of financial position and are then derecognised as a deferred income liability and recorded as income over the useful life of the constructed assets, after the construction process is completed.

The Company currently only collects such Connection Fees from gas consumers that have been allocated gas starting March 2020. The Company has recognised contributions for Connection Fees as income following the completion of the construction of the first assets in 2022. As at 31 December 2021, the Company recorded a total of OMR 4.1 million as deferred income liability in relation to capital contributions received during the year for connection assets under construction, while the Company recognised a total of OMR 4.9 million as deferred income liability in 2022, comprising the OMR 4.1 million recorded in 2021, new contributions of OMR 0.8 million recorded during 2022 and derecognised OMR 35,741, which were recorded as income following completion of the construction of certain Connection assets as at 31 December 2022. See Note 22 of the 2022 Annual Financial Statements for further information.

Given that deferred income is treated as a non-current liability in the Company's statement of financial position, as the Company expands its operations by way of construction of new NGTN assets, the Company's liabilities will continue to increase until the construction of the relevant connection asset is completed and will subsequently be recorded as income over the useful life of the constructed assets. The infrastructure construction process has been in the past, and may in the future, be subject to delays or other challenges based on various factors, including factors outside of the Company's control, such as delays by contractors or natural causes. See "*Chapter IV —Risk Factors— Risks relating to the Company and its Business — The implementation of projects and infrastructure investments is subject to delays and other risks*."

The Refinancing Facilities and repayment of borrowings

On 19 June 2023, the Company entered into the Conventional Facilities, comprising the OMR Conventional Facility of up to OMR 60 million and the USD Conventional Facility of up to US$ 225 million (equivalent to OMR 86.7 million). On 19 and 20 June 2023, the Company entered into two separate wakala facilities, whereby the Company may utilise the OMR Wakala Facility of up to OMR 165 million and the USD Wakala Facility of up to US$ 395 million (equivalent to OMR 152.1 million), as permitted under the principles of Sharia. The purpose of the Refinancing Facilities is to finance the Company's general corporate purposes, including refinancing the Credit Facility, repayment of loans made to the Company by OQ and financing the Company's capital expenditure requirements.

Under the Refinancing Facilities, the Company drew (i) US$ 620 million, comprising US$ 225 million under the USD Conventional Facility and US$ 395 million under the USD Wakala Facility, and (ii) OMR 95 million, comprising OMR 60 million under the OMR Conventional Facility and OMR 35 million under the OMR Wakala Facility, to settle on 22 June 2023 the outstanding borrowings under the Credit Facility and the Shareholder's Loan in full. The repayment of the Credit Facility and Shareholder's Loan was largely through funds drawn down under the Refinancing Facilities, while approximately 10% which was repaid through internally generated cash. The refinancing has resulted in payment of OMR 40 million in cash to partially settle the Credit Facility and Shareholder's Loan, in addition to OMR 15.6 million in cash utilised in connection with a scheduled repayment of a Credit Facility instalment in February 2023, which contributed to the reduction in cash and cash equivalents and short term deposits in the Company's statement of financial position as at 30 June 2023, as well as a decrease of OMR 58.4 million in the Company's outstanding borrowings as at 30 June 2023, compared to 31 December 2022. See "*Chapter XII— Description of the Company and Business Overview – Material Agreements*" for further information regarding the Refinancing Facilities.

Stock dividend and Stock Split

On 26 June 2023, the Company's ordinary general assembly approved the distribution of stock dividends from the Company's retained earnings through the issuance of bonus shares amounting to OMR 96,275,000 to its existing Shareholders in proportion to their shareholding, which was pending registration as at 30 June 2023. The stock dividend resulted in an increase in the Company's issued share capital from OMR 336,787,392 as at 31 December 2022 to OMR 433,062,392. Retained earnings accordingly decreased from OMR 232.8 million as at 31 December 2022 to OMR 157.6 million as at 30 June 2023. Further, on 19 June 2023, in anticipation of the Offer, the Company reduced the par value of its shares from OMR 1 per share to of Bzs 100 per share. As a result, the number of Shares issued by the Company increased to 4,330,623,920 Shares.

Recent Developments

In July 2023, the Company completed the registration of OMR 96,275,000 of share capital with the MOCIIP, which was pending registration as at 30 June 2023.

Further, on 3 August 2023, the Company entered into the OQ LPG Asset Transfer Agreement with OQ LPG, an indirect subsidiary of OQ, whereby OQ LPG agreed to sell and transfer to OQGN certain gas transportation pipeline system and ancillary connection assets located in Salalah Free Zone, which are owned and operated by OQ LPG for a purchase price of OMR 16.8 million. See "*Chapter XII—Description of the Company and Business Overview – Material Agreements – OQ LPG Asset Transfer Agreement"* for further information.

On 13 September 2023, the Company entered into a memorandum of understanding ("**MoU**") with Fluxys SA/NV ("**Fluxys SA**"), which wholly owns Fluxys International SA/NV ("**Fluxys**"), regarding their intention to enter into a strategic partnership agreement after completion of the Offer, which is expected to focus on supporting the Company's contemplated growth strategy to contribute to energy transition, including potential hydrogen and captured carbon transportation and storage.

In addition, on 13 September 2023, OQ and Fluxys entered into a strategic partnering support agreement (the "**Support Agreement**"), pursuant to which, subject to the Offer closing and Fluxys purchasing all of its Anchor Investor Shares as reflected elsewhere in this Prospectus, (i) OQ has agreed, inter alia, to support in (a) causing the Company to convene an EGM by no later than 31 December 2023, to increase the size of the Board from five directors to seven Directors and (b) nominating and electing a suitably qualified nominee of Fluxys to the Board at an AGM (which is expected to take place following the above mentioned EGM) and at general meetings thereafter, and to not support any motion by another shareholder to remove Fluxys' nominee (other than for cause), and (ii) Fluxys has agreed to procure that any nominee of Fluxys that is successfully appointed to the Board will resign from the Board if, among other matters, Fluxys sells more than 10 per cent. of its Anchor Investor Shares.

Overview of Key Profit or Loss and Other Comprehensive Income Statement Items

Revenue

The Company's revenue consists primarily of construction revenue, allowance for expenditures and pass-through costs to be received from the Shipper and revenue from project management services for construction. Pass-through costs include taxation, fuel gas and regulatory fees, which are reimbursable on an actual incurred basis. Allowance for expenditures and pass-through costs represent the Company's entitlement for allowance for operating and administrative expenses and current tax expenses pursuant to the RAB Rules. Allowance for expenditures and pass-through costs received from the Shipper are reduced by other revenues generated from RAB resources, such as project management fees and tender fees. Project management service fees are fees accrued for providing consultancy services on the construction of various gas transportation related projects of related parties and third parties.

Finance income

The Company's finance income consists primarily of interest income on concession arrangements, namely concession receivables and contract assets and interest income on short term deposits. Under the Amended Concession Agreement and related RAB Rules, the Company receives Allowed Return on Capital from the Shipper, which is recognised as revenue in the form of interest on the concession receivables and contract assets (recorded as finance income) using the effective interest method. Concession receivables and contract assets had an interest rate of 7.22% in the six months ended 30 June 2023 and 7.23% in 2022, 7.28% in 2021 and 8.20% in 2020.

Other income

The Company's other income consists primarily of tender fees, lease concessions, shared services, income relating to the cost allocation mechanism adopted pursuant to the Cost Allocation Agreement, as well as other income. The cost allocation represents common costs incurred by the OQ Group companies and recharged based on the cost allocation mechanism adopted by OQ pursuant to the Cost Allocation Agreement. The expenses recharged by these OQ Group companies were recognised under administrative expenses and expenses charged to these OQ Group companies with a margin were recognised in other income. The Cost Allocation Agreement was terminated effective 1 January 2023. Furthermore, from 1 January 2022, other income includes amortisation of deferred income, which relates to connection assets.

Construction costs

The Company's construction costs consist of construction-related costs in connection with the Company's major development and growth projects to expand the NGTN, as well as the NGTN sustaining upgrade and maintenance costs.

Operating expenses

The Company's operating expenses consist primarily of depreciation expenses on the right of use of assets, provision/reversal of obsolete inventories, employee costs (relating to business functions such as operations, technical and engineering, etc.), repair and maintenance expenses, pass-through costs, insurance and catering and accommodation expenses.

Administrative expenses

The Company's administrative expenses consist primarily of employee costs (relating to support functions such as finance, human resources, administration, etc.), depreciation expenses (on investment property), training and business travel expenses, legal and professional expenses, utilities and office expenses, repair and maintenance expenses, contract services, advertising and public relation expenses, cost allocation expenses and donations.

Finance cost

The Company's finance cost consists primarily of interest on loans from OQ, interest on term loans from commercial banks, amortisation of deferred finance cost and interest on lease liabilities.

Impairment reversal/ (expense)

The Company's impairment reversal/expense consists of an allowance for expected credit loss from impairment of financial assets, such as trade and other receivables, or reversals in allowance for expected credit loss.

Taxation

Pursuant to the Amended Concession Agreement, the Shipper is required to reimburse all Omani income tax liabilities to the Company. Any current tax expense is recognised as revenue under allowance for expenditures and pass-through costs. Any additional taxes, including due to non-compliance, would not be reimbursed by the Shipper. See Note 12 of the Interim Financial Statements and Note 11 to the 2022 Annual Financial Statements for further information. The Company's taxation expense consists of current and deferred tax expenses calculated based on the property, plant and equipment model under IAS 16 ("**PPE Model**") and applicable Omani tax laws.

Results of Operations — Statement of Profit or Loss and Other Comprehensive Income Data

The following table sets the Company's statement of profit or loss and other comprehensive income for the six months ended 30 June 2023 and 30 June 2022 and the years ended 31 December 2022, 2021 and 2020, as extracted from the Financial Statements included elsewhere in this Prospectus.

	For the year ended 31 December*			**For the six months ended 30 June****	
	2020 (1)	**2021(1)**	**2022**	**2022**	**2023**
			(OMR)		
Income					
Revenue	91,146,386	84,689,573	81,353,698	36,207,682	38,318,710
Finance income	74,760,231	67,456,435	69,437,276	34,809,814	45,149,101
Other income	196,308	5,340,645	9,645,126	1,962,574	1,532,979
	166,102,925	**157,486,653**	**160,436,100**	**72,980,070**	**85,000,790**
Expenses					
Construction costs	(52,124,773)	(51,304,483)	(49,503,405)	(20,233,501)	(21,984,576)
Operating expenses	(19,299,008)	(22,905,587)	(22,893,485)	(11,584,188)	(11,220,486)
Administrative expenses	(10,010,349)	(16,509,747)	(16,913,668)	(6,434,167)	(4,973,078)
Impairment (expense)/ reversal	(23,798)	(316,332)	316,332	-	-
Finance cost	(16,896,953)	(14,710,609)	(18,339,468)	(7,422,213)	(9,370,342)
	(98,354,881)	**(105,746,758)**	**(107,333,694)**	**(45,674,069)**	**(47,548,482)**
Profit before income tax	**67,748,044**	**51,739,895**	**53,102,406**	**27,306,001**	**37,452,308**
Taxation	(8,398,120)	(8,631,466)	(7,506,182)	(3,922,061)	(4,371,387)
Profit for the year/period	**59,349,924**	**43,108,429**	**45,596,224**	**23,383,940**	**33,080,921**
Other comprehensive income:					
Items that will not be reclassified to profit or loss					
Defined benefit obligation actuarial gain / (loss)	-	301,317	(210,020)	(105,010)	(15,269)
Items that are or may be reclassified subsequently to profit or loss					
Effective portion of changes in fair value of cash flow hedges –net of tax	(618,761)	3,231,465	5,771,436	4,298,448	385,188
Reclassified to statement of profit or loss on termination of hedge	-	-	-	-	(8,769,328)
Other comprehensive (loss)/ income for the year/period	**(618,761)**	**3,532,782**	**5,561,416**	**4,193,438**	**(8,399,409)**
Total comprehensive income for the year/period	**58,731,163**	**46,641,211**	**51,157,640**	**27,577,378**	**24,681,512**

Basic and diluted earnings per share	**0.176**	**0.128**	**0.135**	**0.005[(2)]**	**0.008**

* *Derived from the audited annual financial statements.*

** *Derived from the unaudited interim financial statements.*

(1) *As explained in "Presentation of Financial, Industry and Market Data — Comparability of the Company's Financial Information", the presentation of impairment reversal/expense and operating expenses for the year ended 31 December 2021 has been changed in order to conform with the presentation in the 2022 Annual Financial Statements and hence may not be directly comparable to the 2021 financial information included in the 2021 Annual Financial Statements. The financial information for the year ended 31 December 2020 has been extracted from the 2021 Annual Financial Statements, which were not updated to conform to the presentation in the 2022 Annual Financial Statements.*

(2) *The weighted average number of shares is adjusted retrospectively for the purpose of the earnings per share calculation for the period ended 30 June 2022, as a result of the stock split and stock dividend completed in the six months ended 30 June 2023.*

Revenue

The following table sets forth the breakdown of the Company's revenue for the periods indicated:

	For the year ended 31 December			**For the six months ended 30 June**	
	2020	**2021**	**2022**	**2022**	**2023**
			(OMR)		
Services transferred over time:					
Construction revenue	56,273,905	54,977,885	53,047,850	21,682,220	23,558,672
Allowance for expenditures and pass-through cost	33,368,126	29,469,167	28,090,511	14,210,842	14,691,756
Project management services	1,504,355	242,521	215,337	314,620	68,282
Revenue	**91,146,386**	**84,689,573**	**81,353,698**	**36,207,682**	**38,318,710**

The Company's revenue increased by OMR 2.1 million, or by 5.8%, to OMR 38.3 million for the six months ended 30 June 2023, compared to OMR 36.2 million for the six months ended 30 June 2022. The increase in revenue was primarily due to an increase of OMR 1.9 million in construction revenue resulting from more construction work carried out in the six months ended 30 June 2023 and to a lesser extent due to an increase in allowance for expenditures and pass-through cost.

The Company's revenue decreased by OMR 3.3 million to OMR 81.4 million, or by 3.9%, for the year ended 31 December 2022, compared to OMR 84.7 million for the year ended 31 December 2021. The decrease in revenue primarily reflected a reduction of construction revenue resulting from lower construction work due to progress of the projects, as well as a reduction in allowance for expenditures and pass-through costs by the Shipper due to deduction of other revenues generated from RAB resources (e.g., project management services and tender fees) from the allowance for expenditures and pass-through costs in accordance with the RAB Rules.

The Company's revenue decreased by OMR 6.5 million to OMR 84.7 million, or by 7.1%, for the year ended 31 December 2021, compared to OMR 91.1 million for the year ended 31 December 2020. The decrease in revenue was primarily due to the reduction of construction revenue relating to slightly lower construction work resulting from progress of the projects, reduction in allowance for expenditures and pass-through costs due to a lower allowance for operating expenditures agreed with the Regulator on the basis of cost reduction initiatives undertaken by the Government and reduction in project management services due to less consultancy services provided to related parties and third parties.

Finance income

The following table sets forth the breakdown of the Company's finance income for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June	
	2020	**2021**	**2022**	**2022**	**2023**
			(OMR)		
Finance income on concession arrangement:					
Concession receivables....................................	56,056,517	56,996,736	57,379,754	29,156,651	28,525,017
Contract assets	16,778,609	10,181,701	11,082,624	5,314,563	6,694,983
	72,835,126	**67,178,437**	**68,462,378**	**34,471,214**	**35,220,000**
Interest income on fixed deposits	1,925,105	277,998	974,898	338,600	1,159,773
Transfer from OCI on termination of hedge ...	-	-	-	-	8,769,328
	74,760,231	**67,456,435**	**69,437,276**	**34,809,814**	**45,149,101**

The Company's finance income increased by OMR 10.3 million, or by 29.7%, to OMR 45.1 million for the six months ended 30 June 2023 compared to OMR 34.8 million for the six months ended 30 June 2022. The increase in finance income was primarily due to OMR 8.8 million transferred from other comprehensive income to finance income on termination of the hedging arrangements under the Intra-Group Hedging Transactions with OQ. Given that this is a transaction with a shareholder, the loss on termination of the hedging arrangement was recognised directly in an equivalent reduction in retained earnings on the Company's statement of financial position. The finance income increased to a lesser extent due to an increase of OMR 0.7 million in finance income on concession arrangement, as a result of the construction of new and existing projects carried out during the six months ended 30 June 2023, as well as an increase in interest income on short term deposits, due to an increase in applicable interest rate on short term deposits during the six months ended 30 June 2023.

The Company's finance income increased by OMR 2 million to OMR 69.4 million, or by 2.9%, for the year ended 31 December 2022, compared to OMR 67.5 million for the year ended 31 December 2021. The increase in finance income was primarily due to an increase in contract assets as a result of the construction of new and existing projects carried out during 2022, as well as an increase in interest income on short term deposits.

The Company's finance income decreased by OMR 7.3 million to OMR 67.5 million, or by 10.8%, for the year ended 31 December 2021, compared to OMR 74.8 million for the year ended 31 December 2020. The decrease in finance income was primarily due to a reduction in the effective interest rate on concession receivables and contract assets from 8.20% in 2020 to 7.28% in 2021 following the reduction in the WACC approved by the Regulator for the Price Control Period from 8.12% in Price Control Period 1 (2018-2020) to 7.30% in Price Control Period 2 (2021-2023).

Other income

The following table sets forth the breakdown of the Company's other income for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June	
	2020	**2021**	**2022**	**2022**	**2023**
			(OMR)		
Tender fee and others	196,308	341,665	146,577	-	-
Rent				-	1,393,067
Amortisation of deferred income	-	-	35,741	-	12,181
Reversal of provisions	-	-	4,970,663	-	-
Lease concession	-	20,523	-	-	-
Shared costs-income	-	4,978,457	4,481,145	1,962,574	-
Others	-	-	11,000	-	127,731
	196,308	**5,340,645**	**9,645,126**	**1,962,574**	**1,532,979**

The Company's other income decreased by OMR 0.4 million, or by 21.9%, to OMR 1.5 million for the six months ended 30 June 2023 compared to OMR 2.0 million for the six months ended 30 June 2022. The decrease in other income was primarily due to no shared costs-income recorded in the six months ended 30 June 2023 following termination of the Cost Allocation Agreement effective 1 January 2023, compared to OMR 2.0 million in the six months ended 30 June 2022, which was partially offset by OMR 1.4 million in rent received by the Company in connection with an accommodation property leased to OQ Plastics in Fahud.

The Company's other income increased by OMR 4.3 million to OMR 9.6 million, or by 80.6%, for the year ended 31 December 2022, compared to OMR 5.3 million for the year ended 31 December 2021. The increase in other income was primarily due to the reversal of previously recorded provisions amounting to OMR 5 million, which were withheld from contractors in connection with NGTN construction services carried out between 2013 and 2015 and have not been claimed by the contractors and were accordingly recorded as other income.

The Company's other income increased by OMR 5.1 million to OMR 5.3 million, or by 2,620.5%, for the year ended 31 December 2021, compared to OMR 0.2 million for the year ended 31 December 2020. The increase in other income was primarily due to an increase in other income from services provided by the Company to the OQ Group companies under the shared cost and income allocation model pursuant to the Cost Allocation Agreement, which was implemented effective 1 January 2021 and generated other income amounting OMR 5.0 million in 2021, compared to nil in 2020.

Construction costs

The Company's construction costs increased by OMR 1.8 million, or by 8.7%, to OMR 22.0 million for the six months ended 30 June 2023 compared to OMR 20.2 million for the six months ended 30 June 2022. The increase in construction costs was primarily due to more construction work carried out in the six months ended 30 June 2023, compared to the six months ended 30 June 2022.

The Company's construction costs decreased by OMR 1.8 million to OMR 49.5 million, or by 3.5%, for the year ended 31 December 2022 compared to OMR 51.3 million for the year ended 31 December 2021, and decreased by OMR 0.8 million, or by 1.6%, to OMR 51.3 million for the year ended 31 December 2021 compared to OMR 52.1

million for the year ended 31 December 2020. The decrease in construction costs in 2022 and 2021 was primarily due to slightly lower construction works during 2022 compared to 2021 and during 2021 compared to 2020, respectively.

Operating expenses

The following table sets forth the breakdown of the Company's operating expenses for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June	
	2020	2021	2022	2022	2023
			(OMR)		
Depreciation	455,309	505,514	809,554	252,757	392,091
Employee costs	8,838,864	11,654,418	10,467,159	5,968,664	5,043,240
Repair and maintenance expenses	4,145,039	4,785,277	5,137,004	2,199,850	2,181,611
Pass through costs	4,269,470	4,255,116	4,528,070	2,265,717	2,445,040
Insurance	1,047,368	1,007,630	1,184,139	588,201	695,257
Provision/ (reversal) of obsolete inventories	-	(6,008)	24,955	21,165	43,959
Catering and accommodation	542,958	703,640	742,604	287,834	419,288
	19,299,008	**22,905,587**	**22,893,485**	**11,584,188**	**11,220,486**

The Company's operating expenses decreased by OMR 0.4 million, or by 3.1%, to OMR 11.6 million for the six months ended 30 June 2023 compared to OMR 11.2 million for the six months ended 30 June 2022. The decrease in operating expenses was primarily due to an OMR 0.9 million decrease in employee costs under operating expenses due to a change in the Company's management structure following the implementation of the new organisational structure effective from 1 January 2023. This decrease was partially offset by a minor increase in other operating expenses, including catering and accommodation expenses, pass-through costs and insurance expenses.

The Company's operating expenses for the year ended 31 December 2022 and 2021 remained stable at OMR 22.9 million. The OMR 1.1 million reduction in employee costs was primarily due to a decrease in bonus expenditures in 2022 compared to 2021, no long-service awards or end-of-service benefits for Omani employees in 2022 compared to payments made in 2021, as well as a decrease in leave encashment in 2022 following the reduction in the number of leave days employees could carry over to 15.

The Company's operating expenses increased by OMR 3.6 million to OMR 22.9 million, or by 18.7%, for the year ended 31 December 2021, compared to OMR 19.3 million for the year ended 31 December 2020. The increase in operating expenses was primarily due to an increase in employee costs as a result of the payment of bonuses to employees for 2021 compared to no bonuses for 2020, as well as an increase in repair and maintenance expenses due to an increase in the NGTN asset base and increase in depreciation due to an increase in the right of use of assets, as a result of the expansion of the NGTN.

Administrative expenses

The following table sets forth the breakdown of the Company's administrative expenses for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June	
	2020	2021	2022	2022	2023
			(OMR)		
Employee costs	6,224,126	4,108,559	5,699,989	2,252,776	3,266,348
Depreciation expense	52,276	62,060	60,240	30,265	253,922
Training and business travel	624,315	383,357	650,769	214,365	286,498
Legal and professional	340,624	224,465	134,745	10,758	58,648
Utilities and office expenses	823,959	512,012	470,513	122,411	253,216
Repairs and maintenance	410,273	176,423	293,680	110,777	362,964
Contract services	1,225,487	342,544	492,522	175,631	125,612
Advertising and public relation	3,684	-	-	-	-
Cost allocation expenses	-	10,512,355	8,893,001	3,445,582	-
Bad debt written-off	-	-	-	-	167,083
Donations	-	-	3,188	-	-
Other expenses	305,605	187,972	215,021	71,602	198,787
	10,010,349	**16,509,747**	**16,913,668**	**6,434,167**	**4,973,078**

The Company's administrative expenses decreased by OMR 1.5 million, or by 22.7%, to OMR 5.0 million for the six months ended 30 June 2023 compared to OMR 6.4 million for the six months ended 30 June 2022. The decrease in administrative expenses was primarily due to no cost allocation expenses charged to the Company in the six months ended 30 June 2023 following termination of the Cost Allocation Agreement, which was partially offset by an increase in employee costs during the six months ended 30 June 2023, due to the recording by the Company of certain costs as employee costs instead of cost allocation expenses following the termination of the Cost Allocation Agreement.

The Company's administrative expenses increased by OMR 0.4 million to OMR 16.9 million, or by 2.4%, for the year ended 31 December 2022, compared to OMR 16.5 million for the year ended 31 December 2021. The increase in administrative expenses was primarily due to an increase in employee costs due to the increase in salaries following the harmonisation of the payroll policy and process, and training and business travel-related expenses, which was offset by a decrease in other costs, including a decrease in cost-allocation expenses.

The Company's administrative expenses increased by OMR 6.5 million to OMR 16.5 million, or by 64.9%, for the year ended 31 December 2021, compared to OMR 10.0 million for the year ended 31 December 2020. The increase in administrative expenses was primarily due to an increase in cost allocation expenses incurred in connection with services provided by the OQ Group companies to the Company under the Cost Allocation Agreement applicable in 2021 and 2022. This increase was partially offset by a decrease in employee costs as some employee costs were charged to the Company as cost allocation expenses upon implementation of the Cost Allocation Agreement in 2021 and to a lesser extent due to a decrease in contract services fees. The Cost Allocation Agreement with OQ was in place between January 2021 and 31 December 2022, pursuant to which OQ charged the Company for services provided to it with a mark-up percentage outlined in the Cost Allocation Agreement for different functions (ranging between 5% and 10%). The Cost Allocation Agreement was terminated effective as of 1 January 2023, pursuant to the termination agreement dated 1 May 2023 between OQ, the Company and other members of the OQ Group. See *"Chapter XVI — Related Party Transactions and Material Contracts"*.

Finance cost

The following table sets forth the breakdown of the Company's finance cost for the periods indicated:

	For the year ended 31 December			**For the six months ended 30 June**	
	2020	**2021**	**2022**	**2022**	**2023**
			(OMR)		
Finance cost					
Interest on loan from Parent Company............	520,860	1,992,511	7,066,272	2,650,147	32,151
Amortisation of deferred finance cost............	2,101,536	704,586	506,131	253,066	2,119,792
Interest on lease liabilities..............................	224,762	304,327	688,898	141,736	274,401
Interest on term loan from commercial banks	14,048,925	11,411,426	9,988,060	4,376,778	6,941,629
Exchange loss..	-	-	-	486	2,369
Others	870	297,759	90,107	-	-
	16,896,953	**14,710,609**	**18,339,468**	**7,422,213**	**9,370,342**

The Company's finance cost increased by OMR 1.9 million, or by 26.2%, to OMR 9.4 million for the six months ended 30 June 2023 compared to OMR 7.4 million for the six months ended 30 June 2022. The increase in finance cost was primarily due to an OMR 2.6 million increase in interest on the Credit Facility from commercial banks due to an increase in market interest rates, as well as an increase of OMR 1.9 million in the amortisation of deferred finance cost that was charged to finance cost in connection with the prepayment of the Credit Facility, which was partially offset by an OMR 2.6 million decrease in interest on loans from OQ, due to an amendment of the Shareholder's Loan to be interest free effective 1 January 2023.

The Company's finance cost increased by OMR 3.6 million to OMR 18.3 million, or by 24.7%, for the year ended 31 December 2022, compared to OMR 14.7 million for the year ended 31 December 2021. The increase in finance cost was primarily due to an increase in the interest expense in respect of the loan under the Shareholder's Loan from OQ by OMR 5.1 million, given that a large portion of the outstanding OQ loan under the Shareholder's Loan was advanced in the fourth quarter of 2021 and accordingly more interest expense accrued in 2022 compared to 2021. The increase in interest expense was partially offset by a decrease in other finance costs, including a decrease in interest expenses on the term loan from commercial banks pursuant to the Credit Facility (as defined below), primarily due to a decrease in amount outstanding under the term loan from OMR 279.3 million to OMR 250.8 million as a result of scheduled repayments of instalments made during the year.

The Company's finance cost decreased by OMR 2.2 million to OMR 14.7 million, or by 12.9%, for the year ended 31 December 2021, compared to OMR 16.9 million for the year ended 31 December 2020. The decrease in finance cost was primarily due to a decrease in interest expense on the term loan pursuant to the Credit Facility due to a decrease in market interest rates in 2021 compared to 2020, which resulted in a decrease in the interest rate applicable to the Credit Facility from 4.33% in the first interest period ending on 2 June 2020 to 2.9% in the interest period ending on 15 December 2021. The decrease was to a lesser extent due to a decrease in amortisation of the deferred finance cost as the loan outstanding in 2021 had a longer amortisation period compared to the previous loan, which was outstanding in 2020, but fully repaid in 2021.

Taxation

The Company's taxation expense increased by OMR 0.4 million, or by 11.5%, to OMR 4.4 million for the six months ended 30 June 2023 compared to OMR 3.9 million for the six months ended 30 June 2022. The increase in taxation expense was primarily due to an increase in profit before income tax generated during the six months ended 30 June 2023.

The Company's taxation expense decreased by OMR 1.1 million to OMR 7.5 million, or by 13.0%, for the year ended 31 December 2022, compared to OMR 8.6 million for the year ended 31 December 2021. The decrease in taxation expense in 2022 compared to 2021 was a result of higher taxation expense recorded in 2021, in light of the insufficiency of the tax provision estimate made in 2020 compared to the actual tax payment made in 2021 in relation to 2020.

The Company's taxation expense remained relatively stable at OMR 8.6 million in for the year ended 31 December 2021 compared to OMR 8.4 million for the year ended 31 December 2020.

The Company is subject to income tax at the applicable tax rate in Oman, which was 15% in each of 2022, 2021 and 2020. The effective tax rate for 2022, 2021 and 2020 was 14%, 17% and 12%, respectively.

Profit for the year/period

As a result of the foregoing factors, profit for six months ended 30 June 2023 increased by OMR 9.7 million, or by 41.5%, to OMR 33.1 million compared to OMR 23.4 million for the six months ended 30 June 2022.

The Company's profit for the year ended 31 December 2022 increased by OMR 2.5 million to OMR 45.6 million, or by 5.8%, compared to OMR 43.1 million for the year ended 31 December 2021, whereas profit for the year ended 31 December 2021 decreased by OMR 16.2 million to OMR 43.1 million, or by 27.4%, compared to OMR 59.3 million for the year ended 31 December 2020.

Liquidity and Capital Resources

Liquidity

During the period under review, the Company has funded its working capital needs and capital expenditure requirements from internal cash, as well as borrowings from OQ and a syndicate of commercial banks. The Company's financing strategy is to maintain sufficient funding liquidity and flexibility to support its committed capital expenditure and other business requirements through, among others, diversification of financing sources, including bank loan facilities with local and international financial institutions.

Borrowings and Financial Liabilities

As at 30 June 2023, the Company had outstanding borrowings net of deferred finance cost of OMR 330.0 million, of which OMR 9.3 million was due for repayment within 12 months. 72% of the Company's borrowings are denominated in US Dollars and 28% in Omani Riyals.

The following table sets forth the Company's borrowings as at 31 December 2020, 2021 and 2022 and 30 June 2023 excluding interest:

	As at 31 December			As at 30 June
	2020	2021	2022	2023
			(OMR)	
Current				
Term loan	104,861,630	29,144,368	30,869,616	9,255,985
Non-current				
Term loan	278,639,595	250,199,813	219,925,065	320,717,692
Loan from Parent Company	20,145,304	137,600,804	137,600,804	-
Total	**403,646,529**	**416,944,985**	**388,395,485**	**329,973,677**

Refinancing Facilities

On 19 June 2023, the Company entered into the Conventional Facilities, comprising the OMR Conventional Facility of up to OMR 60 million and the USD Conventional Facility of up to US$ 225 million (equivalent to OMR 86.7 million). On 19 and 20 June 2023, the Company entered into two separate wakala facilities, whereby the Company may utilise the OMR Wakala Facility of up to OMR 165 million and the USD Wakala Facility of up to US$ 395 million (equivalent to OMR 152.1 million), as permitted under the principles of Sharia for the purpose of financing the Company's general corporate purposes, including refinancing the Credit Facility, repayment of loans made to the Company by OQ and financing the Company's capital expenditure requirements.

Interest/profit on both the OMR Conventional Facility and OMR Wakala Facility is payable at the rate of (i) 5.70% per annum until the fourth anniversary of the OMR Conventional Facility and the OMR Wakala Facility; and (ii) 2.00% per annum plus the OMR base rate (the Private Sector OMR Time Deposit rate as published in the most recent CBO Bulletin) thereafter, while interest/profit on both the USD Conventional Facility and the USD Wakala Facility is payable at the compounded SOFR rate, plus the applicable margin, which is set at 1.9% per annum. As at 30 June 2023, the Company had OMR 95 million and US$ 620 million outstanding under the Refinancing Facilities.

Credit Facility

The Company entered into the Credit Facility (referred to as the term loan with commercial banks in the Financial Statements) on 24 February 2020 for up to US$ 800 million (OMR 308 million) with a syndicate of financial institutions including Ahli United Bank B.S.C and National Bank of Bahrain B.S.C (as lead arrangers) and Bank Muscat SAOG (as agent). Interest on the loan was payable at LIBOR plus the applicable margin, which is set at 2.75% per annum during the first 5 years ending in February 2025 and 3.30% per annum thereafter. The loan is repayable to the lenders in 14 bi-annual instalments (i.e., having a tenor of 7 years). The Credit Facility was repaid on 22 June 2023.

Shareholder's Loan

The Company entered into the Shareholder's Loan with OQ on 27 October 2020, as amended and supplemented from time to time, pursuant to which OQ has advanced a non-subordinated loan for a total of US$ 355 million (OMR 136.7 million) in financing. The Shareholder's Loan was repayable on demand. The Shareholder's Loan was subject to a three-month LIBOR interest rate and an applicable margin of 3.25% and was amended to be interest free effective 1 January 2023. The Shareholder's Loan was repaid on 22 June 2023 and was terminated on 31 July 2023 pursuant to a termination agreement between OQ and the Company.

The repayment of the Credit Facility and Shareholder's Loan was largely through funds drawn down under the Refinancing Facilities, while approximately 10% which was repaid through internally generated cash

Ras Markaz Loan

The Company entered into the Ras Markaz Loan with OQ in 2017, whereby the Company borrowed US$ 2.3 million (OMR 0.9 million) from OQ for the partial funding of the construction of the Ras Markaz crude pipeline project. Prior to the implementation of the RAB Framework and related requirements for ring fencing the gas transportation business, the Company received certain shareholder loans from OQ for investment in projects related to other OQ Group companies. Interest on the Ras Markaz Loan was payable at a three-month LIBOR plus fixed margin of 2.20% per annum. The Company novated the Ras Markaz Loan to an OQ subsidiary effective 30 June 2023 against the transfer of a contract asset and cash settlement.

See "*Chapter XII—Description of the Company and Business Overview – Material Agreements*" and "*Chapter XVI—Related Party Transactions and Material Contracts"* for further information regarding the Company's debt agreements.

Statement of Cash flows Data

The table below presents a summary of the Company's cash flows for the six months ended 30 June 2023 and 30 June 2022 and the three years ended 31 December 2022, 2021 and 2020.

	For the year ended 31 December			**For the six months ended 30 June**	
	2020[1]	**2021[1]**	**2022**	**2022**	**2023**
			(OMR)		
Net cash generated from operating activities	66,269,885	73,386,984	109,706,204	52,877,815	40,952,133
Net cash used in investing activities	(157,280,174)	(63,650,227)	(65,130,511)	(21,504,331)	(3,384,576)
Net cash (used in)/generated from financing activities	(21,998,463)	11,823,600	(30,155,748)	(14,037,364)	(60,216,929)
Net (decrease)/increase in cash and cash equivalents	(113,008,765)	21,560,357	14,419,945	17,336,120	(22,649,372)
Cash and cash equivalents at the beginning of the period	125,806,053	12,797,288	34,357,645	34,357,645	48,777,590
Cash and cash equivalents at the end of period	**12,797,288**	**34,357,645**	**48,777,590**	**51,693,765**	**26,128,218**

(1) *As explained in "Presentation of Financial, Industry and Market Data —Comparability of the Company's Financial Information", the presentation of cash flows from investing activities and cash flows from operating activities for the year ended 31 December 2021 have been changed in order to conform with the presentation in the 2022 Annual Financial Statements and hence may not be directly comparable to the 2021 financial information included in the 2021 Annual Financial Statements. The financial information for the year ended 31 December 2020 has been extracted from the 2021 Annual Financial Statements, which were not updated to conform to the presentation in the 2022 Annual Financial Statements.*

Net cash generated from operating activities

	For the year ended 31 December			For the six months ended 30 June	
	2020[(1)]	2021[(1)]	2022	2022	2023
			(OMR)		
Profit before income tax	67,748,044	51,739,895	53,102,406	27,306,001	37,452,308
Adjustments for:					
Depreciation	507,585	567,574	869,794	283,022	646,013
Lease concession	-	(20,523)	-	-	-
Impairment expense/ (reversal)	23,798	316,332	(316,332)	-	-
(Reversal)/ provision of obsolete inventories	-	(6,008)	24,955	21,165	43,959
Provision for employees' end of service benefits	118,066	163,228	116,288	96,856	133,956
Interest on concession receivables and contract assets	(72,835,126)	(67,178,437)	(68,462,378)	(34,471,214)	(35,220,000)
Deferred income	-	-	(35,741)	-	(12,181)
Finance income	(1,925,105)	(277,998)	(974,898)	(338,600)	(1,159,773)
Gain transferred on termination of hedge	-	-	-	-	(8,769,328)
Finance cost	16,896,953	14,710,609	18,339,468	7,422,213	9,370,342
Operating cash flows before working capital changes	**10,534,215**	**14,672**	**2,663,562**	**319,443**	**2,485,296**
Working capital changes:					
Receipts against concession receivables	81,811,710	89,008,375	85,867,430	45,325,365	43,671,707
Receipts against contract assets	15,774,167	10,552,615	10,485,434	4,919,757	6,098,482
Inventories	43,457	(24,624)	(333,778)	(117,468)	(137,586)
Trade and other receivables and advances	(27,044,645)	2,960,039	34,693,809	10,969,935	(210,582)
Trade and other payables	636,062	(11,344,379)	(7,903,627)	(2,257,765)	(5,448,822)
Cash generated from operations	**81,754,966**	**91,166,698**	**125,472,830**	**59,159,267**	**46,458,495**
Income tax paid	(2,701,435)	(2,821,466)	-	-	-
Employees' end of service benefits paid	(138,096)	(5,682,608)	(176,526)	(53,201)	(193,626)
Interest paid	(14,570,655)	(13,701,696)	(17,317,482)	(7,016,407)	(6,553,953)
Interest income received on fixed deposits	1,925,105	277,998	974,898	338,600	1,159,773
Receipt of connection fee	-	4,148,058	752,484	449,556	81,444
Net cash generated from operating activities	**66,269,885**	**73,386,984**	**109,706,204**	**52,877,815**	**40,952,133**

(1) *As explained in "Presentation of Financial, Industry and Market Data —Comparability of the Company's Financial Information", the presentation of cash flows from operating activities for the year ended 31 December 2021 have been changed in order to conform with the presentation in the 2022 Annual Financial Statements and hence may not be directly comparable to the 2021 financial information included in the 2021 Annual Financial Statements. The financial information for the year ended 31 December 2020 has been extracted from the 2021 Annual Financial Statements, which were not updated to conform to the presentation in the 2022 Annual Financial Statements.*

Net cash generated from operating activities decreased by OMR 11.9 million, or by 22.6%, to OMR 41.0 million for the six months ended 30 June 2023, compared to OMR 52.9 million for the six months ended 30 June 2022. The decrease in net cash generated from operating activities was primarily due to a decrease in cash generated from operations, primarily due to a decrease in changes in trade and other receivables and advances in relation to invoices billed to the Shipper in 2021 that were received in 2022, compared to no deferred payments received in the six months ended 30 June 2023 relating to invoices for the preceding period.

Net cash generated from operating activities increased by OMR 36.3 million to OMR 110 million, or by 49.5%, for the year ended 31 December 2022, compared to OMR 73.4 million for the year ended 31 December 2021. The increase in net cash generated from operating activities for the year was primarily due to an increase in cash generated from operations by OMR 34.3 million, primarily due to an increase of OMR 31.7 million in changes in trade and other receivables and advances in relation to invoices billed to the Shipper in 2021 that were received in 2022, as well as cash received from related parties in relation to project management services and construction services provided by the Company to related parties.

Net cash generated from operating activities increased by OMR 7.1 million to OMR 73.4 million, or by 10.7%, for the year ended 31 December 2021, compared to OMR 66.3 million for the year ended 31 December 2020. The increase in net cash generated from operating activities for the year was primarily due to a decrease of OMR 30 million in trade and other receivables and advances in relation to amounts invoiced to the Shipper in 2020, which were received in 2021.

Net cash used in investing activities

	For the year ended 31 December			For the six months ended 30 June	
	2020[(1)]	**2021 [(1)]**	**2022**	**2022**	**2023**
			(OMR)		
Payment for acquisition of assets....................	-	(8,006,978)	-	-	-
Additions in contract asset..............................	(56,273,905)	(52,292,879)	(49,715,894)	(20,233,501)	(21,984,576)
Additions in investment property....................	-	-	(164,987)	-	-
Payment to Government on acquisition of assets	(113,142,833)	-	-	-	-
Movement in term deposits.............................	10,000,000	(3,350,370)	(15,249,630)	(1,270,830)	18,600,000
Loan to a related party	2,136,564	-	-	-	-
Net cash used in investing activities	**(157,280,174)**	**(63,650,227)**	**(65,130,511)**	**(21,504,331)**	**(3,384,576)**

(1) As explained in "Presentation of Financial, Industry and Market Data —Comparability of the Company's Financial Information", the presentation of cash flows from investing activities for the year ended 31 December 2021 have been changed in order to conform with the presentation in the 2022 Annual Financial Statements and hence may not be directly comparable to the 2021 financial information included in the 2021 Annual Financial Statements. The financial information for the year ended 31 December 2020 has been extracted from the 2021 Annual Financial Statements, which were not updated to conform to the presentation in the 2022 Annual Financial Statements.

Net cash used in investing activities decreased by OMR 18.1 million, or by 84.3%, to OMR 3.4 million for the six months ended 30 June 2023 compared to OMR 21.5 million for the six months ended 30 June 2022. The decrease in net cash used in investing activities was primarily due to an increase in cash generated from movement in term deposits due to the redemption of term deposits for purposes of repayment of the Credit Facility and Shareholder's Loan.

Net cash used in investing activities increased by OMR 1.5 million to OMR 65.1 million, or by 2.3%, for the year ended 31 December 2022, compared to OMR 63.7 million for the year ended 31 December 2021. The increase in net cash used in investing activities for the year was primarily due to an increase in term deposits placed with banks by OMR 11.9 million from OMR 3.4 million in 2021 to OMR 15.2 million 2022, which were partially offset by a reduction of OMR 2.6 million in additions to contract assets due to reduced construction activity during the year, as well as payment of OMR 8.0 million in 2021 in relation to the acquisition of Madayn and SFZC assets in 2021, compared to no acquisitions or related payments made in 2022.

Net cash used in investing activities decreased by OMR 59.5 million to OMR 63.7 million, or by 93.6%, for the year ended 31 December 2021, compared to OMR 157.3 million for the year ended 31 December 2020. The decrease in net cash used in investing activities for the year was primarily due to payments of OMR 113.1 million made to the Government in 2020, which related to the PDO and BP assets acquired from the Government in 2019, as well as a decrease of OMR 4.0 million in additions in contract assets due to reduced construction activity during the year, which was offset by OMR 3.4 million placed in term deposits with banks in 2021 compared to OMR 10 million in term deposits having matured in 2020.

Net cash generated from/ (used in) financing activities

	For the year ended 31 December			For the six months ended 30 June	
	2020	2021	2022	2022	2023
			(OMR)		
Loan received from Parent Company	19,255,000	117,455,500	-	-	-
Loan repaid to Parent Company	-	-	-	-	(136,710,500)
Repayment of term loan..................................	(344,781,866)	(104,861,630)	(29,144,368)	(13,678,752)	(252,902,873)
Proceeds from term loan from commercial bank..	308,080,000	-	-	-	333,762,000
Payment of loan issuance costs........................	(4,078,013)	-	-	-	(3,799,923)
Payment of lease liabilities	(473,597)	(770,270)	(1,011,380)	(358,612)	(565,633)
Net cash (used in)/generated from financing activities	**(21,998,463)**	**11,823,600**	**(30,155,748)**	**(14,037,364)**	**(60,216,929)**

Net cash used in financing activities increased by OMR 46.2 million, or by 329.0%, to OMR 60.2 million for the six months ended 30 June 2023 compared to OMR 14.0 million for the six months ended 30 June 2022. The increase in net cash used in financing activities was primarily due to OMR 252.9 million in cash used in repayment of the Credit Facility from commercial banks and OMR 136.7 million in cash used in repayment of the Shareholder’s Loan, which was partially offset by OMR 333.8 million in proceeds received from Refinancing Facilities.

Net cash used in financing activities amounted to OMR 30.2 million for the year ended 31 December 2022, compared to net cash generated from financing activities amounting to OMR 11.8 million for the year ended 31 December 2021. The cash outflow in the year ended 31 December 2022 was primarily due to repayment of OMR 29.1 million in relation to the term loan under the Credit Facility during that year as well as payment of OMR 1.0 million for lease liabilities, compared to inflow of cash received from a drawdown under the Shareholder’s Loan amounting to OMR 117.5 million in the year ended 31 December 2021, which was offset by repayment of OMR 104.9 million owed under another term loan, which was fully repaid in 2021, as well scheduled repayments under the Credit Facility.

Net cash generated from financing activities amounted to OMR 11.8 million for the year ended 31 December 2021, compared to net cash used in financing activities amounting to OMR 22 million for the year ended 31 December 2020. This change was primarily due to the OMR 117.5 million drawn down under the Shareholder’s Loan, which was offset by repayment of OMR 104.9 million in connection with another term loan, which was fully repaid in 2021, as well as scheduled repayment under the Credit Facility.

Commitments and Contingencies

The Company has various contractual obligations and commercial commitments to make future payments, primarily commitments pertaining to budgeted unspent amounts of ongoing projects under construction. As at 30 June 2023, the Company had commitments relating to its capital projects under construction of OMR 66.5 million. As at 31 December 2022, 2021 and 2020, the Company had commitments relating to its capital projects under construction of OMR 67.0 million, OMR 94.3 million and OMR 50.2 million, respectively. The commitments represent the unspent amounts for ongoing projects, which are expected to be paid within the next year or two, depending on the status of the project. See Note 29 of the Interim Financial Statements, Note 28 of the 2022 Annual Financial Statements and Note 27 of the 2021 Annual Financial Statements for further information.

See “*Chapter XII— Description of the Company and Business Overview — Capital Expenditure and Projects*” for a summary of the ongoing capital expenditure projects as at 30 June 2023.

Other Contingencies

As at 30 June 2023, the Company was defending certain actions brought by a contractor in relation to work carried out by it for the Company, and changes to the original scope of the project for total claim amounts of OMR 7.9 million. The Company also received the MEM Letter, whereby the MEM is claiming indemnification for penalties it incurred due to delays in project delivery for a total claim amount of approximately OMR 19.5 million. Although liability is not admitted, if the defence against the above actions is unsuccessful, then the Company may be liable for an amount of OMR 27.5 million. The Company entered into a settlement agreement, which was agreed by both parties and signed on 13 August 2023, dated 6 August 2023, whereby the OMR 7.9 million claim was settled for an amount of OMR 4.8 million. See "*Chapter IV—Risk Factors — Legal proceedings or claims or regulatory investigations could affect the Company results of operations and financial condition" and* "*Chapter XII – Description of the Company and Business Overview— Legal Proceedings*."

Quantitative and Qualitative Disclosures about Market Risk

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the receivables from customers. As at 31 December 2022, 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.

As of 31 December 2022, the Company had significant concentration of credit risk with the Government, represented through MEM as the Shipper. The Management continues to monitor the willingness of the customer to pay the amount receivable and provide for any amounts deemed unrecoverable.

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

In order to mitigate credit risk, the Company developed and maintains the Company's credit risk grading 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 records to rate its major customers and other debtors. See Note 31 of the 2022 Annual Financial Statements for further information.

As at 31 December 2022, the status of past due balances of financial assets were as follows:

31 December 2022	**Carrying amount**	**Not due**	**Past due Up to 30 days**	**Up to 180 days**	**Over 365 days**
			OMR		
Gross carrying amount:					
Concession receivables	815,070,529	815,070,529	-	-	-
Contract asset	184,092,430	184,092,430	-	-	-
Cash and bank balances	48,777,590	48,777,590	-	-	-
Term deposits	18,600,000	18,600,000	-	-	-
Trade and other receivables	25,263,862	13,428,184	1,078,347	1,292,233	9,465,098

Market risk

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

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, the Management believes that the currency rate fluctuations would have an insignificant impact on the post-tax profit.

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 loans from related parties. 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. As at 30 June 2023, 72% of the Company's borrowings were subject to floating interest rates. See Note 31 of the 2022 Annual Financial Statements for further information in interest rate risks.

Liquidity risk

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

Responsibility for liquidity risk management rests with the Board. 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.

Capital management

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

The Board monitors the return on equity. The Board also monitors the level of dividends to shareholders. There were no changes in the Company's approach to capital management in 2022.

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 OQ are included in net debt.

Critical Accounting Judgements, Estimates and Sources of Uncertainty

The Financial Statements have been prepared in accordance with IFRS. For a discussion of the critical accounting policies applied by the Company, see Note 4 to the Annual Financial Statements.

In the application of the Company's accounting policies, Management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The estimates pertain to assessment of the contractual arrangements, taxes and impairment of assets. Set out below are the critical judgments and estimations that Management has made in the process of applying the Company's accounting policies and have the most significant effect on the amounts recognised in the Financial Statements. For further information, see Note 5 to each of the Annual Financial Statements and Note 6 to the Interim Financial Statements.

Application of IFRIC 12 (Service Concession Arrangements)

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 infrastructure in the scope of IFRIC 12, (ii) the understanding of the nature of the payments in order to determine the classification of the infrastructure as a financial asset or as an intangible asset, and (iii) the recognition of the revenue from construction and concessionary activity. Changes in one or more of the factors may affect the conclusions as to the appropriateness of the application of IFRIC 12.

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. The Shipper is also obligated to purchase the assets at the end of the concession period or upon earlier termination of the concession period along with 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, which requires the Company to recognise revenue for the construction and operation phases in accordance with IFRS 15. Accordingly, the Company has applied IFRIC 12 and recognised a financial asset (concession receivables and contract assets) and financial income. 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.

Key sources of estimation uncertainty

Set out below is a summary of the key assumptions concerning the future, and other key sources of estimation uncertainty as at 31 December 2022, which may cause a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Percentage of completion

At each reporting date, the Company is required to estimate the stage of completion. Effects of any revision to these estimates are reflected in the year in which the estimates are revised. When it is probable that total contract costs will exceed total contract revenue, the total expected loss is recognised immediately, as soon as foreseen, whether or not work has commenced on these contracts. The Company uses its project managers to measure the surveys of performance completed to date or milestones reached. Factors such as delays in expected completion dates, changes in the scope of work, changes in material prices, increase in labour and other costs are included in the construction cost estimates based on best estimates and updated on a regular basis.

See Note 4 of the Annual Financial Statements for further information on the critical accounting policies applied in the preparation of the Financial Statements.

Regulatory Measures

The Company also presents in this Prospectus certain Regulatory Measures that are derived from the regulatory financial statements, which are not included in this Prospectus. The Company prepares the regulatory financial statements for the purposes of submission to the Regulator in compliance with the requirements of the RAB Rules to enable the Regulator to perform the Annual Reconciliation to determine the Allowed RAB Revenues for the next year and RSP Reconciliation in order to determine the Allowed RAB Revenues for the next Price Control Period.

See "*Presentation of Financial, Industry and Market Data—Non-IFRS Information and Certain Other Financial and Operational Data — Regulatory Measures*" for a discussion on the main differences between the regulatory financial statements and the Financial Statements prepared in accordance with IFRS. The Company presents in this Prospectus select regulatory measures derived from regulatory financial statements, as the Company believes that these regulatory measures are useful as an additional tool to help the Company and prospective investors form an informed view on the Company's financial performance. These selected regulatory measures presented in this Prospectus are Regulated Revenue, Regulated Adjusted Income, Regulated Adjusted EBITDA, Regulated Adjusted EBITDA Margin, Regulated Asset Base, Adjusted Net Debt-to-Regulated Adjusted EBITDA, Adjusted Net Debt-to-Regulated Asset Base and Regulated Adjusted Cash Conversion**.** These regulatory measures are calculated by the Company based on figures derived from the regulatory financial statements, which are prepared in accordance with the RAB Rules pursuant to the Amended Concession Agreement.

Discussion of Key Regulatory Measures for the Six Months ended 30 June 2023 and the Years Ended 31 December 2022, 2021 and 2020

The following table sets forth the Company's key regulatory measures during the periods indicated:

	For the year ended 31 December			**For the six months ended 30 June**	
	2020	**2021**	**2022**	**2022**	**2023**
	(OMR, except percentages)				
Regulated Revenue[1]	130,373,455	126,140,877	125,166,396	64,455,964	64,461,945
Regulated Adjusted Income[2]	133,999,223	132,002,041	136,001,757	67,071,758	75,992,307
Regulated Adjusted EBITDA[3].......................	103,248,548	92,559,951	96,405,832	48,997,825	59,284,983
Regulated Adjusted EBITDA Margin[4]..........	77.1%	70.1%	70.9%	73.1%	78.0%
Regulated Adjusted Cash Conversion[5]..........	(84.9%)	33.3%	78.6%	79.4%	41.3%
Regulated Asset Base[6]..................................	923,115,304	953,173,186	972,138,598	n.a.	975,621,020
Adjusted Net Debt-to-Regulated Adjusted EBITDA[7]	3.8x	4.1x	3.3x	n.a.	2.8x[9]
Adjusted Net Debt-to-Regulated Asset Base[8]	0.4x	0.4x	0.3x	n.a.	0.3x

(1) *Regulated Revenue is calculated as the sum of the actual values of Allowed Return on Capital, Depreciation Allowance, Taxation Allowance, Allowed Operating Expenditure, Pass-through Expenditures, subject to Annual Reconciliation and RSP Reconciliation.*
(2) *Regulated Adjusted Income is calculated as the sum of Regulated Revenue, other income and interest income received on fixed deposits.*
(3) *Regulated Adjusted EBITDA is calculated as the sum of profit for the period before interest income on short term deposits, finance cost, taxation and depreciation expenses, plus construction cost, receipts against concession receivables, receipts against contract assets (due from the Shipper), minus construction revenue, interest on concession receivables and contract assets (which are derived from the Financial Statements in accordance with IFRS) and other adjustments (derived from the regulatory financial statements).*
(4) *Regulated Adjusted EBITDA Margin is calculated as Regulated Adjusted EBITDA divided by Regulated Adjusted Income for the period, expressed as a percentage.*
(5) *Regulated Adjusted Cash Conversion is calculated as Adjusted Free Cash Flow divided by Regulated Adjusted EBITDA, expressed as a percentage. Adjusted Free Cash Flow is defined under "Presentation of Financial, Industry and Market Data—Non-IFRS Information and Certain Other Financial and Operational Data – Non-IFRS Information" and the underlying figures for the calculation of Adjusted Free Cash Flow are the same in the Financial Statements in accordance with IFRS and the regulatory financial statements. See "Presentation of Financial, Industry and Market Data—Non-IFRS Information and Certain Other Financial and Operational Data" and "Chapter XIII — Selected Historical Financial Information" for further information.*
(6) *Regulated Asset Base is calculated as the sum of the closing balance of (i) Fixed Assets, calculated as opening balance of Fixed Assets plus additions and transfers from CWIP to Fixed Assets minus depreciation, transfers from Fixed Asset to investment property and penalty adjustments during the period and (ii) CWIP, calculated as the opening balance of CWIP plus additions and transfer between CWIP and other Assets minus transfers from CWIP to Fixed Assets, and penalty adjustments during the period.*
(7) *Adjusted Net Debt-to-Regulated Adjusted EBITDA is calculated as Adjusted Net Debt (which is a non-IFRS measure) divided by Regulated Adjusted EBITDA. Adjusted Net Debt is defined under "Presentation of Financial, Industry and Market Data—Non-IFRS Information and Certain Other Financial and Operational Data – Non-IFRS Information" and the underlying figures for the calculation of Adjusted Net Debt are the same in the Financial Statements in accordance with IFRS and the regulatory financial statements. See "Presentation of Financial, Industry and Market Data—Non-IFRS Information and Certain Other Financial and Operational Data" and "Chapter XIII — Selected Historical Financial Information" for further information.*

(8) *Adjusted Net Debt-to-Regulated Asset Base is calculated as Adjusted Net Debt divided by Regulated Asset Base. Adjusted Net Debt is defined under "Presentation of Financial, Industry and Market Data—Non-IFRS Information and Certain Other Financial and Operational Data – Non-IFRS Information" and the underlying figures for the calculation of Adjusted Net Debt are the same in the Financial Statements in accordance with IFRS and the regulatory financial statements. See "Presentation of Financial, Industry and Market Data—Non-IFRS Information and Certain Other Financial and Operational Data" and "Chapter XIII — Selected Historical Financial Information" for further information.*

(9) *The Adjusted Net Debt-to-Regulated Adjusted EBITDA calculation for the six months ended 30 June 2023 is based on the "last twelve months" Regulated Adjusted EBITDA, which is calculated as the sum of the Regulated Adjusted EBITDA for the year ended 31 December 2022 and the six months ended 30 June 2023, minus the Regulated Adjusted EBITDA for the six months ended 30 June 2022.*

Regulated Revenue and Regulated Adjusted Income

	For the year ended 31 December			For the six months ended 30 June	
	2020	**2021**	**2022**	**2022**	**2023**
			(OMR)		
Allowed Return on Capital[1]..........	73,494,506	68,418,282	69,883,484	34,633,447	35,241,944
Depreciation Allowance[2].............	24,149,717	30,060,422	26,608,215	15,611,675	14,528,245
Taxation Allowance[3]	2,821,466	-	-	-	-
Allowed Operating Expenditure[4]..	27,503,223	23,991,243	24,519,541	12,259,770	12,354,264
Pass-through Expenditures[5]..........	4,270,226	4,255,116	4,528,070	2,265,717	2,445,040
Other revenues[6]	(1,700,663)	(584,186)	(372,914)	(314,645)	(107,548)
WACC Adjustments on other revenues[7]	(165,020)	-	-	-	-
Regulated Revenue.......................	**130,373,455**	**126,140,877**	**125,166,396**	**64,455,964**	**64,461,945**
Other revenues [6]	1,700,663	584,186	372,914	314,645	107,548
Interest income received on fixed deposits	1,925,105	277,998	974,898	338,600	1,159,773
Gains on termination of hedge	-	-	-	-	8,769,328
Other income [8]	-	4,998,980	9,487,549	1,962,549	1,493,713
Regulated Adjusted Income	**133,999,223**	**132,002,041**	**136,001,757**	**67,071,758**	**75,992,307**

Notes:

(1) *Allowed Return on Capital is an allowance to provide a return on the investment, covering a return on equity and to cover the cost of raising debt to finance investment in the NGTN.*

(2) *Depreciation Allowance is a compensation for consumption of the assets and recovery of capital expenditure under the RAB Rules, determined based on the useful life of the Regulated Asset Base and approved by the Regulator, reduced by amortisation of deferred income related to customer contributions in aid of construction of connection assets.*

(3) *Taxation Allowance is a compensation for corporate taxes paid/payable by the Company.*

(4) *Allowed Operating Expenditure is a fixed allowance to cover costs of operating the NGTN, which includes operations and maintenance (O&M) of the NGTN assets, employee costs, corporate overheads and the costs associated with system operations (e.g., costs associated with running compressors on the NGTN).*

(5) *Pass-through Expenditures are an allowance to cover fuel gas costs (used for gas compression and heating) and the Regulator's license fees.*

(6) *As per the RAB Rules, other revenues should be reduced from the Regulated Revenue. Other revenues generated from RAB resources included project management services, tender fees and others. Other revenues are re-introduced in the Regulated Adjusted Income calculation.*

(7) *WACC adjustment on other revenues relates a WACC adjustment on the other revenues for the previous years.*

(8) *Other income includes lease concession, reversal of provisions and amortisation of deferred income and shared services income from the Cost Allocation Agreement with OQ.*

Regulated Adjusted Income increased by OMR 8.9 million, or by 13.3%, to OMR 76.0 million for the six months ended 30 June 2023, compared to OMR 67.1 million for the six months ended 30 June 2022. The Regulated Revenue remained relatively stable, which was due to OMR 0.6 million increase in Allowed Return on Capital, which was offset by an OMR 1.1 million decrease in Depreciation Allowance due to adjustment in useful life of the assets in the second half of 2022. The increase in Regulated Adjusted Income was primarily due to the gain transferred on termination of hedge as well as an increase in interest income received on fixed deposits.

Regulated Adjusted Income increased by OMR 4.0 million, or by 3.0%, to OMR 136.0 million for the year ended 31 December 2022, compared to OMR 132.0 million for the year ended 31 December 2021. The increase in Regulated Adjusted Income was primarily due to an increase in other income from the shared services under the Cost Allocation Agreement, which offset the decrease in Regulated Revenue generated from RAB activities. The decrease in Regulated Revenue was primarily due to a decrease in the Depreciation Allowance for 2022 due to adjustment in the useful life of the assets.

Regulated Adjusted Income decreased by OMR 2.0 million to OMR 132.0 million, or by 1.5%, for the year ended 31 December 2021, compared to OMR 134.0 million the year ended 31 December 2020. The decrease in Regulated

Adjusted Income was primarily due to a decrease in Allowed Return on Capital due to a decrease in the WACC set by the Regulator for Price Control Period 2 compared to Price Control Period 1 (as further described below), a decrease in Allowed Operating Expenditure due to the implementation of cost saving measures by the Government for Government-owned entities, and a decrease in Taxation Allowance as the Company did not pay any tax for 2021 due to a tax loss. This decrease was partially offset by an increase in Depreciation Allowance due to an increase in the Regulated Asset Base and an increase in other income following the implementation of the shared services arrangement pursuant to the Cost Allocation Agreement effective 1 January 2021.

Allowed Return on Capital

	As at and for the year ended 31 December			As at and for the six months ended 30 June
	2020	**2021**	**2022**	**2023**
			(OMR)	
WACC Rate[(1)]	8.12%	7.30%	7.30%	7.30%
CWIP Return Rate[(2)]	7.96%	7.16%	7.16%	7.16%
Average Fixed Assets[(3)]	710,254,147	805,846,591	813,496,983	799,508,428
Average CWIP [(4)]	198,392,593	132,297,654	149,158,909	174,371,381
Return on Fixed Assets	57,672,637	58,826,801	59,385,280	29,182,058
Return on CWIP	15,794,142	9,472,851	10,680,160	6,242,719
Adjustments [(5)]	27,728	118,630	(181,956)	(182,833)
Allowed Return on Capital	**73,494,506**	**68,418,282**	**69,883,484**	**35,241,944**

Notes:

(1) *The WACC return rate is determined by the Regulator for each Price Control Period. The WACC return rate for Price Control Period 1 (2018-2020) was 8.12% and for Price Control Period 2 (2021-2023) is 7.30%.*

(2) *The CWIP return rate is determined by the Regulator by applying a downward adjustment from the WACC return rate by the construction incentive factor, which is set at 2%, reducing the CWIP Return rate to 7.96% for Price Control Period 1 (2018-2020) and 7.16% for Price Control Period 2 (2021-2023).*

(3) *Average Fixed Assets are calculated as the average of the current year's and the previous year's Fixed Assets.*

(4) *The average CWIP is calculated as the average of the current year's and previous year's CWIP.*

(5) *Adjustments relate to (i) capital contributions received from customers for connection assets recorded as deferred income, which is reduced when calculating Allowed Return on Capital, (ii) return on working capital as Regulator includes a return on working capital tied up in operations in the Allowed Return on Capital, (iii) any correction in calculation of previous year's Allowed Return on Capital.*

The Allowed Return on Capital increased by OMR 1.5 million, or by 2.2%, to OMR 69.9 million for the year ended 31 December 2022, compared to OMR 68.4 million for the year ended 31 December 2021. The increase in Allowed Return on Capital Income was primarily due to an increase in the Regulated Asset Base, driven by both an increase in Fixed Assets and CWIP during the year.

The Allowed Return on Capital decreased by OMR 5.1 million to OMR 68.4 million, or by 6.9%, for the year ended 31 December 2021, compared to OMR 73.5 million the year ended 31 December 2020. The decrease in Allowed Return on Capital was primarily due to a decrease in the WACC and CWIP Return Rate from 8.12% and 7.96% in 2020 during Price Control Period 1 to 7.30% and 7.16% in 2021 during Price Control Period 2, which offset the increase in the Regulated Asset Base during the same year. The decrease in WACC was primarily driven by an improvement in Oman's credit rating, and a reduction in inflation and cost of debt.

Regulated Asset Base

	As at 31 December			As at 30 June
	2020	2021	2022	2023
		(OMR)		
Fixed Assets				
Opening balance	628,522,478	791,985,815	819,707,366	807,286,600
Additions[1]	41,559	-	-	-
Transfers from CWIP to Fixed Assets [2]	187,571,496	58,725,069	15,931,267	2,945,809
Transfers from Fixed Assets to investment property[3]	-	(943,096)	-	(4,203,357)
Penalty Adjustments[4]	-	-	(1,708,077)	-
Depreciation[5]	(24,149,717)	(30,060,422)	(26,643,956)	(14,298,797)
Closing Balance	**791,985,815**	**819,707,366**	**807,286,600**	**791,730,256**
CWIP				
Opening Balance	265,655,697	131,129,489	133,465,820	164,851,998
CWIP Additions [6]	52,083,218	59,311,233	49,503,405	21,984,576
Transfers from CWIP to Fixed Assets[2]	(187,571,496)	(58,725,069)	(15,931,267)	(2,945,809)
Transfer between CWIP and other assets [7]	962,069	1,750,167	-	-
Penalty Adjustments[4]	-	-	(2,185,960)	-
Closing Balance	**131,129,489**	**133,465,820**	**164,851,998**	**183,890,764**
Regulated Asset Base	**923,115,304**	**953,173,186**	**972,138,598**	**975,621,020**
Gross Fixed Assets[8]	965,613,098	1,023,342,795	1,037,535,985	1,036,278,438
Accumulated Depreciation of Fixed Assets[9]	(173,627,282)	(203,635,429)	(230,249,385)	(244,548,182)
Closing Balance of CWIP	131,129,489	133,465,820	164,851,998	183,890,764
Regulated Asset Base	**923,115,304**	**953,173,186**	**972,138,598**	**975,621,020**

Notes:

(1) *Additions represent additions to Fixed Assets during the relevant period.*

(2) *Transfers from CWIP and Transfers to Fixed Assets represent transfers from CWIP to Fixed Assets following completion of construction of the relevant assets.*

(3) Transfers to investment property represent assets excluded by the Regulator from Regulated Asset Base in Price Control Period 2.

(4) Penalty Adjustments reversal represent amounts withheld from payments made to contractors in lieu of penalties imposed on them. Management has concluded these payments are no longer required to be paid to the contractors and has therefore reversed these liabilities.

(5) *Depreciation represents the actual depreciation on Fixed Assets incurred during the relevant period.*

(6) *CWIP Additions represents additions to the CWIP balance during the relevant period due to construction work in progress.*

(7) *Transfer between CWIP and other assets represent transfer between CWIP and other assets relates to amounts which were re-presented under Regulated Asset Base in the 2021 and 2022 from other assets in the regulatory financial statements.*

(8) *Gross Fixed Assets are the sum of closing balance of Fixed Assets before charging the Accumulated Depreciation on Fixed Assets.*

(9) *Accumulated Depreciation of Fixed Asset is the accumulated depreciation on Fixed Asset for previous years.*

The Regulated Asset Base increased by OMR 19.0 million to OMR 972.1 million, or by 2.0%, as at 31 December 2022, compared to OMR 953.2 million as at 31 December 2021. The increase was primarily due to network upgrades and expansion projects.

The Regulated Asset Base increased by OMR 30.1 million to OMR 953.2 million, or by 3.3%, as at 31 December 2021, compared to OMR 923.1 million as at 31 December 2020. The increase was primarily due to network upgrades, expansion projects and acquisition of pipelines previously owned and operated by Madayn and SFZC.

Reconciliation of Regulatory Measures

The reconciliation of the Company's regulatory measures with the corresponding IFRS items is presented below.

Reconciliation of Regulated Adjusted Income

	For the year ended 31 December			For the six months ended 30 June	
	2020	2021	2022	2022	2023
			(OMR)		
Total Income	**166,102,925**	**157,486,653**	**160,436,100**	**72,980,070**	**85,000,790**
Construction revenue [1]	(56,273,905)	(54,977,885)	(53,047,850)	(21,682,220)	(23,558,672)
Interest on concession receivables and contract assets [2]	(72,835,126)	(67,178,437)	(68,462,378)	(34,471,214)	(35,220,000)
Receipts against concession receivables[3]	81,811,710	89,008,375	85,867,430	45,325,365	43,671,707
Receipts against contract assets (due from Shipper)[3]	15,774,167	9,416,347	10,485,434	4,919,757	6,098,482
Others[4]	(580,549)	(1,753,012)	723,021	-	-
Regulated Adjusted Income	**133,999,223**	**132,002,041**	**136,001,757**	**67,071,758**	**75,992,307**

Notes:

(1) Construction revenue and construction costs recorded in the Financial Statements are derecognised in the regulatory financial statements as part of the derecognition of IFRIC 12 accounting.

(2) Interest on concession receivables and contract assets recorded in the Financial Statements is derecognised under the regulatory financial statements as part of the derecognition of IFRIC 12 accounting.

(3) Receipts against concession receivables and receipts against contract assets (due form Shipper) primarily include Depreciation Allowance and Allowed Return on Capital calculated under the RAB Rules.

(4) Others includes: (i) other revenues generated from RAB resources, (ii) any corrections in calculation of Allowed RAB Revenues identified in the preparation of regulatory financial statements.

Reconciliation of Regulated Adjusted EBITDA and EBITDA

	For the year ended 31 December			For the six months ended 30 June	
	2020	2021	2022	2022	2023
			(OMR, except percentages)		
Profit for the year/period	**59,349,924**	**43,108,429**	**45,596,224**	**23,383,940**	**33,080,921**
Interest income received on fixed deposits	(1,925,105)	(277,998)	(974,898)	(338,600)	(1,159,773)
Finance cost	16,896,953	14,710,609	18,339,468	7,422,213	9,370,342
Taxation	8,398,120	8,631,466	7,506,182	3,922,061	4,371,387
Depreciation (Operating Expenses)	455,309	505,514	809,554	252,757	392,091
Depreciation (Administrative Expenses)	52,276	62,060	60,240	30,265	253,922
EBITDA	**83,227,477**	**66,740,080**	**71,336,770**	**34,672,636**	**46,308,890**
EBITDA Margin	***50.1%***	***42.4%***	***44.5%***	***47.5%***	***54.5%***
Construction revenue	(56,273,905)	(54,977,885)	(53,047,850)	(21,682,220)	(23,558,672)
Construction cost	52,124,773	51,304,483	49,503,405	20,233,501	21,984,576
Interest on concession receivables and contract assets	(72,835,126)	(67,178,437)	(68,462,378)	(34,471,214)	(35,220,000)
Receipts against concession receivables	81,811,710	89,008,375	85,867,430	45,325,365	43,671,707
Receipts against contract assets (due from Shipper)	15,774,167	9,416,347	10,485,434	4,919,757	6,098,482
Others	(580,549)	(1,753,012)	723,021	-	-
Regulated Adjusted EBITDA	**103,248,548**	**92,559,951**	**96,405,832**	**48,997,825**	**59,284,983**
Regulated Adjusted EBITDA Margin	***77.1%***	***70.1%***	***70.9%***	***73.1%***	***78.0%***

Reconciliation of Regulated Asset Base to the contract assets (due from Shipper) and concession receivables

	As at 31 December			As at 30 June
	2020	**2021**	**2022**	**2023**
			(OMR)	
Concession Receivables (Non-current)	772,297,746	799,126,029	782,487,965	770,540,984
Contract Assets (due from Shipper)	144,460,415	145,433,664	182,290,147	203,499,511
Concession Receivables (current)	26,465,942	30,402,988	32,582,564	28,125,307
Contract Assets and Concession Receivables	**943,224,103**	**974,962,681**	**997,360,676**	**1,002,165,802**
Construction Revenue	(56,273,905)	(54,977,885)	(53,047,850)	(23,558,672)
Construction Cost................................	52,124,773	51,304,483	49,503,405	21,984,576
Interest on concession receivables and contract assets......................................	(72,835,126)	(67,178,437)	(68,462,378)	(35,220,000)
Receipts against concession receivables	81,811,710	89,008,375	85,867,430	43,671,707
Receipts against contract assets (due from Shipper)	15,774,167	9,416,347	10,485,434	6,098,482
Depreciation on Regulated Asset Base(1)	(24,149,717)	(30,060,422)	(26,643,956)	(14,298,797)
Transfers from Regulated Asset Base to Investment Property	-	(943,096)	-	-
Transfers between Regulated Asset Base and other assets(2)	962,069	1,750,167	(1,134,668)	-
Others(3)	5	(228)	-	-
Impact of previous years' reconciliation(4)....................................	(17,522,775)	(20,108,799)	(21,789,495)	(25,222,078)
Regulated Asset Base..........................	**923,115,304**	**953,173,186**	**972,138,598**	975,621,020

Notes:

(1) Depreciation on Regulated Asset Base represents the depreciation charge on the Fixed Assets (property and equipment) derived from the regulatory financial statements.

(2) Transfer between Regulated Asset Base and other assets relates to amounts which were re-presented under Regulated Asset Base in the 2021 and 2022 from other assets in the regulatory financial statements and transfer from a receivable from a related party to contract assets in the Financial Statements.

(3) Others represents the difference between the construction costs and payment for acquisition of assets as per the Financial Statements and the capital expenditure as per the regulatory financial statements.

(4) Impact of previous years' reconciliation represents the sum of the reconciliation of the Regulated Asset Base for the previous years.

Chapter XV

Dividend Policy

As per the Articles, the Offer Shares rank equally with all other Shares for any rights to dividends that may be declared and paid in respect of the financial year of the Company ending 2023 on a *pari passu* basis, and any subsequent years. Following completion of the IPO, the Shareholders' register of the Company maintained by the MCDC will be amended to reflect public ownership of the Offer Shares and new Shareholders will have *pari passu* rights to receive dividends or other distributions declared by the Company.

Dividend Policy

The Company intends to maintain a robust dividend policy designed to return to Shareholders substantially all of its distributable free cash flow after providing for growth opportunities and while maintaining an investment grade credit profile. The Company's ability to pay dividends is dependent on a number of factors, including the availability of distributable reserves, its capital expenditure plans and other cash requirements in future periods, and there is no assurance that the Company will pay dividends or, if a dividend is paid, what the amount of such dividend will be. See "*Chapter IV — Risk Factors—Risks Relating to the Offer and to the Shares— The Company may not pay dividends or declare dividends in the future*." Any level or payment of dividends will depend on, among other things, the future profits and the business plan of the Company, at the discretion of the Board and will be subject to the approval of the OGM.

Furthermore, the Company's dividend policy is subject to restrictions contained in the CCL, and covenants of facility agreements. These are summarised as follows:

- In accordance with Article 132 of the CCL, the Board must deduct 10% from the net profits of each financial year, after the deduction of taxes, to form a legal reserve till the legal revenue reaches at least one-third of the Company's capital. Such reserve may be used to cover the Company's losses and to increase its capital by issuing shares. Such reserve, however, may not be distributed as dividends to shareholders except where the Company reduces its capital, provided the legal reserve shall not be less than one third of the capital after a capital reduction.

- Distribution of dividends may be made only from net profits after the deduction of all the necessary costs and setting aside required depreciation and amortizations, allocations and reserves including allocations made by the Company from the profits to increase its capital, pursuant to Article 131 of the CCL.

- The remaining profit thereafter may be distributed as an additional dividend to Shareholders or be carried forward to the following year on the Board's recommendation and the approval of the Shareholders through an OGM.

Subject to the foregoing, the Company intends to adopt a semi-annual dividend distribution policy to pay dividends in cash after the Offer in April and October of each year (subject to Board and OGM approval). The Company expects to pay the first dividend distribution of OMR 33 million for the first nine months of 2023 around January 2024 and expects to pay the second dividend distribution of OMR 11 million for the last three months of 2023 around April 2024. The Company currently expects to pay a dividend in respect of the fiscal year ending 31 December 2024, which will be the higher of 90% of the Company's profit for the year ending 31 December 2024 or a 5% increase on the aggregate dividends paid for 2023. For 2025, the Company expects to pay a dividend, which will be the higher of 90% of the profit for the year ending 31 December 2025 or a 5% increase on the dividends paid for 2024.

This dividend policy is designed to reflect the Company's expectation of strong cash flow and expected long term earnings potential while allowing the Company to retain sufficient capital to fund ongoing operating requirements and continued investment for long term growth. This dividend policy is subject to the consideration of the Board in relation to the cash management requirements of the Company's business for operating expenses, financing expenses, and anticipated capital expenditures. In addition, the Company expects that the Board will also consider market conditions, the then current operating environment in the Company's market, and the Board's outlook for the Company's business.

During the years ended 31 December 2020, 2021 and 2022, the Company did not distribute any dividends.

Chapter XVI

Related Party Transactions and Material Contracts

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, members of the board, management 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 ordinary course of business from commercial transactions at mutually agreed terms. Outstanding balances at year end are unsecured and settlement occurs in cash.

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 in the Financial Statements, to meet the disclosure requirements of IAS 24.

Outstanding balances as at 30 June 2023, 31 December 2022, 2021 and 2020 were unsecured and settlement occurs in cash. No allowance for expected credit loss on amounts owed by related parties was recognised as at 31 December 2022 and 31 December 2020, while an amount of OMR 0.32 million was recognised for expected credit loss on amounts owed by related parties as at 31 December 2021. As at 30 June 2023, no expense has been recognised in the six months ended 30 June 2023 (2022 – OMR nil) for bad and doubtful debts in respect of amounts owed by related parties.

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

a) Significant related parties transactions:

	For the year ended 31 December			**For the six months ended 30 June**	
	2020	**2021**	**2022**	**2022**	**2023**
			(OMR)		
Revenue from MEM /IGC					
Construction revenue	56,273,905	54,977,885	53,047,850	21,682,220	23,558,672
Finance income on concession arrangement	72,835,126	67,178,437	68,462,378	34,471,214	35,220,000
Allowance for expenditures and pass-through cost...	33,368,126	29,469,167	28,090,511	14,210,867	14,691,756
	162,477,157	**151,625,489**	**149,600,739**	**70,364,301**	**73,470,428**
Rent	-	-	-	-	1,393,067
Interest expense on shareholder loans	-	-	-	2,650,147	32,151

Cost Allocation:

Cost allocation represents common costs incurred by subsidiaries of OQ that are party to the Cost Allocation Agreement and recharged based on the cost allocation mechanism adopted by OQ. The expenses recharged by such subsidiaries, including the Company are recognised under administrative expenses and expenses charged to the OQ Group, while margin is recognised in other income. From 1 January 2023, the Company started operating independently from OQ and the Cost Allocation Agreement was discontinued. As part of OQ cost allocation, the following amounts were recognised:

	For the year ended 31 December			For the six months ended 30 June	
	2020	2021	2022	2022	2023
			(OMR)		
Cost allocation expenses..........	-	(10,512,355)	(8,893,001)	3,445,582	-
Cost allocation income.............	-	4,978,457	4,481,145	1,962,572	-
	-	**(5,533,898)**	**(4,411,856)**	**5,408,154**	**-**

b) Key management personnel compensation:

Prior to the Offer, all key decisions were taken by the joint management company of OQ. Key management compensation in relation to the Company was recharged through the OQ Group cost allocation by the OQ. No remuneration was paid to the Board during the year by the Company directly. Management compensation paid for the year ended 31 December 2022, 2021 and 2020 amounted to OMR 104,824, OMR 65,844 and nil, respectively. Management compensation for the six months ended 30 June 2023 is as below:

	For the six months ended 30 June	
	2022	2023
	(OMR)	
Short term benefits (wages and salaries).........	51,342	55,643
Post-employment benefits	36,283	33,243
	87,625	**88,886**

c) Loan from Parent Company

	For the year ended 31 December			For the six months ended 30 June
	2020	2021	2022	2023
			(OMR)	
At beginning of the period.......................	890,304	20,145,304	137,600,804	137,600,804
Loans obtained during the year/period	19,255,500	117,455,500	-	-
Loans repaid during the year/period........	-	-	-	(136,710,500)
Transfers	-	-	-	(890,304)
At end of the period	**20,145,304**	**137,600,804**	**137,600,804**	**-**

i. During 2017, the Company obtained a loan from OQ amounting to OMR 0.89 million for the funding of the Ras Markaz Pipeline project under the Ras Markaz Loan. As per the Ras Markaz Loan, this loan was unsecured and interest bearing at a rate of LIBOR plus an agreed margin. Effective 30 June 2023, the Company novated the Ras Markaz loan to a related party against the transfer of a contract asset and cash settlement. See "—*Ras Markaz Loan and Novation*" below.

ii. During 2020 and 2021, the Company has obtained - loans from OQ amounting to OMR 136.7 million under the Shareholder's Loan. The Shareholder's Loan was interest bearing at a rate of LIBOR plus an agreed margin and was amended to be interest free effective 1 January 2023. The Shareholder's Loan was repaid on 22 June 2023.

d) Receivables from IGC/ MEM

	For the year ended 31 December			For the six months ended 30 June
	2020	2021	2022	2023
			(OMR)	
Receivables from Integrated Gas Company SAOC	-	-	-	13,213,701
Receivables from MEM	38,432,705	35,171,086	11,350,422	-

e) Amounts due from related parties under common control

	For the year ended 31 December			For the six months ended 30 June
	2020	2021	2022	2023
			(OMR)	
Parent Company....................................	-	813,902	-	251,810
Subsidiaries of Parent Company	21,769,284	13,969,259	11,413,523	10,320,162
Associates of Parent Company	483,419	1,247,848	63,357	73
	22,252,703	**16,031,009**	**11,476,880**	**10,572,045**

f) Amounts due to related parties under common control

	For the year ended 31 December			For the six months ended 30 June
	2020	2021	2022	2023
			(OMR)	
Parent Company....................................	1,921,572	9,615,591	10,690,804	2,070,960
Subsidiaries of the Parent Company.....	1,739,153	1,602,132	165,404	201,104
Associates of the Parent Company	-	39,271	-	-
	3,660,725	**11,256,994**	**10,856,208**	**2,272,064**

Certain other Material Contracts with Related Parties

Amended Concession Agreement, Transportation Framework Agreement and Transportation Code

The RAB Framework is implemented pursuant to the terms of the Amended Concession Agreement (and the RAB Rules annexed thereto) entered into between the Company and the Government, acting through the MEM and the MOF, dated 9 June 2020 and ratified by Royal Decree 122/2020 on 28 October 2020, as well as the Transportation Framework Agreement and the related Transportation Code. The Amended Concession Agreement granted the Company gas transportation concession rights on the NGTN for 50 years (until 2070). The Transportation Framework Agreement dated 9 February 2020 appointed the MEM as the Shipper and the Transportation Code (annexed thereto) sets out the basis on which Transportation Charges and capacity expansion costs are calculated, charged and invoiced. See "*Chapter XII—Description of the Company and Business Overview — Material Agreements*" for further information.

Connection Agreements

A person seeking to become a Connected Party to the NGTN is required to enter into a Connection Agreement with the Company, which governs how the Connection will be implemented, the payment terms by the Connected Party of the Connection Fees and the operation of the Connection. The Company is implementing the execution of the Connection Agreements with the Connected Parties in a phased manner. In the ordinary course of business, the Company enters into and will in the future continue to enter into Connection Agreements with certain members of the OQ Group and OIA group. See "*Chapter XII—Description of the Company and Business Overview — Material Agreements— Connection Agreements*" for further information.

Lease and Usufruct Agreements

The Company entered into a usufruct agreement with the Government represented by the MEM on 22 August 2000. The usufruct agreement confers usufruct rights in favour of the Company in relation to the land, which details are provided in the Royal Decree 3/1999 for owning, operating, exploiting and expanding gas transport facilities under the Concession Agreement. See "*Chapter XII—Description of the Company and Business Overview — Material Agreements— Usufruct Agreements* " for further information.

Additionally, the Company and the Government represented by the MEM entered into a lease agreement in November 2022 (effective from 1 September 2019), whereby the Company in its capacity as landlord, leased a certain plot of land to the MEM. The term of the agreement expires on 31 December 2023, unless terminated earlier.

OQ Plastics Lease Agreement

The Company entered into a lease agreement with OQ Plastics LLC ("**OQ Plastics**") dated 3 August 2023 to formalize an existing lease arrangement with OQ Plastic, whereby the Company has granted a leasehold interest in 80 rooms in the Company's staff accommodation in Fahud to OQ Plastics effective 1 June 2021 ("**OQ Plastics Lease Agreement**"). The term of the OQ Plastics Lease Agreement is 25 years from 1 June 2021 and may be renewed for a further term upon written notification by OQ Plastics at least 12 months prior to expiry. Under the OQ Plastics Lease Agreement, OQ Plastics pays a monthly rent of OMR 28.9 per room per day, payable on the first calendar day of each month. The rent shall be reviewed every two years on a rate to be agreed mutually by the parties, in good faith and in accordance with market practice. The OQ Plastics Lease Agreement requires the Company to undertake certain maintenance obligations and catering services during the term of the OQ Plastics Lease Agreement, as well as resolve any shortfalls on providing these services if they are raised by OQ Plastics. The appointment of any third party in providing such services under the OQ Plastics Lease Agreement shall be mutually evaluated and approved by the parties. The OQ Plastics Lease Agreement may be terminated by the Company pursuant to a written notice in case of unremedied material or persistent breach by OQ Plastics.

Ras Markaz Loan and Novation

The Company entered into the Ras Markaz Loan with OQ in 2017, whereby the Company borrowed US$ 2.3 million from OQ for the construction of the Ras Markaz crude pipeline. On 30 July 2023, the Company sold and transferred to Oman Oil Facilities Development LLC ("**OOFDC**"), a subsidiary of OQ, the ownership of a concept study prepared in connection with the Ras Markaz oil pipeline project having a value of USD 1.8 million. In consideration for the transfer of the concept study, the Company agreed to (i) pay USD 0.5 million to OOFDC; and (ii) novate the Ras Markaz Loan to OOFDC.

Accordingly, the Company, OQ and OOFDC entered into a shareholder loan novation agreement ("Novation Agreement") on 30 July 2023, whereby the Ras Markaz Loan previously borrowed by the Company from OQ has been novated to OOFDC as the new borrower in full substitution of the Company as the original borrower effective 30 June 2023. Pursuant to the Novation Agreement, all rights and obligations under the Ras Markaz Loan accrued up to 30 June 2023 are transferred to and assumed by OOFDC, while the Company has agreed to pay interest accrued up to 30 June 2023, amounting to USD 0.5 million.

Shareholder's Loan

The Company also entered into the Shareholder's Loan with OQ in 2020, whereby the Company borrowed US$ 355 million (which is equivalent to OMR 136.7 million), as amended and supplemented from time to time. The Shareholder's Loan was fully repaid on 22 June 2022 and was terminated on 31 July 2023 pursuant to a termination agreement between OQ and the Company. See *"Chapter XIV—Management's Discussion and Analysis of Financial Condition and Results of Operations— Liquidity and Capital Resources"* for further information.

Trademark License Agreement

The Company entered into the Trademark License Agreement with OQ effective 26 January 2020, whereby OQ grants to the Company, a non-exclusive, non-transferable, royalty-free, fully paid up license to use certain OQ trademarks in Oman. See "*Chapter XII—Description of the Company and Business Overview — Material Agreements— Trademark License Agreement"* for further information.

Cost Allocation Agreement

The Company entered into the Cost Allocation Agreement with OQ which was in place between 1 January 2021 and 1 January 2023 and set out the cost allocation mechanism adopted by OQ for the allocation of certain common costs incurred by the OQ Group in connection with shared services provided. Common costs incurred by OQ for services provided to its recipient subsidiaries (including the Company) were allocated and recharged to the recipient subsidiaries with a mark-up percentage outlined in the Cost Allocation Agreement. Common costs incurred by the OQ subsidiaries in connection with their provision of shared services to the OQ Group are also recharged to OQ with a mark-up, which subsequently recharges such costs to the recipient subsidiaries without any mark-up, as these are in the nature of pass-through costs for OQ. The mark-up rates outlined in the Cost Allocation Agreement ranged between 5% and 10% for the different functions, which include (i) finance; (ii) treasury and insurance; (iii) legal; (iv) strategy and performance; (v) procurement; (vi) people; (vii) sustainability; and (viii) an intrusion detection system. The Cost Allocation Agreement was terminated effective as of 1 January 2023, pursuant to the termination agreement dated 1 May 2023 between OQ, the Company and other members of the OQ Group. See "*Chapter XIV*—Management's Discussion and Analysis of Financial Condition and Results *of Operations*".

Intra-Group Hedging Transaction

The Company entered into intra-group hedging transactions with OQ in the form of a variable-to-fixed interest rate swap transaction under back-to-back arrangements with OQ to hedge the Company's interest rate exposure under certain borrowings. The Company is deemed to have entered into the interest rate swap transaction on 15 October 2020. The intra-group hedge was discontinued effective 15 June 2023.

IGC Operational Support Services Agreement

IGC replaced the MEM as the Shipper of the NGTN effective 1 January 2023. The Company entered into the IGC Operational Support Services Agreement with IGC effective 1 January 2023, whereby the Company has agreed to provide IGC certain support services during a transitional phase. The services provided under the IGC Operational Support Services Agreement include (i) human resources management; (ii) financial accounting; (iii) IT management; (iv) internal audit; (v) corporate and legal; (vi) general management; (vii) administrative; (viii) procurement and facility management; and (ix) communication services. See "*Chapter XII—Description of the Company and Business Overview — Material Agreements— IGC Operational Support Services Agreement*" for further information.

OQ Indemnity Agreement

OQ has agreed pursuant to the terms of the Indemnity Agreement dated 28 August 2023 (the "**Indemnity Agreement**") to indemnify the Company from and against any amount determined to be payable by the Company in respect of the MEM Claim and the Al Turki Claim and any costs and expenses incurred with respect to such claims, subject to the satisfaction of certain conditions, as set forth in more detail in "*Chapter XII—Description of the Company and Business Overview — Material Agreements— Indemnity Agreement"*.

OQ LPG Indemnity Letter

On 5 July 2023, the Company and OQ LPG signed an indemnity letter following the settlement of a historic claim against the Company by an EPC contractor in connection with services carried out on behalf of OQ LPG. Pursuant to the indemnity letter, OQ LPG has agreed to indemnify, defend and hold harmless the Company from and against any liabilities or losses suffered or incurred by the Company in connection with the relevant EPC contract or any claims relating thereto.

OQ LPG Asset Transfer Agreement

On 3 August 2023, the Company entered into the OQ LPG Asset Transfer Agreement with OQ LPG, an indirect subsidiary of OQ, whereby OQ LPG agreed to sell and transfer to OQGN certain gas transportation pipeline system and ancillary connection assets located in Salalah Free Zone, which are owned and operated by OQ LPG for a purchase price of OMR 16.8 million. Pursuant to the terms of the OQ LPG Asset Transfer Agreement, the transfer is effective 31 May 2023 and the purchase price is payable by the Company within 45 calendar days from execution of the OQ LPG Asset Transfer Agreement.

Additionally, the Company is in the process of negotiating certain related party agreements with OQ, which may entail the following:

Corporate Services Agreement

Following the listing of the Shares on the MSX, the Company may enter into a corporate services agreement with OQ ("**Corporate Services Agreement**"), subject to the receipt of the necessary corporate approvals mandated under the Code for entry into related party transactions. If executed, the Corporate Services Agreement will set out the terms, conditions and pricing for OQ to provide certain corporate services to the Company, and if requested by the Company, certain additional services to the Company. The corporate services are expected to be limited to certain insurance services and IT services.

Information Sharing Agreement

Following the listing of the Shares on the MSX and subject to the receipt of the necessary corporate approvals mandated under the Code for entry into related party transactions, the Company may enter into an information sharing agreement ("**Information Sharing Agreement**") with OQ, which would set out guidelines on matters relating to the sharing of material non-public information and insider trading. If executed, the Company would agree to provide OQ with such information, as OQ may require, including, amongst other things, for the purposes of: (i) satisfying the requirements of law, regulations or the rules and regulations of any regulatory body or international exchange to which it is subject and any obligation relating thereto; (ii) financial and/or non-financial reporting obligations, including producing and verifying the consolidated group accounts of the OQ Group and any related report or obligation; and (iii) providing information as required by governmental authorities. The Information Sharing Agreement will contain certain obligations on both parties to ensure that they are in compliance with CMA and MSX rules, in particular, regarding the protection of material non-public information. The Information Sharing Agreement will be governed by the laws of Oman. The Information Sharing Agreement may be terminated by OQ, or upon the earlier of: (i) the Shares ceasing to be listed on the MSX; and (ii) OQ ceasing to control the Company.

Chapter XVII

Corporate Governance

Certain sections of this Chapter summarise the issues relating to the corporate governance of the Company based on the Articles, the CCL and the rules and regulations issued by the CMA, in particular, the Code and the SAOG Executive Regulations. The description provided in this Chapter is only a summary and does not purport to give a complete overview of the Articles, of the relevant provisions of the CCL, the Code, SAOG Executive Regulations or the CMA rules and regulations.

Overview

This section details the composition of the Board, various Board committees and Management. It also highlights the corporate governance practices that the Company has or will have in place prior to listing.

Board

Current Board Composition

The current Board was elected by the Shareholders at the OGM held on 24 August 2023 and its members' term of office will remain in force for a period of three years and until the third AGM, which follows this date. In the event that the date on which the third AGM is held is more than three years following the date on which the current Board was elected, then the term of the Board shall be extended up to the date of the relevant AGM.

The current composition of the Board, in accordance with Articles is as follows:

S/N	Name	Position	Independent[(1)]/ Non-Independent	Executive/Non-Executive
1	Talal Al Awfi	Chairman	Non-Independent	Non-Executive
2	Ayad Al Balushi	Deputy Chairman	Non-Independent	Non-Executive
3	Fathi Al Balushi	Board Member	Independent	Non-Executive
4	Raiya Al Salmi	Board Member	Non-Independent	Non-Executive
5	Hanaa Al Hinai	Board Member	Independent	Non-Executive

Note:

(1) A director is deemed independent pursuant to CMA rules and regulations.

Biographical Information of the Members of the Board

Talal Al Awfi (Chairman)

Mr. Talal holds a Master of Science degree in Marketing from the University of Manchester in the United Kingdom and a Bachelor of Science with Honours in Business and Finance, from the University of Manchester in the United Kingdom. In addition, he has attended several non-degree courses, e.g., Invincible Trading Course (Cambridge), Economics of refining at BP, and Corporate Culture and Leadership Courses at IMD, Lausanne, Switzerland. Mr. Talal currently serves as Group Chief Executive Officer of the OQ Group overseeing all activities of the group (since February 2021). Mr. Talal has over 20 years of experience in oil, gas, and petrochemical marketing and trading. During his career he has held several key positions in the public and private sectors, notably the setting-up of Oman Trading International (now OQ Trading Ltd). Prior to joining OQ, Mr. Talal was part of the Joint 3rd train (Qalhat LNG) commercial team negotiating with the Spanish Union Fenosa and other investors and offtakers, in addition to the joint team that helped set-up Oman Shipping Company. Mr. Talal started his career as an oil price analyst with the Ministry of Oil and Gas and spent the first two years in various secondments at various international oil companies, including Shell, Total, Koch in Europe and Idimitsu and Itochu in Japan, before being appointed the Marketing Director responsible for marketing the government's share of oil production. Mr. Talal has extensive experience in the oil and gas value chain that covers oil trading, marketing, shipping and logistics, retail/distribution, all aspects of financing (e.g., project finance, credit facilities), infrastructure projects, LNG and a thorough understanding of both downstream and commercial aspects of Upstream. Mr. Talal is a member of other committees and boards of directors, namely

Chairman of Oman LNG LLC, Oman, Chairman of OQ Trading Ltd., Dubai and Board Member of MOL Group, Hungary.

Ayad Al Balushi (Deputy Chairman)

Mr. Ayad holds a Bachelor of Science in Mechanical Engineering from the University of Nottingham in the United Kingdom. Mr. Ayad currently serves as the Chief Financial Officer of the Oman Investment Authority, leading the finance function and supervising legal, risk, assurance and governance. Previously served as the Nakhla Program lead at OQ, as well as the Chief Portfolio Officer and Chief Financial Officer of OOCEP, and was the Middle East Business Manager at Schlumberger. Mr. Ayad has over 13 years of experience in oil and gas companies. Mr. Ayad is a member of other committees and boards of directors, namely Chairman of Abraj Energy Services SAOG and Investment Committee Member of Oman Investment Authority, Oman.

Fathi Al Balushi (Board Member)

Mr. Fathi, with over 19 years of experience in investment and finance, is the CEO of Oman Brunei Investment Company SAOC, which under his leadership launched a $600 million aircraft fund and turned around key investments to profitability. In his previous role at Ernst & Young in the GCC, he was involved in projects for major companies in Oman, UAE and Saudi Arabia focusing in infrastructure advisory services. Over the span of his career, he managed over $10 billion in debt financing. Fathi has also served as Chairman and Board member of several entities in Oman and Brunei. Mr. Fathi has a Master’s degree in Finance from the United Kingdom and a Bachelor’s degree in Finance from Sultan Qaboos University.

Raiya Al Salmi (Board Member)

Ms. Raiya holds a Master of Business Administration from the University of Houston in the United States and Bachelor of Science with Honours in Accounting and Finance with Economics from the University of Kent in the United Kingdom. Ms. Raiya has over 16 years of diverse experience. Ms. Raiya currently serves as the Head of Organisational Excellence at OQ responsible to drive initiatives that will generate improvement and value to the organization. Prior to this, she played an active role on two transformations in the oil and gas industry. Ms. Raiya’s other experience includes asset management for both local and international assets at Oman Oil Company, portfolio management for an investment fund, and transaction advisory consulting at PwC working on transactions across the GCC and North Africa. Ms. Raiya is a member of other committees and boards of directors, namely Board Member of GS EPS Ltd, Korea.

Hanaa Al Hinai (Board Member)

Ms. Hanaa holds a Masters of Business in Finance and a Bachelors of Business in Financial and Risk Management from Victoria University, Australia. She is also an IMD Business School Executive leadership graduate, Oman National CEO program by IMD & Diwan-Court Cohort 2 graduate, and London Business School Executive Leadership Program graduate. Ms. Hanaa currently serves as the Chief Executive Officer of Al Ahlia Insurance. She is a successful senior executive with over 22 years of strong domestic and international experience in the insurance and banking sector. She has a strong aptitude for recognizing and applying best practices, apt at development and implementation of strategies that grow revenue, volume, market share and profitable business. Ms. Hanaa holds a Certificate of Insurance from the Chartered Insurance Institute, UK and is a certified Product and Marketing Manager, a certified Islamic Banker by CIBAFI. Ms. Hanaa is a member of other committees and boards of directors, namely Board Member of Outward Bound Oman and Board Member of Omani Unified Bureau for the Orange Card S.A.O.C.

Compliance with Applicable Laws

OQGN was incorporated as an SAOC and is under transformation into an SAOG. OQGN has appointed a Board that complies with all applicable CMA and CCL requirements, including the requirement for Independent Directors, which represent the interests of all Shareholders. Two out of five of the Company’s directors are Independent Directors in accordance with the description of ‘Independent Directors’ contained in principle 8 of the Code.

Appointment of the Board

The Board will be elected by the relevant OGM by direct secret ballot. Each Shareholder shall have a number of votes equal to that of the Shares held by it. A Shareholder shall have the right to use the entirety of its votes in support of one nominee or divide its Shares among other nominees of its choice through the voting card. Accordingly, the total number of votes given to the nominees by one Shareholder must not exceed the total number of Shares owned by it. The proposed directors who receive the most votes in the ballot shall be declared elected.

Subject to the CCL and the Code and without prejudice to the Articles, Article 115 of the SAOG Executive Regulations provides that nominees to the membership of the Board must:

- be a natural person;
- be of good conduct and sound reputation;
- be at least 25 years old;
- have a registered shareholder number with MCDC;
- not be unable to settle his indebtedness to the company;
- not be convicted of a felony or dishonourable crime or be adjudicated as bankrupt or insolvent unless rehabilitated;
- not caused bankruptcy of a company by his sole act or as joint liability of directors;
- present, if nominating himself as an Independent Director, a declaration to that effect and that he will lose his membership if he loses his independence capacity;
- not be a member or a representative of a juristic person in more than four (4) SAOG companies based in Oman;
- not be chairman of more than two (2) SAOG companies with their principal place of business in Oman; and
- not be an employee or a member of the board of directors of a public or closed joint stock company which is carrying out similar objectives to that of the company which he intends to nominate himself to the membership of its board.

Without any prejudice to the regulations of the CCL mentioned above, the following conditions will be fulfilled while forming the Board:

- the Board will be comprised of all non-executive directors; and
- a minimum of one-third of the total Board (subject to a minimum of two) will be composed of Independent Directors in accordance with the rules and conditions issued by the CMA as have been set out in the Code and the SAOG Executive Regulations.

In accordance with Article 188 of the CCL, if a Board member is no longer qualified to remain on the board of a joint stock company, then his/her membership will cease to be valid by virtue of law. The concerned Board member upon becoming aware of his/her status of being disqualified must promptly inform the Board of the loss of his qualification and any resolutions in which such Board member may have participated in voting on after ceasing to be qualified to remain on the Board, will be invalid unless such resolutions were passed by a percentage of votes required for their validity excluding the vote of member, who lost his/her right to remain on the Board.

The vacant seat arising after disqualification of the relevant director of the Company may be filled by the remaining Board members in accordance with Article 7 of the Articles whereby if the office of the director of the Company becomes vacant in the period between two OGMs, the Board may appoint an interim director who satisfies the requirements of membership to assume the vacant office until the next OGM. If the number of vacant positions or the members to be appointed by the Board, amounts to more than half the number of elected Board members, the Board must then convene an OGM within sixty (60) days from the date on which the last vacancy on the board arose to elect the new members to fill the vacant positions. However, in all cases the interim director(s) of the Company shall assume this (these) position(s) for the remaining term of the outgoing Board members.

The Board will elect a Chairman and a deputy chairman from amongst its members. The deputy chairman will officiate as Chairman when the Chairman is absent. The Chairman must implement the resolutions of the Board and the regular business of OQGN shall be conducted under the supervision of the Board in accordance with the authority specified in the Articles and OQGN’s internal regulations.

Role of the Board

The primary role of the Board is to supervise and monitor the management of the Company within a framework of prudent and effective controls that enables risk to be properly assessed and managed and to fulfil its statutory and regulatory obligations under applicable law and regulations.

Powers of the Board

The Board has full authority to perform all acts required to manage OQGN in accordance with its objectives and with the primary objective of creating value for the Shareholders. This authority is not limited or restricted except as provided by applicable law, the Articles or a resolution of the Shareholders. The day-to-day management of OQGN is performed by the Management, as described in subsequent paragraphs contained in this Chapter.

Article 122 of the SAOG Executive Regulations provides that the Board shall be responsible for:

i. appointing the chief executive officer or the like and the staff which report to any of them pursuant to the organisational structure of the Company and to specify their rights and duties;
ii. Constituting subcommittees to carry out certain task and the constitution decision contain the names of members, their duties, rights and obligations;
iii. Appraising the performance of the employees mentioned in clause (i) above, and to assess the work carried out by the subcommittees;
iv. Including in the annual report presented to the AGM the reasons to justify the ability of the company to pursue its specified activities and the achievement of its objectives;
v. appointing a secretary to the Board in its first meeting;
vi. including in the governance report a full statement on all amounts which a director might have received during the course of the year;
vii. ensuring that any decision taken satisfies the legal requirements before being disclosed to the public; and
viii. specifying the fees for obtaining a true copy of the Articles at not more than OMR 20.

In accordance with Article 185 of the CCL the Board must not perform the following acts unless expressly authorised to do so by the Articles or by a resolution of the Shareholders at a general meeting:

- make donations, except donations required by the business wherever they are small and customary amounts;
- pledge or mortgage the assets of the Company, except to secure debts of the Company incurred in the ordinary course of the Company's business; and
- Guarantee debts of third parties, except guarantees made in the ordinary course of business for the sake of achieving the Company's objectives.

In accordance with Article 176 of the CCL, a resolution passed by an EGM is required to sell all or a substantial part of OQGN's fixed assets, the value of which amounts to 25% or more of the net asset value of the assets of the Company, amend the Articles or transform, merge, dissolve and liquidate the Company.

The Company will be bound by all acts performed by its Board, its Chairman and the Management, as long as they act in the name of OQGN and within the scope of their powers.

In accordance with Article 193 of the CCL, the Board may, in the circumstances and subject to the rules specified by the SAOG Executive Regulations, adopt any of its resolutions through circular resolutions. In such case, the secretary of the Board shall record the resolutions that have been adopted by circulation, in the minutes of the meeting of the Board following the adoption thereof.

Pursuant to Article 202 of the CCL any member of the Board or executive management shall not take advantage of his/her post for obtaining benefits to himself/herself or to any other person. Article 203 of the CCL provides that a member of the board of directors of a company shall not participate in the management of any other company which carries out similar business. The Article further provides that members of the board of directors and the executive management of a company shall not perform for their benefit or for the benefit of third parties any business similar to the company's business or to use assets or funds of the company for their or for the benefit of third parties without the prior approval of the ordinary general meeting of such company.

The CML Executive Regulations also contains regulations relating to "Insider Trading", which are as under:

- define who an insider is (as any person who is in a position to have access to undisclosed material information and includes directors of a company, its executive management and any person who may have obtained such information as a consequence of his employment or family relationships or otherwise); and

- impose reporting obligations on issuers with respect to the list of directors, executive management and their spouses and relatives of the first degree and any amendments in such list.

Insider trading is punishable by fines and imprisonment under the CCL and the CML Executive Regulations. A member of the Board or senior management or other related party of the Company must not have any direct or indirect interest in the transactions or contracts concluded by OQGN for its account, except those concluded in accordance with the rules and regulations of the CMA.

The members of the Board will be liable to OQGN, the Shareholders and third parties for damages caused by their acts in violation of applicable law and their acts which fall beyond the scope of their powers, or by any fraud or negligence in the performance of their duties or by their failure to act prudently under the given circumstances.

As per Article 18 of the CCL, the shareholders of a company may institute legal proceedings against its board members, auditors, or liquidators of the company or against heirs or successors of any of the above, on account of their acts during the exercise of their duties, within five years commencing from the latest among the following dates:

- date of registration of the company;
- date of act or omission, which is the basis of the action;
- date of approval of partners or of the general meeting of the company on which the board of directors presented an account of the company's operations for the period covering the act or omission, which is the cause of the action against the managers or board of directors or any of its members.

Remuneration of the Board

The OGM will determine the annual remuneration and sitting fees of the Chairman and the members of the Board in accordance with the regulations on such matters issued by the CMA in accordance with Article 197 of the CCL. The specific rules are set out in Section II Third of the SAOG Regulations which provide that the remuneration of a company's board of directors shall be separated into "*Remuneration*" and "*Sitting Fees*". Sitting Fees are paid to members of the Board based on the number of Board and committee meetings they attend during the Financial Year, with Article 129 of the SAOG Executive Regulations providing that these will not amount to more than OMR 10,000 per director of the Company per year.

Article 130 to 133 of the SAOG Executive Regulations set out the rules for the calculation of remuneration and provide that the directors of the Company's remunerations shall be from the net profits after deduction of taxes, legal and optional reserves and the funds allocated from the profits for capitalisation and dividends.

The general meeting of a company shall determine its directors' remuneration which shall not:

1. exceed OMR 300,000 for a SAOG that realised net profits equal to or exceeding the profits realised in the previous financial year and does not have accumulated losses or losses in its capital;

2. exceed OMR 150,000 for a SAOG that realised net profits less than the profits realised in the previous financial year and does not have losses in the capital.

The remuneration will be distributed amongst the members of the Board in such proportions and manner as they, by agreement, may determine, failing which the remuneration will be divided equally among the Board members. A member of the Board will be eligible for compensation for his/her services if he/she is assigned a job or travels or does something related to the Company's affairs.

Board Committees

In order to assist the Board in performing its obligations, the Board may form committees to advise it and make recommendations on certain matters. In accordance with Article 196 of the CCL, the Code and the SAOG Executive Regulations the Board has constituted an Audit Committee and Nomination and Remuneration Committee, each comprising of three directors. The Board may establish other committees from time to time. Each of the said committees shall be established in accordance with the provisions of the Code.

Audit Committee

The members of Audit Committee are:

- Fathi Al Balushi - Chairman;
- Raiya Al Salmi – Member; and
- Hanaa Al Hinai – Member.

The role of the Audit Committee involves:

- considering the aspects relating to the appointment of external auditors including their fees and terms of engagement;
- reviewing the details of the audit plan of the audit firms and the results of the audit process as to whether or not the auditors have had full access to all relevant documents to perform their job;
- ensuring there is in place adequate procedures to detect and prevent any cases of financial fraud or forgery, to ensure adoption of appropriate accounting policies and principles in accordance with international accounting standards that demonstrate the real financial position of the Company;
- oversight of the internal audit function through an approved audit plan, considering the reports of the internal auditor, ensuring the internal auditor have full access to the relevant documents and reviewing the efficiency of internal audit function regularly;
- reviewing the risk management policy of the Company and the adequacy of internal control systems through the regular reports of internal and external auditors or appoint external consultants in this field;
- reviewing the annual and quarterly financial statements before issue, review of the reservations of the external auditor on the draft financial statements, if any, and ensuring compliance with international accounting standards and disclosure requirements prescribed by the CMA;
- serving as a channel of communication between the Board and the external auditor and internal auditor;
- reviewing the proposed transactions with related parties to make suitable recommendations to the Board;
- reviewing the report of the external valuer of the internal auditor and submit to the Board together with their recommendations and disclose the summary of the results of valuation process as part of the governance report; and
- proposing wages and remunerations and financial and in-kind benefits for the employees of the internal audit unit.

In compliance with the Code, the majority members of the Audit Committee are Independent Directors. In all cases, the chairman of the Audit Committee shall be from amongst the Independent Directors. At least one of the members should have financial and accounting expertise. The Audit Committee will also be responsible for recommending the appointment and remuneration of a suitably qualified and experienced person for the position of the internal audit manager of the Company. Such person will be charged with responsibility for the following:

- developing the internal audit strategy for the Company;
- auditing operations and financial statements of the Company;
- ensuring the Company’s compliance with laws and regulations applicable to the Company;
- preparing periodic reports to the Board with respect to the adequacy and effectiveness of the Company’s system of internal administrative, accounting and financing controls and on other issues on which the internal audit manager is requested to report by the Audit Committee of the Board.

Nomination and Remuneration Committee

The members of the Nomination and Remuneration Committee are:

- Raiya Al Salmi – Chairman;
- Hanaa Al Hinai – Member; and
- Ayad Al Balushi – Member.

The role of the Nomination and Remuneration Committee involves:

- assisting the Shareholders, while electing the Board at a general meeting in the nomination of proficient directors and the election of the most fit for the purpose;
- assisting the Board in selecting the appropriate and necessary executives for the executive management of the Company;
- assisting the Company in formulating clear, credible and accessible policies to inform shareholders about directors' and executives' remuneration on the rules of remuneration and sitting fees for directors of SAOG's;
- developing and deploying additional performance-based criteria to determine the bonus and remuneration of the chief executive officer and senior executive management of the Company;
- providing succession planning for the executive management;
- developing a succession policy or plan for the Board or at least the chairperson;
- preparing detailed job descriptions of the role and responsibilities for directors including the chairperson;
- identifying and nominating qualified persons to act as interim directors on the Board in the event a seat becomes vacant;
- nominating qualified persons to assume senior executive positions, as required or directed by the Board;
- preparing a bonus, allowances and incentive policy for the executive management; and
- reviewing such policies periodically, taking into account market conditions and company performance.

Senior Management Team

The current composition of the Management is as follows:

Name	**Position**
Mansoor Al Abdali	Managing Director
Khalid Al Qassabi	Vice President (Finance)
Faisal Al Maamari	Vice President (PT&C) /Acting Vice President (QHSSE)
Mohammed Al Ruqaushi	Vice President (Operations)
Saif Al Hosni	Vice President (Business Development & Commercial)
Majid Al Zadjali	Vice President (Technical Services)/ Acting Vice President (Project Delivery)
Haitham Al Lawati	Legal and Compliance

Biographical Information of the Senior Management Team

Name:	Mansoor Al Abdali
Position:	Managing Director
Year of Joining the Company:	2009
Education:	Bachelor's Degree in Mechanical Engineering from the University of Manchester Institute of Science & Technology (University of Manchester), United Kingdom.
Experience:	29 years of experience in operations, maintenance and engineering of oil and gas facilities with skills in pipeline management. Mr. Mansoor led the PDO and Madayn (PEIE) asset acquisitions by the Company. Prior to joining the Company, Mr. Mansoor worked for 15 years at PDO, where he was in charge of the inspection and maintenance of all PDO assets and operational sites, including oil and gas, pipelines and terminal facilities.

Name:	Khalid Al Qassabi
Position:	Vice President (Finance)
Year of Joining the Company:	2022
Education:	Bachelor of Science in Accounting and Finance from the University of Leeds, United Kingdom.
Experience:	17 years of experience in the energy and financial sector in Oman. Prior to joining the Company, Mr. Khalid held positions at PwC, Schlumberger Oman, Occidental Mukhazina and Falcon Oilfield Services and OQEP.

Name:	Faisal Al Maamari
Position:	Vice President (PT&C)/ Acting Vice President (QHSSE)
Year of Joining the Company:	2022
Education:	Bachelor of Science in Civil Engineering and Master of Science in Petroleum Engineering from Sultan Qaboos University.
Experience:	23 years of experience in the oil and gas industry having joined the OQ Group in 2013. Prior to joining the Company, Mr. Faisal held positions at PDO, Oxy, Oman Oil Company Exploration & Production ("**OOECP**") and OQ. Additionally, he led the business finance department for Projects, People, Technology and Culture and Alternative Energy at OQ. He worked on key growth projects including achieving a turnaround of the supply chain department for OOCEP through providing support for the Bisat E&P oil production project and leading a growth project for V2 Trenching and Co. by securing a major cross-country gas pipeline project.

Name:	Mohammed Al Ruqaishi
Position:	Vice President (Operations)
Year of Joining the Company:	2022
Education:	Bachelor of Science Chemical Engineering and Master of Science in Industrial Engineering from Sultan Qaboos University.
Experience:	21 years of experience in the oil and gas industry. Prior to joining the Company, Mr. Mohammed held positions at Worley, Bilfinger Tebodin, where he led to the establishment of the Suhar office, and in OOCEP, where he led the Bisat Field development project from concept until commissioning.

Name:	Saif Al Hosni
Position:	Vice President (Business Development & Commercial)
Year of Joining the Company:	2021
Education:	Master of Science in Process Control from the United Kingdom and a Master of Business Administration from Vienna University of Economics and Business.
Experience:	12 years of experience in the oil and gas industry. Prior to joining the Company, Mr. Saif held positions at Shell, PDO and OQEP. He is an experienced Process Control & Optimisation

	engineer with core competencies in Upstream Operations Management and Technical Services and experience with LEAN, Continuous Improvement, and Digitalisation initiatives.
Name:	Majid Al Zadjali
Position:	Vice President (Technical Services)/ Acting Vice President (Project Delivery)
Year of Joining the Company:	2008
Education:	Master of Business Administration from the University of Strathclyde and a Bachelor's Degree in Process Operation and Maintenance Engineering from Caledonian College of Engineering Oman.
Experience:	21 years of experience in the oil and gas industry. Mr. Majid started his career in 2003 in PDO (Gas Operation Team). He joined the Company in 2008 and has held several significant roles such as Muscat Regional Manager, Operation Support Manager, Gas Planning Manager, and Head of North Assets. Between 2020 and 2022, Mr. Majid was in charge of Operation and Maintenance Management for the Company. Mr. Majid worked on major development projects such as gas delivery to consumers, gas transmission infrastructure projects, and asset acquisition projects from Petroleum Development Oman and Madayn. He is also the acting Vice President for Projects Delivery.
Name:	Haitham Al Lawati
Position:	Legal and Compliance
Year of Joining the Company:	2018
Education:	Qualified Omani lawyer with a Bachelor's Degree in Business and Law and Master's Degree in International Business Law from the University of Bradford, United Kingdom.
Experience:	12 years of experience in both private practice and in house. Prior to joining the Company, Mr. Haitham held positions at Saraya Bandar Jissah SAOC, Al Hosn Investment Company SAOC, Trowers and Hamlins, and Said Al Shahry & Partners.

Internal Regulations

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

- organisational structure of the Company, including the responsibilities related to the various posts within the Company and the reporting structure/procedures;
- specifying the extent of expense approval authority vested in each post;
- specifying the allowance for meetings, remuneration and other privileges as prescribed in respect of the members of the Board and Board committees, and the basis for their calculation;
- policies related to procurement and other transactions concerning the Company (works and procurement manual) and service contracts;
- authorities, duties and responsibilities relevant to executive management and Board committees;
- policies related to human resources, including salaries, appointment, development, training, promotions and termination of services;
- investment policies;
- the terms of reference with respect to the Audit and Risk Committee;
- Nomination and Remuneration Committee policy and terms of reference;
- rules related to related party transactions;
- Board communication policy;
- the minimum level of information required to be submitted to the Board;
- policies and measures for submission of material information in a transparent manner to the CMA and the MSX within the specified time including a definition of "material information"; and
- any other regulations that the Board may deem necessary to add for achieving adequate level of corporate governance.

Chapter XVIII

Rights and Liabilities of Shareholders

Shareholders' liabilities

The liability of a Shareholder for the debts of the Company will be limited to payment of the value of the Shares for which the Shareholder has subscribed. The Shareholder will not be liable for the debts of the Company except to the limit of the value of the Shares subscribed.

Shareholders' rights

All the Shares enjoy equal and inherent rights in accordance with the CCL. These rights include the following:

- the right to receive dividends declared by the general meeting of the Shareholders;
- preferential rights to subscribe for any new Shares;
- the right to share in the distribution of the proceeds of the Company's surplus assets on liquidation;
- the right to transfer Shares in accordance with applicable law;
- the right to access the Company's balance sheet, profit and loss account and Shareholders' register;
- the right to be invited to attend the general meeting and vote in such meetings personally or by proxy (each Shareholder will have one vote for each Share owned);
- the right to apply for annulment of any resolution adopted by a general meeting of the Company or Board if it is in breach and violation of applicable laws, or the Articles in accordance with applicable law;
- the right to institute legal proceedings on behalf of the Shareholders or the Company against the Board or the auditors of the Company in accordance with applicable law; and
- the right (of Shareholders who individually or collectively hold at least 5% of the Company's shares) to apply for annulment of any resolution made by the general meeting or the Board, if such resolution(s) are detrimental to Shareholders or favour a certain category of Shareholders or bring a special benefit to the members of the Board, otherwise contrary to applicable law, or the Articles, or the internal regulations of the Company, in accordance with Article 174 and 207 of the CCL.

Reports and statements

The Board shall prepare unaudited quarterly financial statements for the first, second and third quarter of each Financial Year. It shall also prepare an annual report within 60 days from the end of each Financial Year, comprising the audited balance sheet, profit and loss statement, cash flow statement, changes in Shareholders' equity, report of the Board, report on the discussions held by the Board and their analysis and report on the organisation and management of the Company. These statements should be disclosed at least 15 days prior to the relevant AGM through the electronic dissemination system on the MSX website.

The unaudited quarterly financial statements of the Company shall be forwarded to the Information Centre within thirty days from the end of each quarter or any other legal period prescribed by the disclosure rules and conditions issued by the CMA though the private electronic dissemination system of the Information Centre. The said Information Centre shall also be provided with two copies duly endorsed by the Board. The Company shall also have it published within the aforementioned period.

Under Article 280 of the CML Executive Regulations, all SAOGs are required to disclose their initial quarterly results within 15 days from the end of each quarter, on the basis of such results being approved by the executive management and prior to approval by the Board. The Company will comply with this article.

Ordinary General Meeting and Annual General Meeting

The Company's annual general meeting ("**AGM**") must be held within 90 days following the end of the relevant Financial Year, in accordance with Article 172 of the CCL. The AGM will be held at such venue, day and time as provided for in the notice of the meeting. OGM's may be called at any time through a given year as determined by the Board or otherwise convened in accordance with the CCL.

In accordance with Article 172 of the CCL, the AGM shall be responsible for the following corporate matters:

i. to consider and approve the report of the Board on the activities of the Company and its financial status during the previous Financial Year;
ii. to consider and approve the report of the Board on the organization and management of the Company during the previous Financial Year;
iii. to consider and approve the auditor's report on the audited financial statements of the Company during the previous financial year and approve the balance sheet and profit and loss statement of the Company;
iv. to elect and remove members of the Board;
v. to consider and approve the proposed distribution of dividends to the Shareholders;
vi. to consider and approve payment of the remuneration and sitting fees to the members of the Board; and
vii. to appoint an auditor for the new Financial Year and determine its fees.

The Board shall prepare the agenda of the AGM and OGM. If an AGM or OGM is convened by the auditors, the agenda shall be prepared by them. The Board, or the auditors, if necessary, shall include in the agenda any proposal put forward by Shareholders who represent more than 5% of the Issued Share Capital provided that such proposal is submitted for inclusion in the agenda at least 20 days before the date of the applicable meeting.

The resolutions of the AGM and OGM shall not be valid unless the meeting is attended by Shareholders or their proxies who represent at least half of the Share Capital of the Company. If such a quorum is not present, a second meeting shall be called to consider the same agenda. The proposed date for the second AGM or OGM shall be listed in the Shareholders' invitation notice for the first AGM/OGM, provided that the date for the second meeting shall be no later than a maximum of 7 days following the date of the first AGM/OGM. The resolution of the second AGM/OGM shall be valid regardless of the number of shares represented at the applicable meeting, provided that such meeting is held within 7 days from the date of the first meeting. The resolutions of the AGM and OGM shall be adopted by the simple majority of votes cast.

Extraordinary General Meetings

In accordance with Article 176 of the CCL an EGM will be convened to decide on issues such as:

- disposal of the fixed assets of the Company or any part thereof valued at 25% or more of the net value of the Company's assets;
- an amendment to the Articles; or
- the transformation, merger, dissolution or liquidation of the Company.

An EGM shall also be convened to decide on all other matters which such meeting is specifically authorised to settle in accordance with the CCL or the Articles.

Resolutions passed at an EGM shall not be valid unless the meeting is attended by Shareholders or proxies representing at least 75% of the Issued Share Capital. Failing such a quorum, a second meeting shall be convened to consider the same agenda. The Shareholders invitation notice for the first EGM shall specify a proposed date for the second EGM, provided the date for the second meeting shall be no later than a maximum of 7 days from the date of the first EGM.

The resolutions of the second EGM shall be valid if the meeting is attended by Shareholders or proxies representing more than half of the Issued Share Capital, provided such meeting is held within 7 days of the date of the first EGM. The resolutions of the EGM shall be adopted by a majority of 75% of the votes cast in respect of a resolution, provided such resolution must always receive votes in favour representing more than 50% of the Issued Share Capital. Provided however that such resolutions shall only be valid if approved by CMA and appropriately registered.

Recourse to the Omani Authorities in case of Shareholder Resolutions

The CMA may, upon the application of Shareholders who own at least five per cent (5%) of the Shares issue a decision suspending resolutions adopted oat an AGM, OGM or EGM of the Company which are detrimental to such

Shareholders or adopted in favour of a certain category of Shareholders, or for providing a special benefit for the members of the Board, or others, if it is convinced that the application is justified.

The request to suspend the implementation of the resolutions adopted by the general meeting shall not be accepted after the lapse of five working days from the date of adoption of such resolutions.

Any stakeholder may institute an action with the competent court to seek nullification of the aforementioned resolutions and furnish the competent authority with a copy thereof, within five working days from the date on which a court decision on the suspension of the resolutions adopted by the general meeting is issued, otherwise the suspension shall be deemed null and void.

The court shall consider any action on the nullification of the resolutions adopted by the general meeting. The court may summarily order the suspension of the competent authority's decision at the request of the litigant, until the action is adjudicated.

Additionally, any Shareholder or any interested party may refer to the Primary Commercial Court within five years from the date on which the meeting was held, to decide on nullification of any decision, if that decision is taken during a general meeting in violation of the CCL, the provisions of the Articles or the Company's internal regulations, or through deceit or misuse of authority.

Lock-up Period – Exemption from the applicability of Article 127 of the CCL

Article 127 of the CCL restricts the founders of an SAOG from disposing of their shares in such company, before it has published two balance sheets for two consecutive financial years, starting from the date of its registration on the Commercial Register. This shall not apply to cases of transfer of shares owned by the state or assignment of shares among shareholders themselves, inheritance or to a public joint stock company set up through the transformation of an existing company, provided it has completed at least two years before the date of transformation. As the Company was registered on the Commercial Register in 2000, Article 127 of the CCL does not restrict the founders from disposing off their Shares after the IPO.

General restrictions on transfer of ownership of the Shares

Shareholders and acquirers of Shares must abide by the CMA's regimes concerning: disclosure of material shareholding interests in SAOGs; and acquisition of direct and indirect significant shareholding interests in SAOGs covered in the Securities Law and Takeover Code.

The ownership of Shares shall be transferred by recordation in the register of shareholders maintained by the MCDC and the Company shall not consider a Shareholder's ownership of a Share unless such ownership is recorded in its register of shareholders.

The shareholding of each Selling Shareholder may not exceed the maximum limit prescribed and provided for in the Articles and the CCL respectively, unless the necessary approvals are secured. Article 100 of the CCL provides that founders of a public joint stock company shall subscribe for a percentage of at least 30 per cent. and not exceeding 60 per cent. of the share capital of a company save where the public joint stock company has been converted from an existing form of company, in which case, the selling shareholder(s) may retain up to 75 per cent. of the company's share capital. The selling shareholder(s) may exceed the above-specified threshold with the approval of the CMA.

Article 100 of the CCL further provides that a single founder shareholder of a public joint stock company shall not own more than 20 per cent. of the share capital whether in his/her name or in the names of his/her minor children who are less than eighteen (18) years of age, except in the case of conversion, in which case the founders may retain their contribution if such contribution exceeds the percentage prescribed for each founder. In addition, companies fully owned by the Government and holding companies are exempt from the prescribed percentages under Article 100.

No single person or related person up to the second degree may hold or purchase 25 per cent. or more of the shares of an SAOG, save in accordance with the rules issued by the CMA on the subject.

Additionally, if any one shareholder, or group of shareholders, were to sell their shares to another shareholder this may trigger the Takeover Code. A "Take Over" is defined within the Take Over Code as the acquisition of 25 per cent. or more of the issued share capital of an SAOG. Where this occurs, the purchasing entity would be required to comply with the Takeover Code, obtain the CMA's approval to the acquisition and make a takeover offer to the other shareholders of the SAOG.

Chapter XIX

Subscription Conditions and Procedures

Offer Structure

	Category I Offer (For Non-Individual Applicants)	Anchor Investors	Category II Offer (For Individual Applicants)
Offer Size	848,802,288 Offer Shares	636,601,716 Offer Shares	636,601,716 Offer Shares
Percentage of Offer Size	40%	30%	30%
Basis of Allotment	Proportionate for Local Applicants. For Non-Local Applicants determined by the Selling Shareholders in consultation with the Joint Global Coordinators. See section '**Basis of Allotment**' for more details	Allotment confirmed by the Selling Shareholders before the commencement of the Offer Subscription. See "*Chapter XX – Subscription and Sale*" for more details	Proportionate. See section '**Basis of Allotment**' for more details. The CMA may decide that a minimum number of Category II Offer Shares be distributed equally among Category II Applicants and the remaining Category II Offer Shares shall be allocated on a pro-rata basis.
Minimum Subscription	100,000 Offer Shares and thereafter in multiples of 100 Offer Shares	n.a.	1,000 Offer Shares and thereafter in multiples of 100 Offer Shares
Maximum Subscription	No maximum subscription size	424,401,144 Offer Shares (20% of the Offer Size)	No maximum subscription size
Terms of Payment	Applicant must make payment to the designated bank account of the Collection Agents and the Collection Agents will transfer the subscription amount due against the Offer Shares allotted, at least two Oman business days prior to the Settlement Date to the designated bank account of the Issue Manager. For Non-Local Applicants placing orders through the Joint Global Coordinators, please see section **'Terms of Payments for Category I Offer'** for details on terms of payment	Anchor Investors must make payment to the designated bank account of the Collection Agents and the Collection Agents will transfer the subscription amount due against the Offer Shares allotted, at least two Oman business days prior to the Settlement Date to the designated bank account of the Issue Manager.	100% of the Category II Application Money to be paid at the time of submission of the Application
Offer Subscription Period	26 September 2023 to 9 October 2023	n.a.	26 September 2023 to 5 October 2023

For additional details on the circumstances under which the allocations between Category I Applicants and Category II Applicants could change, see "*Basis of Allotment*".

The Offer

Based on the Price Range, this Offer is being offered to Category I Applicants through a bookbuild offering (as described in more detail in the "Bookbuilding Process") and to Category II Applicants at the Discounted Maximum Price. The Offer Price is the final price at which Offer Shares will be issued and allotted pursuant to the terms of this Prospectus. The Offer Price will be decided by the Selling Shareholders in consultation with the Joint Global Coordinators and the CMA on the Pricing Date.

Eligibility for the Subscription of Category I Offer Shares

The Category I Offer will be open in Oman to Local Applicants and Non-Local Applicants only who have their accounts with MCDC. For this purpose, Local Applicants would comprise of juristic persons registered in Oman and Non-Local Applicants would comprise of juristic persons registered outside Oman.

Eligibility for the Subscription of Category II Offer Shares

The Category II Offer will be open in Oman to Omani and non-Omani Applicants (individuals) who have their accounts with MCDC. All individuals who are nationals of the countries comprising the GCC are treated as Omani individuals for the purpose of owning shares in Omani SAOGs.

The Applicants need to consider the Minimum Subscription and Maximum Subscription applicable to them when making an Application. No Applicant may be allotted more than 10% of the Offer (212,200,572 Offer Shares) without the approval of the CMA.

Prohibitions with Regard to the Applications for Subscription

The following persons shall not be permitted to subscribe to the Offer:

i. Sole proprietorship establishments - The owners of sole proprietorship establishments may only submit Applications in their personal names.

ii. Trust accounts - Applicants registered under trust accounts may only submit Applications in their personal names (except as detailed below).

iii. Multiple Applications - An Applicant may not submit more than one Application.

iv. Joint Applications - Applicants may not submit applications in the name of more than one individual (including on behalf of legal heirs).

v. Selling Shareholders – The selling shareholders of the Company may not submit any Applications.

vi. Related Parties – The related parties of the Company cannot participate in the Category I Offer except where such relationship is due to common shareholding or control exercised by units of the administrative apparatus of the Government or their primary activity is investment related.

Any Applications not complying with the above criteria may be rejected without contacting the relevant prospective investor, although Applications by Trust Accounts may be accepted in the Offer, at the discretion of the Joint Global Coordinators or the Collection Agents (as applicable), if they are satisfied that none of the underlying subscribers applying through such Trust Accounts have also applied using their individual names or their sole proprietorship establishments. The Joint Global Coordinators or Collection Agents (as applicable) may reject such Application if they become aware that there are multiple applications from such investors applying through Trust Accounts.

The acceptance by the Joint Global Coordinators or Collection Agent(s) (as applicable) of Applications made by Trust Accounts will require issuance of an undertaking signed by the concerned investor providing further details of the underlying investors/beneficiaries on whose behalf the Application has been made. The Joint Global Coordinators or Collection Agents (as applicable) will clearly communicate to each investor that in case of multiple Applications through a Trust Account and its underlying investor(s) in their own names or their sole proprietorship establishment's name. All Applications may be rejected at the discretion of the Joint Global Coordinators or Collection Agent(s) (as applicable).

Subscription on Behalf of Minor Children (for Category II Offer)

For the purpose of this Offer, any person under 18 years of age on the date of submission of an Application will be defined as a minor.

Only a father may subscribe on behalf of his minor children.

If an Application is made on behalf of a minor by any person other than the minor's father, the person submitting the Application will be required to attach a valid Shariah (Legal) Power of Attorney issued by the competent authorities in Oman authorising him or her to deal in the funds of the minor through sale, purchase and investment.

Applicant's Number with MCDC

Any Applicant who subscribes for the Offer Shares must have an account and Investor Number with the MCDC. Any Applicant may apply to obtain an Investor Number and open an account by completing the 'MCDC Application'. This may be obtained from the MCDC's Head Office or its website at *www.mcd.om*, or from brokerage companies licensed by the CMA. The completed form may be submitted by an Applicant through any of the following channels:

i. at the head office of the MCDC, at P.O. Box 952, Postal Code 112, Ruwi, Muscat, Sultanate of Oman;

ii. at the office of any brokerage company licensed by the CMA;

iii. by sending a facsimile to MCDC at +968 24817491; and/or

iv. by opening an account through the MCDC website at *www.mcd.om*.

In order to open an account with the MCDC, a juristic person will be required to furnish a copy of its constitutional documents, in the form prescribed by the MCDC, along with a completed MCDC Application in order to open an account and receive an Investor Number. Foreign individuals and juristic persons may be subject to additional account opening formalities and authentication requirements determined by the MCDC.

Applicants who already hold accounts with the MCDC are advised, before the Offer, to confirm their details as noted in the Application. Applicants may update their particulars through any of the channels mentioned above.

All correspondence including allocation notices, refunds and dividend payments will be sent as per the Applicant's details recorded at MCDC. Applicants should ensure that their details as provided to the MCDC are correct and kept up to date.

Each Applicant should secure from the MCDC its Investor Number as the Investor Number will be required in order to complete the Application. Each Applicant is responsible for ensuring that the Investor Number set out in their Application is correct. Applications not bearing the correct Investor Number may be rejected without contacting the Applicant.

For more information on these procedures, Applicants should contact the MCDC:

Muscat Clearing & Depository Co. SAOC
P.O. Box 952, Postal Code 112, Ruwi, Muscat, Sultanate of Oman
Tel: +968 2482 2222
www.mcd.om

Maximum Limit of Subscription

For Category I Applicants

There is no maximum limit on the number of Offer Shares that may be subscribed pursuant to an Application for Category I Applicants. No Applicant may be allotted more than 10% of the Offer (212,200,572 Offer Shares) except with the approval of the CMA.

For Anchor Investors

The maximum number of Offer Shares that may be subscribed to by Anchor Investors in aggregate is equivalent to 30% of the Offer, (i.e., equivalent to 636,601,716 Offer Shares). No Anchor Investor may subscribe for more than 424,401,144 Offer Shares (i.e., 20% of the Offer).

For Category II Applicants

There is no maximum limit on number of Offer Shares that may be subscribed pursuant to an Application for Category II Applicants. No Applicant may be allotted more than 10% of the Offer (212,200,572 Offer Shares) except with the approval of the CMA.

None of the Company, the Selling Shareholders, the Issue Manager, the Joint Global Coordinators or the Collection Agents are liable for any changes in applicable laws or regulations that occur after the date of this Prospectus. Applicants are advised to make their own independent investigations to ensure that their Applications comply with prevailing laws and regulations.

Price Range

The Price Range has been fixed at Bzs 131 to Bzs 140 per Share, with Bzs 131 being the minimum price and Bzs 140 being the maximum price.

Offer Period

The Category I Offer Period will commence on 26 September 2023 and end on 9 October 2023. The Category II Offer Period will commence on 26 September 2023 and end on 5 October 2023.

Category I Offer

Category I Offer for Local Applicants and Non-Local Applicants

20% of Offer Shares (i.e., 424,401,144 Offer Shares) shall be reserved for subscription by Local Applicants and 20% of the Offer Shares (i.e., 424,401,144 Offer Shares) shall be available for subscription by Non-Local Applicants. For this purpose, Local Applicants would comprise of juristic persons registered in Oman. Non-Local Applicants would include eligible Category I Applicants who are registered outside of Oman.

Subscription and Application Process for Category I Applicants

Category I Applicants may place Applications with any of the Collection Agents during official banking hours prior to or on the Category I Offer Closing Date. Applications, once submitted, are binding and can only be modified once by submitting an Application Revision Form for a higher quantity of Shares, a higher price or both, on or before the Category I Offer Closing Date.

Applications shall contain a maximum of three price and quantity combinations (bids). Category I Application Money means the highest Bid Amount from all the bids in the Application for Category I Offer. Each Collection Agent shall be responsible for verifying if the Application complies with the instructions set out in this Prospectus.

Payment for the Offer Shares subscribed by Category I Applicants shall be made in Omani Rials. Category I Applicants will be required to make full payment for the Offer Shares allotted to them to the designated bank account of the Collection Agents, and the Collection Agents will transfer the subscription proceeds, at least two Oman business days prior to the Settlement Date to the designated bank account of the Issue Manager in accordance with the provisions of "Terms of Payment for Category I Applicants".

All Applicants placing orders through the Joint Global Coordinators would be required to fund the designated bank account of the Issue Manager at least two Oman business days prior to the Settlement Date.

In the event of a failure to make timely payment, Category I Applicants may incur significant charges and/or enforcement action against them.

Indicative illustration of the Bids

The following table sets out an indicative illustration of certain bids by Category I Applicants that are and are not allowed.

Investor Name	**Investor A**	**Investor B**
No. of Offer Shares at each Bid Price	10,000,000 at Bzs 130	5,000,000 at Bzs 130

	5,000,000 at Bzs 125	10,000,000 at Bzs 125
		15,000,000 at Bzs 120

In the example above, two Applications have been received in the Category I Offer. Each Investor has placed different bids. For Investor A, the bid at Bzs 125 should have been greater than 10,000,000 Offer Shares as Investor A is already willing to buy 10,000,000 Offer Shares at Bzs 130. As a result, the bid of 5,000,000 at Bzs 125 for Investor A will be rejected. Investor B has made valid bids, as the quantity of Offer Shares demanded at every lower price point is higher. Furthermore, if the cut-off price is determined as Bzs 125, then Investor B will receive allotment based on only the bid of 10,000,000 Offer Shares at Bzs 125 and the bid of 5,000,000 Offer Shares at Bzs 130 will not be considered.

The following table sets out an indicative illustration of the bids in an Application.

Indicative Illustration of the Bids in an Application

Bid	Bid Price (Bzs)	Total Offer Shares demanded at the price	Bid Amount (OMR)
Bid 1	130 (A1)	2,000,000 (B1)	260,000
Bid 2	125 (A2)	2,200,000 (B1)	275,000
Bid 3	120 (A3)	2,500,000 (B1)	300,000

Price Discovery and Determination of Offer Price and Allocation

After the Category I Offer Closing Date, and once all Applications have been submitted to the Issue Manager by the Collection Agents, the Selling Shareholders in consultation with the Joint Global Coordinators will determine the Offer Price, which will be within the Price Range.

The allocation of Offer Shares to Local Applicants shall be completed on a pro-rata basis.

The allocation of Offer Shares to Non-Local Applicants is expected to be determined by the Selling Shareholders in consultation with the Joint Global Coordinators which shall be based on certain criteria and allocation mechanism. The criteria to be considered by the Joint Global Coordinators and Selling Shareholders will include: (i) investor type, including investment profile, investment interest in the Company's sector; (ii) investor size, including assets under management; (iii) qualitative insights on investor behaviour, including participation in previous offerings and holding patterns in previous offerings; (iv) investor participation and engagement in the marketing process of the Offer; and (v) potential for creating post Offer trading liquidity. The above criteria, as well as the level of demand in the Category I Offer may impact the percentage of allocation of the total orders of the Category I Investors.

If there is undersubscription in the Category II Offer (such that it comprises less than 30% of the Offer) and provided that there is oversubscription in the Category I Offer, the Selling Shareholders will make any unsubscribed Offer Shares of Category II Offer available for allocation to the Category I Local Applicants and Non-Local Applicants in the respective proportions outlined above. If the Local Applicants or the Non-Local Applicants, as the case may be, do not take up all of such unsubscribed Offer Shares, those Offer Shares will be reoffered for subscription to the Non-Local Applicants or the Local Applicants within 15 days from the end of Category I Offer period in accordance with the Rules for Pricing Mechanism in Public Offering of Shares, as the case may be, to the extent their oversubscription has not been satisfied. If the demand from Category I Applicants is less than the Offer Shares offered in the Category I Offer, the Offer size may be reduced or the Offer may be withdrawn, in consultation with the CMA.

Immediately after receiving CMA approval of the proposed allotment, (i) the Offer Price will be announced by the Company on the MSX, and (ii) the Issue Manager will send the investor allocation details to the MCDC and the Joint Global Coordinators. The Joint Global Coordinators will notify Category I Applicants of their allocations.

Terms of Payment for Category I Offer

Each Collection Agent will open an escrow account entitled the “OQGN IPO – Category I” account for the collection of the Category I Application Money.

The Issue Manager will open an escrow account entitled the “OQGN IPO – Category I” account to receive the subscription proceeds from the Collection Agents at least two Oman business days prior to Settlement Date. This account will be managed by the Issue Manager for Category I Offer. After deduction of all applicable fees and VAT determined until that date, the Issue Manager for Category I Offer will transfer the net proceeds in such account to the escrow account of the MCDC on the Settlement Date.

Each Category I Applicant shall be required to make full payment for the Offer Shares allotted to them to the designated bank account of the Collection Agents. However, at the time of accepting the Application, the Collection Agent may block the Category I Applicant’s account maintained by the respective Collection Agent for an amount equal to the Category I Application Money.

The Collection Agents will transfer the subscription proceeds at least two Oman business days prior to the Settlement Date, to the designated bank account of the Issue Manager. In the event of failure by a Category I Applicant to make timely payment, the concerned Category I Applicant may incur significant charges and/or enforcement action against it. Prospective investors can pay for their subscription by drawing a demand draft issued by a bank in Oman or by instructing an account transfer for the amount payable at the time stated above.

All Applicants placing orders through the Joint Global Coordinators would be required to fund the escrow account entitled the “OQGN IPO – Category I” of the Issue Manager at least two Oman business days prior to the Settlement Date.

Delivery of the Offer Shares is expected to be made on the Settlement Date to the accounts of the Category I investors through the book-entry facilities operated by the MCDC.

Particulars of the Bank Account of the Category I Applicants

Each Category I Applicant is required to furnish the particulars of its bank account (registered in the name of the Applicant). The Applicant must not use the bank account number of any other person or legal entity.

If the bank account of an Applicant is registered with a bank other than one of the Collection Agents, the Applicant will be required to submit a document to confirm the details of the bank account particulars as provided in the Application. This can be done by submitting any document from the bank of the Applicant that states the account number and name of the account holder. Documents that may be accepted include account statements or a letter or any document issued by the bank confirming this information. The Applicant is responsible for ensuring that the evidence submitted is legible and contains the required information. The Applicant is not obliged to submit any evidence with regard to the accuracy of its bank account if it is subscribing through a Collection Agent where it maintains its account. In this case, the Collection Agent will be required to verify and confirm the correctness of the Applicant’s account through its own system and procedures or through the evidence submitted to it by the Applicant.

The Application containing the bank account number of a person or legal entity other than the Applicant may be rejected.

Category II Offer

30% of the Offer (636,601,716 Offer Shares) will be available for subscription by and allocation to Category II Applicants.

Subscription Process for Category II Applicants
Mode of Application: The Category II Offer process will be conducted through the E-IPO Mechanism.

Collection Agent E-IPO Platform
Applicants will be able to submit Applications to the Collection Agents during official banking working hours on or before the Category II Offer Closing Date. Prospective investors will need to contact a Collection Agent for further guidance on the E-IPO channel provided by the respective Collection Agent.

The Applicant will be required, before completing the Application through E-IPO, to carefully read this Prospectus, including the conditions and procedures governing the E-IPO Application. Copies of this Prospectus will be available to the Applicants through the Collection Agents, on the Company's IPO microsite or can be downloaded from the websites of the CMA and MSX, as follows: www.cma.gov.om and www.msx.om, respectively.

The Category II Application Money will be paid by the Investor as per the terms of the E-IPO Mechanism used by each Collection Agent.

MCDC E-IPO Platform
Applicants can provide their particulars in the E-IPO Platform on the MCDC website (www.mcd.om).

After verifying all the particulars, the Applicant will need to print the E-IPO Application. The Applicant needs to submit the E-IPO Application along with supporting documents and Category II Application Money to one of the Collection Agents. The Applicant will need to contact its respective Collection Agent for further guidance on the E-IPO channel provided by the respective Collection Agent. The Category II Application Money will be paid by the Applicant as per the terms of the E-IPO collection process utilised by each Collection Agent. The Collection Agent will, after verifying the supporting documents and confirming the receipt of the Category II Application Money, validate the E-IPO Application in the E-IPO Platform and share a copy of the acknowledgement of the E-IPO Application with each Applicant. The Applicant needs to ensure that they receive a copy of the acknowledgement from the Collection Agent as a valid proof of their Application.

Applications
The Application must be completed in full in accordance with the instructions contained in this Prospectus. Incomplete Applications may be rejected.

Each Applicant is eligible to submit only one Application. Applications once submitted cannot be cancelled by the Applicant. Submission of a second Application to either the same or to another Collection Agent will be treated as such investor having submitted multiple applications and may result in all Applications submitted by the investor being rejected at any point in time prior to the allotment of Shares in the Offer.

Documentation Required
A copy of a valid power of attorney duly endorsed by the competent legal authorities is required if the subscription is on behalf of another person (with the exception of a subscription made by a father on behalf of his minor children).

Application Money
Along with submission of the Application, all Category II Applicants must make a payment of 100% of the subscription amount, calculated as the total number of Offer Shares applied for multiplied by the Discounted Maximum Price, which is Bzs 126 per Share (the "**Category II Application Money**").

Terms of Payment for Category II
The Collection Agents will open an escrow account for the collection of the Category II Application Money.

This account will be managed by each Collection Agent, who will within the next two Oman business days after the receipt of Category II Application Money transfer the collection proceeds to the common escrow account maintained by the MCDC.

Each Category II Applicant can pay by cash, drawing a demand draft issued by a bank in Oman or instruct an account transfer for the amount payable at the time of submission of the Application.

Refunds
Category II Applicants will be allotted Offer Shares at the Offer Price less a discount of 10 per cent. The Offer Price will be determined by the outcome of the bookbuilding offering to Category I Applicants. Any refunds due to a Category II Applicant will be calculated based on the difference between (i) the Category II Application Money paid

by such Category II Applicant, and (ii) the number of Offer Shares allotted to such Category II Applicant multiplied by the Offer Price less a discount of 10 per cent.

Particulars of the Bank Account of the Category II Applicants
The details of the Applicant's bank account listed in the records of the MCDC will be used for transferring any refund. However, if an Applicant takes a leverage facility for the IPO from a Collection Agent, the refund will be made into the Applicant's loan account with the respective Collection Agent.

Basis of Allotment
Applications received from Category II Applicants will be grouped together to determine the total demand under Category II Offer. The allotment to all Category II Applicants will be made at the Offer Price less a discount of 10 per cent.

If the aggregate demand in the Category II Offer is less than or equal to 30% of the Category II Offer (636,601,716 Offer Shares), the full allotment will be made to the Category II Applicants up to the number of Offer Shares in their valid applications. If the aggregate demand in Category II is less than 30% of the Offer, then after full allocation as above, the balance of the Offer Shares shall be made available to Category I Applicants for allocation at the Offer Price if there is oversubscription in the Category I Offer.

If the aggregate demand in Category II is greater than 30% of the Offer Shares, the CMA may decide that a minimum number of Category II Offer Shares be distributed equally among Category II Applicants, and the remaining Category II Offer Shares shall be allocated on a pro-rata basis.

Allotment Confirmation and Refund of Money for Category II
The MCDC will send an SMS to investors who have been allotted Offer Shares to their mobile number registered with the MCDC after the end of the Category II Offer Period following receipt of the approval of the CMA on the proposed allotments. The MCDC is also expected to commence refunds of any excess money to eligible investors within three Oman business days after receiving the approval of the CMA on the proposed allotments.

Collection Agents Receiving the Applications
- Ahli Bank SAOG;
- Bank Dhofar SAOG;
- Bank Muscat SAOG;
- Bank Nizwa SAOG;
- EFG Hermes Oman LLC (Vision Capital)
- Horizons Capital Markets SAOC;
- National Bank of Oman SAOG;
- Oman Arab Bank SAOG;
- Sohar International SAOG;
- Ubhar Capital SAOC; and
- United Securities LLC.

Acceptance of the Applications
The Issue Manager or the Collection Agents may not accept an Application if:
- the Application does not bear the signature of the Applicant;
- the Application Money is not paid by the Applicant in accordance with the conditions set out in this Prospectus;
- the Application does not include the Applicant's Investor Number registered with the MCDC;
- the Application is submitted in joint names;
- the Applicant is a Sole Proprietorship or trust account;
- the Investor Number furnished in the Application is incorrect;
- the Applicant submits more than one Application in the same name, in which case all of them may be rejected;
- the supporting documents are not enclosed with the Application;
- the Application does not contain all the particulars of the bank account of the Applicant;

- the particulars of the bank account provided for in the Application are found to be incorrect or not relevant to the Applicant, with the exception of Applications submitted in the names of minor children, who are allowed to make use of the particulars of the bank accounts held by their father;
- the power of attorney is not attached to the Application in respect of an Applicant who subscribes on behalf of another person (with the exception of the fathers who subscribe on behalf of their minor children); or
- the Application does not comply with the legal requirements as provided for in this Prospectus.

If the Issue Manager or a Collection Agent receives an Application that does not comply with the procedures set out in this Prospectus, reasonable effort will be taken to contact the investor so that the mistake may be corrected. If the investor does not rectify the Application within a specified period, the Issue Manager or the respective Collection Agent will return the Application together with the Application Money to the prospective investor.

Refusal of Applications

The Issue Manager may reject any Application under any of the conditions referred to above, subject to securing the approval of the CMA and submission of a comprehensive report furnishing the details of the Applications that are rejected and the reasons behind the rejections.

Enquiries and Complaints

Investors who intend to seek clarification or file complaints with regard to issues related to the allotment of Shares or rejected Applications or refund, may contact the Collection Agent through which the subscription was made. The contact details of the Collection Agents are below:

Collection Agent	Contact Names	Postal Address	Contact Details
Ahli Bank SAOG	Duaa Al Zaabi Khalid Al Riyami	P.O. Box: 545, Postal Code 116 Mina Al Fahal Muscat Sultanate of Oman	duaa.alzaabi@ahlibank.om; +968 2457 7922 Khalid.alriyami@ahlibank.om; +968 2457 7824
Bank Dhofar SAOG	Raid Al Zadjali Mohammed Qassim Al Lawati	P.O. Box 1507, Postal Code 112, Ruwi, Muscat, Sultanate of Oman	InvestmentBack-Office-COD@bankdhofar.com ; +968 9664 4227 MIBS-BranchOperations@bankdhofar.com; +968-22653045
Bank Muscat SAOG	Mohammed Najwani Baraa Al Badaai	P.O. Box 134, Postal Code 112 Seeb, Muscat, Sultanate of Oman	Bank Muscat Wholesale Banking Operations BrokerageBackOffice@bankmuscat.com; +968 2476 7950; +968 2476 7173
Bank Nizwa SAOG	Ismail Al Suqri	Beach One Building Shatti al Qurum PO Box 1423, Al Khuwair Postal Code 133 Sultanate of Oman	ismail.alsuqri@banknizwa.om; +968 2465 5530; +968 9329 1608
EFG Hermes Oman LLC (Vision Capital)	Mohammad Gouda	P O Box 712, PC 114, Ruwi, Muscat Sultanate of Oman	mohd.gouda@visioncapital.om; +968 2476 0017 mohammed.m@visioncapital.om; +968 2476 0015
Horizons Capital Markets SAOC	Hamed Al Salti Firdhouse Al Jabri	P.O. Box 685, Postal Code 115 Ruwi, Muscat, Sultanate of Oman	hamed.mo@hcmoman.com; +968 24826053 +968 22850720 frontoffice@hcmoman.com; +968 24826052

National Bank of Oman SAOG	Salim Al Musallami Reem Al Abri	P.O. Box: 751, Postal Code 112 Ruwi, Muscat Sultanate of Oman	nbobackoffice@nbo.om +968 2477 8075; +968 2477 8754
Oman Arab Bank SAOG	Saqar Al Harrasi Ghada Al Raisi	P.O Box 2240, Postal Code 130, Al Udhayabah, Sultanate of Oman	Saker.Al-Harasi@oman-arabbank.com; +968 2475 4526 Ghada.AlRaisi@oman-arabbank.com; +968 2475 4653
Sohar International SAOG	Hussain Al Lawati Amina Al Busaidi	P.O. Box 44, Postal Code 114, Hai Al Mina, Muscat, Sultanate of Oman	Hussain.AlLawati@soharinternational.com; +968 2473 0125 InvestmentSettlementOps@soharinternational.com; +968 2473 0372
Ubhar Capital SAOC	Ahmed Al Marhoon Dawood Al Ali	P.O. Box 1137, Postal Code 111, Muscat, Sultanate of Oman	a.almarhoon@u-capital.net; +968 2494 9021 Dawood@u-capital.net; +968 2494 9060
United Securities LLC	Ayman Al Lawati Osama Shihab	P.O. Box 2566, Postal Code 112 Sultanate of Oman	Ayman@usoman.com; +968 2476 3337 Osama@usoman.com; +968 2476 3329

If the Collection Agent does not respond, the Applicants may contact the Issue Manager whose details are set out below:

Ms. Iman Al Lawati
Bank Muscat SAOG
P.O. Box 134, Postal Code 112, Ruwi, Sultanate of Oman
Email: imanya@bankmuscat.com
Phone: +968 2476 7032

Proposed Timetable

The following table shows the expected timetable for completion of the subscription procedures:

Procedure	Date
Category I Offer Opening Date	26 September 2023
Category II Offer Opening Date	26 September 2023
Category I Offer Closing Date	9 October 2023
Category II Offer Closing Date	5 October 2023
Due date for Collection Agent to receive subscription amounts from Category II Applicants	5 October 2023
Due date for the Issue Manager to receive the subscription data and final registers from the Collection Agent	11 October 2023
Finalization of the Offer Price and notification to the CMA of the outcome of the subscription and the proposed allotments	12 October 2023
Approval of the CMA on the proposed allotment	12 October 2023
Announcement of Offer Price on the MSX and notification of investor allotments / Pricing Date	12 October 2023
Commencement of refund for Category II Applicants	17 October 2023
Due date for Issue Manager to receive Category I subscription amounts from Collection Agents	18 October 2023
Settlement Date	22 October 2023
Commencement of refund for Category I Applicants and dispatch of the notices regarding allotment	22 October 2023
Listing Date	24 October 2023

Listing and Trading of the Offer Shares

The Offer Shares will be listed on the MSX in accordance with the laws and procedures in force on the date the application is made for the listing and registration. The Listing Date is an estimated date and the exact date will be published on the MSX website.

Responsibilities and Obligations

The Issue Manager, the Collection Agents and the MCDC must abide by the responsibilities and obligations set out under applicable law and by the directives and regulations issued by the CMA.

The parties concerned will be required to take remedial measures with regard to the damages arising from any negligence committed in the performance of the functions and responsibilities assigned to them. The Issue Manager and the Collection Agents will be the bodies who are responsible before the regulatory authorities for taking suitable steps and making good such damages.

Eligible Investors

Other than in Oman, no action has been taken or will be taken in any jurisdiction that would permit a public offering of the Offer Shares or the possession, circulation or distribution of this Prospectus or any other material relating to the Company or the Shares, in any country or jurisdiction where action for that purpose is required. Accordingly, the Offer Shares may not be offered or sold, directly or indirectly, nor may this Prospectus or any other offering material or advertisement or other document or information in connection with the Offer Shares be distributed or published, in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction. See "*Selling Restrictions*".

As referenced above, the Offer Shares have not been, and will not be, registered under the Securities Act or with any security regulatory authority of any state of the United States and may not be offered or sold in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

In the United States, the Offer Shares will be sold only to persons reasonably believed to be "qualified institutional buyers" ("**QIBs**") as defined in Rule 144A under the Securities Act ("**Rule 144A**"). Such offers and sales will be made pursuant to Rule 144A or another exemption from, or in a transaction not subject to, the requirements of the Securities Act. All offers and sales of the Offer Shares outside the United States will be made in compliance with Regulation S under the Securities Act and in accordance with applicable law.

In addition, until 40 days after the commencement of the Offer, any offer or sale of Shares within the United States by a dealer, whether or not participating in the Offer, may violate the registration requirements of the Securities Act if that offer or sale is made otherwise than pursuant to an exemption from, or in a transaction not subject to, registration under the Securities Act.

Each investor in the Offer Shares within the United States purchasing pursuant to Rule 144A or another exemption from the registration requirements of the Securities Act will be deemed to have represented and agreed as follows:

a) the purchaser is authorised to consummate the purchase of the Offer Shares in compliance with all applicable laws and regulations;

b) the purchaser: (i) is, and the time of its purchase of any Offer Shares will be, a QIB or a broker-dealer acting for the account of a QIB and (ii) is acquiring the Offer Shares for its own account or for the accounts of one or more QIBs for which it is acting as duly authorised fiduciary or agent with sole investment discretion with respect to each such account and with full authority to make the acknowledgments, representations and agreements herein with respect to each such account (in which case, it hereby makes such acknowledgements, representations and agreements on behalf of such QIBs as well), in each case, for investment and not with a view to any resale or distribution (within the meaning of the United States securities laws) of any such Offer Shares;

c) the purchaser understands and acknowledges that the Offer Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state of the United States and are being offered in the United States only in transactions not involving any public offering in the United States within the meaning of the Securities Act or which are exempt from the registration requirements of the Securities Act;

d) the purchaser acknowledges that sellers of the Offer Shares may be relying on the exemption from the registration requirements of Section 5 of the Securities Act provided by Rule 144A thereunder and that the Offer Shares may not be offered, sold, pledged or otherwise transferred, directly or indirectly, other than in accordance with paragraph (g) below;

e) the purchaser and each other QIB, if any, for whose account it is acquiring the Offer Shares, in the normal course of business, invests in or purchases securities similar to the securities offered hereby, has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of purchasing any Offer Shares for an indefinite period of time and is able to bear such risk for an indefinite period;

f) the investor has: (i) conducted its own investigation with respect to the Company and the Offer Shares; (ii) received all information that it believes is necessary or appropriate in connection with an investment in the Offer Shares; and (iii) made its own assessment and has satisfied itself concerning the relevant tax, legal and other economic considerations relevant to an investment in the Offer Shares;

g) the investor understands and agrees that the Offer Shares may be offered, sold, delivered, hypothecated, pledged or otherwise transferred only (i) pursuant to an effective registration statement under the Securities Act, (ii) to a person whom the seller and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or for the account of a QIB in a transaction meeting the requirements of Rule 144A, (iii) outside the United States, in an "offshore transaction" in compliance with Regulation S (and not in a pre-arranged transaction resulting in the resale of such Offer Shares into the United States) or (iv) in accordance with Rule 144 under the Securities Act, and, in each case, in accordance with all applicable securities laws of the United States, any state or territory thereof and any other relevant jurisdiction;

h) the investor understands that the Offer Shares are "restricted securities" within the meaning of Rule 144(a)(3) and that no representation is made as to the availability of the exemption provided by Rule 144 for resales of any Offer Shares;

i) the investor understands that for as the duration of the time that the Offer Shares are "restricted securities" within the meaning of the U.S. federal securities laws, no such Offer Shares may be deposited into any American depositary receipt facility established or maintained by a depositary bank, other than a Rule 144A restricted depositary receipt facility, and that such Offer Shares will not settle or trade through the facilities of The Depositary Trust Company or any other United States clearing system;

j) none of the Selling Shareholder, the Company, the Joint Global Coordinators or the Collection Agents will recognise any offer, sale, pledge, delivery, hypothecation or other transfer of the Offer Shares made other than in compliance with the above-stated restrictions;

k) the investor has received a copy of this Prospectus and has had access to such financial and other information relating to the Company as it considers necessary in connection with making its own investment decision to purchase the Offer Shares. The purchaser acknowledges that none of the Selling Shareholders, the Company, the Joint Global Coordinators, the Collection Agents or any of their respective representatives has made any representation to it with respect to the Company or the allocation, offering or sale of any Offer Shares other than as set forth in this Prospectus, which has been delivered to it and upon which it is solely relying in making its investment decision with respect to the Offer Shares;

l) the investor also acknowledges that it has made its own assessment regarding the U.S. federal tax consequences of an investment in the Offer Shares; and

m) the investor understands that these representations and undertakings are required in connection with the securities laws of the United States and acknowledges that the Selling Shareholders, the Company, the Joint Global Coordinators, or the Collection Agents and their respective affiliates will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements. The purchaser undertakes to notify the Selling Shareholder, the Company and the Joint Global Coordinators promptly if, at any time prior to the purchase of the Offer Shares, any of the foregoing ceases to be true.

Each investor in the Offer Shares outside the United States will be deemed to have represented, agreed and acknowledged that it has received a copy of this Prospectus and such other information as it deems necessary to make an investment decision and that:

a) the investor is authorised to consummate the purchase of the Offer Shares in compliance with all applicable laws and regulations;

b) the investor acknowledges that the Offer Shares have not been, and will not be, registered under the Securities Act or with any securities regulatory authority of any state, territory or other jurisdiction of the United States, and, subject to certain exceptions, may not be offered or sold within the United States;

c) the investor and the person, if any, for whose account or benefit the purchaser is acquiring the Offer Shares, was located outside the United States at the time the buy order for such Offer Shares was originated and continues to be located outside the United States;

d) the purchaser is not an affiliate of the Company or a person acting on behalf of an affiliate;

e) the Offer Shares have not been offered to the purchaser by means of any "directed selling efforts" as defined in Regulation S under the Securities Act;

f) if the investor is acquiring any Offer Shares as a fiduciary or agent for one or more accounts, the purchaser represents that the purchaser has sole investment discretion with respect to each such account and that the purchaser has full power to make, and does make, the foregoing acknowledgements, representations and agreements on behalf of each such account;

g) the investor understands that any offer, sale, pledge or other transfer of the Offer Shares made other than in compliance with the above-stated restrictions may not be recognised by the Company; and

h) the investor acknowledges that the Company, the Selling Shareholders, the Joint Global Coordinators, the Issue Manager, the Collection Agents and their respective affiliates will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

Chapter XX

Subscription and Sale

The Company, the Selling Shareholders, the Joint Global Coordinators and the Collection Agents have entered into an institutional settlement agreement dated 18 September 2023 with respect to the Offer Shares (the "**Institutional Settlement Agreement**"). Subject to the satisfaction of certain conditions set out in the Institutional Settlement Agreement, including the execution of the Pricing Memorandum (as defined below), each Joint Global Coordinator and Collection Agent has agreed, severally but not jointly, to procure purchasers, or failing which to purchase, the Offer Shares in the Category I Offer on terms specified in the Institutional Settlement Agreement and the Pricing Memorandum. The number of Offer Shares will be determined on the Pricing Date and set out in the Pricing Memorandum. Such number of Shares will also be communicated in a press release to be issued by the Company.

The Price Range is Bzs 131 to Bzs 140 per Share.

The Company will apply for the listing of the Shares on the MSX under the symbol "OQGN".

All commissions to the Joint Global Coordinators and the Collection Agents will be paid by the Selling Shareholders. The expenses of the Offer will be borne by the Selling Shareholders.

Institutional Settlement Agreement

In the Institutional Settlement Agreement, the Company and the Selling Shareholders have made certain representations and warranties and the Company has agreed to indemnify the several Joint Global Coordinators and the Collection Agents against certain liabilities, including liability under the Securities Act. The Joint Global Coordinators and the Collection Agents are offering the Offer Shares on behalf of the Selling Shareholders when, as and if delivered to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the Offer Shares, and other conditions contained in the Institutional Settlement Agreement, such as the receipt by the Joint Global Coordinators and the Collection Agents of officers' certificates and legal opinions.

The several commitments of the Joint Global Coordinators and the Collection Agents to procure investors, or failing which to invest, the Offer Shares in the Category I Offer will be subject to certain conditions precedent, including among others, the execution of a pricing memorandum to the Institutional Settlement Agreement (the "**Pricing Memorandum**") by the Company, the Selling Shareholders and the Joint Global Coordinators setting forth the Offer Price for the Offer Shares and the final number of Offer Shares offered in the Offer. The Pricing Memorandum is expected to be executed on the Pricing Date. The Joint Global Coordinators may terminate the Institutional Settlement Agreement prior to the Settlement Date under certain specified conditions that are typical for an agreement of this nature. If any of such conditions are not satisfied or waived, or the Institutional Settlement Agreement is terminated prior to the Settlement Date, then the Offer will lapse. The Institutional Settlement Agreement shall automatically terminate if Admission does not become effective within seven working days of the proposed Listing Date. Should this occur, then (i) the Offer shall automatically terminate, (ii) the Selling Shareholders shall refund all monies received from investors, and (iii) applicants who purchased Offer Shares in the Offer will be required to return the Offer Shares they have purchased to the Selling Shareholders. For further details, see "*Chapter IV—Risk Factors—Risks Relating to the Offer and to the Shares —The application for listing of the Shares on the MSX may not be successful.*"

Pricing of the Offer

Prior to the Offer, there has been no public market for the Offer Shares. No assurance can be given as to the liquidity of the trading market for the Offer Shares. The Price Range was determined by the Selling Shareholders and the Company, in consultation with the Joint Global Coordinators.

Lock-up Arrangements

Pursuant to the Institutional Settlement Agreement, the Company and each Selling Shareholder has contractually agreed, for a period of 180 calendar days after the Admission, not to (i) directly or indirectly issue, offer, pledge, sell, contract to sell, sell or grant any option, right, warrant, or contract to purchase, exercise any option to sell, purchase any option or contract to sell, or lend or otherwise transfer or dispose of, directly or indirectly, any Shares or other shares of the Company, or securities convertible or exchangeable into or exercisable for any Shares or warrants or other rights to purchase Shares or any security or financial product whose value is determined directly or indirectly by reference to the price of the Offer Shares, (ii) enter into any swap, or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of the Shares, in each case, whether any such transaction is to be settled by delivery of Shares or other securities, in cash or otherwise, or (iii) announce publicly such an intention to effect any such transaction, in each case, without the prior written consent of the Joint Global Coordinators.

In respect of the Selling Shareholders only, the foregoing restriction will not apply to:

i. the sale of the Offer Shares to be sold pursuant to the Offer;

ii. any inter-company transfers of Shares by a Selling Shareholder in favour of its affiliates ("**Transferees**"), provided that: (a) prior to the making of any such transfer, the Transferee shall agree to be bound by the lock-up obligations of the Selling Shareholder; (b) any such intercompany transfers of Shares shall be performed on terms and conditions that do not conflict with the Offer; and (c) in the event that a Transferee ceases to be an affiliate of a Selling Shareholder, the Shares transferred to such Transferee shall, prior to such cessation, be transferred back to such Selling Shareholder;

iii. accepting a general offer made to all holders of Shares then in issue (other than Shares held by the person making the offer or its affiliates) on terms which treat all holders of Shares alike, or executing and delivering an irrevocable commitment or undertaking to accept such a general offer (without any further agreement to transfer or dispose of any Shares or any interest therein);

iv. taking up any rights granted in respect of a pre-emptive share offering by the Company in order to sell a sufficient number of its rights in order to acquire the balance of its rights;

v. selling or otherwise disposing of Shares pursuant to any offer by the Company to purchase its own Shares which is made on identical terms to all holders of Shares in the Company;

vi. any disposal by and/or allotment and issue of shares to a Selling Shareholder pursuant to any capital reorganisation in respect of any Shares beneficially owned, held or controlled by such Selling Shareholder, provided that any shares issued to or otherwise acquired by such Selling Shareholder pursuant to such capital reorganisation shall be subject to the lock-up restrictions; or

vii. transferring or otherwise disposing of Shares pursuant to a compromise or arrangement between the Company and its creditors or any class of them or between the Company and its members of any class of them which is agreed to by the creditor or members and (where required) sanctioned by any applicable authority.

Anchor Investors

On 14 September 2023, each of the Anchor Investors entered into an Anchor Investment Agreement with the Company and OQ (together, the "**Anchor Investment Agreements**" and each an "**Anchor Investment Agreement**").

The Company has received irrevocable commitments from the Anchor Investors, subject to the terms and conditions contained within the Anchor Investment Agreements, to subscribe to the Offer at the Maximum Price (as defined below). The following table provides details regarding such subscriptions:

Name of Anchor Investor	**Number of Offer Shares Subscribed for at the Maximum Price**	**Subscription Amount at the Maximum Price (OMR)**	**% of Offer**
Saudi Omani Investment Company(1)	212,200,572	29,708,080	10%
Fluxys International SA/NV	212,200,572	29,708,080	10%
Falcon Investments LLC(2)	212,200,572	29,708,080	10%
Total	**636,601,716**	**89,124,240**	**30%**

Note:
(1) Saudi Omani Investment Company is a wholly owned entity of the Public Investment Fund of the Kingdom of Saudi Arabia.
(2) Falcon Investments LLC is a subsidiary of Qatar Investment Authority, the sovereign wealth fund of the State of Qatar.

The Anchor Investment Agreements are subject to certain customary conditions precedent being satisfied, including execution of the Institutional Settlement Agreement by the parties thereto, approval of the Prospectus by the CMA and publication of the Prospectus by the Company. The Anchor Investment Agreements will terminate automatically if the Institutional Settlement Agreement is terminated pursuant to its terms, and the Anchor Investment Agreements may be terminated if there is a material breach of a fundamental term thereof, by mutual consent of the parties thereto or if the conditions have not been fulfilled or waived on or before 13 November 2023 or such other date as may be agreed between the Company, OQ and the Anchor Investors. The Offer Shares to be acquired by the Anchor Investors will rank *pari passu* with all other Offer Shares sold in the Offer.

Pursuant to the terms of the Anchor Investment Agreements, each Anchor Investor has agreed, *inter alia*, that it shall not for the period from the date of its Anchor Investment Agreement until the date falling 90 days following the date of Admission, offer, sell or contract to sell, transfer or otherwise dispose of, directly or indirectly, or announce an offer of any Shares it has acquired under its Anchor Investment Agreement (or any interest therein in respect thereof) or enter into any transaction with the same economic effect as any of the foregoing. The Offer Shares purchased in the Offer by an Anchor Investor will be held in such Anchor Investor's account with the MCDC and shall be locked and not tradeable for the duration of the 90 day lock-up period commencing from the date of Admission.

Other Relationships

In connection with the Offer, each of the Joint Global Coordinators and the Collection Agents and any affiliate, may take up Offer Shares in the Offer as a principal position and in that capacity may retain, purchase or sell for its own account such Offer Shares and any related investments and may offer or sell such Offer Shares or other investments otherwise than in connection with the Offer. Accordingly, references in this Prospectus to the Offer Shares being offered or placed should be read as including any offering or placement of Offer Shares to the Joint Global Coordinators and the Collection Agents and any affiliate acting as an investor for its own account. In addition, certain of the Joint Global Coordinators and the Collection Agents or their affiliates may enter into financing arrangements (including swaps, warrants or contracts for differences) with investors in connection with which the Joint Global Coordinators and the Collection Agents (or their affiliates) may from time to time acquire, hold or dispose of Shares. None of the Joint Global Coordinators and the Collection Agents intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

Moreover, in the course of their business with the Company and with parties affiliated with the Company (including the Selling Shareholders), the Joint Global Coordinators and the Collection Agents and/or their respective affiliates may have from time to time been engaged, and may in the future engage, in commercial banking, lending, trading, hedging, investment banking and financial advisory and ancillary activities, for which they have received, and may in the future receive, customary compensation. In respect of the aforementioned, the sharing of information is generally restricted for reasons of confidentiality, by internal procedures or by rules and regulations. As a result of any such transactions, any Joint Global Coordinator or Collection Agent may have interests that may not be aligned, or could potentially conflict, with the interests of holders of Offer Shares or with the interests of the Company or the Selling Shareholders.

Chapter XXI

Bookbuilding Process

Background

The Offer has been structured into two parts: a bookbuild portion, targeting Category I Applicants, and a fixed price offering, targeting Category II Applicants. The Category I Offer Period will commence on 26 September 2023 and end on 9 October 2023. The Category II Offer Period will commence on 26 September 2023 and end on 5 October 2023.

Bookbuilding is a method used to determine the share price of an offering, based on actual demand. It is an interactive mechanism by which institutional investors relay indications of demand and price preference to the bookrunners. Unlike "fixed price" offerings where there is only one price for the shares offered, it is important to note that this Offer was launched with a Price Range (i.e., a maximum and minimum price per Offer Share), which will be used to determine the Offer Price through the bookbuild process. Bookbuilding is used extensively in other international markets, and has been used within Oman for certain offerings.

The Joint Global Coordinators gathered feedback from potential Category I Applicants on their views on the positioning of the Company, its strengths and weaknesses and the valuation of the Company. The Selling Shareholders evaluated the information collected during this stage with the Joint Global Coordinators to determine the Price Range.

During the Category I Offer, the Selling Shareholders, in consultation with the Joint Global Coordinators, will use the information received from Category I Applicants to determine the Offer Price, thus balancing demand and price and taking into account market conditions and the Category I Applicants' assessment of the Company's valuation. On the closing of the Category I Offer Period, the Joint Global Coordinators and the Selling Shareholders will meet to examine the Application book, including the aggregate demand and the number of Offer Shares demanded at each price within the Price Range and agree on the Offer Price.

The Category II Offer will follow the usual subscription process for a fixed price offering, except that:

- Category II Applicants will place their Applications with the Collection Agents based on a fixed price; such fixed price will be the Discounted Maximum Price.
- The allocation to Category I Applicants will be at the Offer Price as discovered in the bookbuild offering (as detailed above). The allocation to Category II Applicants will be at the Offer Price less a discount of 10 per cent.
- Any refunds due to a Category II Applicant will be calculated based on the difference between (i) the Category II Application Money paid by such Category II Applicant, and (ii) the number of Offer Shares allotted to such Category II Applicant multiplied by the Offer Price less a discount of 10 per cent.

Allocation process

The allocation of Offer Shares to Local Applicants shall be completed on a pro-rata basis. The allocation of Offer Shares to Non-Local Applicants is expected to be determined by the Selling Shareholders in consultation with the Joint Global Coordinators which shall be based on certain criteria and allocation mechanism. The criteria to be considered by the Joint Global Coordinators and Selling Shareholders will include: (i) investor type, including investment profile, investment interest in the Company's sector; (ii) investor size, including assets under management; (iii) qualitative insights on investor behaviour, including participation in previous offerings and holding patterns in previous offerings; (iv) investor participation and engagement in the marketing process of the Offer; and (v) potential for creating post Offer trading liquidity. The above criteria, as well as the level of demand in the Category I Offer may impact the percentage of allocation of the total orders of the Category I Investors.

Refer to Basis of Allotment in *Chapter XIX– Subscription Conditions and Procedures* for further detail on the allocation procedure for Category II Offer.

Chapter XXII

Taxation

Prospective investors are advised to consult their tax advisers as to the consequences, under the tax laws of the countries of their respective citizenship, residence, ordinary residence or domicile, of an investment in the Company and the Shares. This summary is based upon the law as in effect on the date of this Prospectus and is subject to any changes in law that might take effect after such date.

Oman

The statements herein regarding taxation are based on the tax laws (specially the Oman Income Tax Law (promulgated by Royal Decree 28/2009) (the "**Oman Income Tax Law**") (as amended by Royal Decree 09/2017 and by Royal Decree 118/2020, the "**Tax Amendments**") and the Executive Regulation on the Oman Income Tax Law issued by the Ministerial Decision No. 30/2012 ("**Executive Tax Regulations**")) in effect in Oman as at the date of this Prospectus and are subject to any changes of law occurring after such date. The following is a summary only of the material Omani tax consequences of ownership of the Shares by potential investors who are not Oman Tax Residents (as defined below).

The following summary does not purport to be a comprehensive description of all the tax considerations and is not intended to reflect the individual tax position of any owner, which may be relevant to a decision to purchase, own or dispose of the Shares and does not purport to deal with the tax consequences applicable to all categories of investors, some of which may be subject to special rules. This summary is based upon laws, regulations, rulings and decisions now in effect, all of which are subject to change. Prospective purchasers of the Shares are advised to consult their own tax advisers concerning the overall tax consequences of their acquiring, holding, and disposing of the Shares, including in particular the effect of any local laws.

Withholding Taxes in Oman

Pursuant to Article 52 of the Oman Income Tax, withholding tax is payable on the following categories of income earned in Oman:

(a) royalties;
(b) consideration for conducting research and development;
(c) consideration for using or the right to use computer programs;
(d) fees in consideration for management or performance of services; and
(e) payment of dividends on shares or interest.

Royal Decree 9/2017 amended the Oman Income Tax Law to include payments to non-resident persons towards "provision for services" as part of the specified payments that are subject to withholding tax. On 01 March 2018, the tax authority clarified that withholding tax on services is applicable, irrespective of whether the services are performed in Oman or abroad.

The Tax Decision amending the Executive Regulation clarified some of the above provisions. The amended Executive Regulations define the term "realised in Oman" to mean "whenever the source of such funds is from Oman", which could possibly mean that the payer happens to be a taxpayer in Oman. Further, the Executive Regulations have excluded the following seven categories of payments from "payment in considerations of rendering services", for withholding tax purposes:

- conferences, seminars or exhibitions;
- training;
- transport and shipping of goods and insurance thereupon;
- airline tickets and cost of staying abroad;
- board meetings;
- payments for re-insurance; and
- services rendered in relation to any activity or property located outside Oman.

In view of the above exclusions, it would be implied that all other services except the above exclusions, irrespective of the place of rendition are now subject to withholding tax in Oman.

Withholding tax shall not be levied on the gross amount of the aforementioned categories of income paid or credited to the account of any Oman-based "tax residents", as such term is defined under Article 18 (bis) of the Oman Income Tax Law as being: "...*(1) a natural person residing in Oman during a fiscal year, provided that they have been present within Oman for a period for 183 consecutive or non-consecutive days during the fiscal year, (2) a corporate person residing in Oman during the fiscal year, provided that it meets any of the following criteria: (a) that it has been established in Oman as per the laws and Royal Decrees in force therein, or (b) that its main or actual headquarters is located in Oman*" ("**Oman Tax Residents**"). However, withholding tax shall be levied on the gross amount of the aforementioned categories of income paid or credited to the account of any persons who are not Oman Tax Residents in the cases specified in Article 40, read with Article 53, of the Oman Income Tax Law if such persons do not have a permanent establishment in Oman.

Additionally, the Tax Amendments extend the requirement to deduct withholding tax payable pursuant to Article 53bis to any Ministry, authority, public institution or other public juristic person or unit of the administrative apparatus of Oman. The applicable tax rate is 10 per cent of the gross amount paid or credited to the account of the persons specified above.

Oman-registered institutional investors are Oman Tax Residents and, therefore, will not be subject to Omani withholding tax. However, offshore institutional investors who are not Oman Tax Residents shall be subject to withholding tax, regardless of whether or not they are owned by Oman Tax Residents.

The CMA on 15 May 2019 announced that, on the basis of a Royal directive, withholding tax applicable to dividends and interest on foreign borrowings was to be suspended for a period of three years effective from 6 May 2019 (the "**2019 Tax Suspension**"). The Secretariat General for Taxation (currently, the Oman Tax Authority) subsequently issued an open letter to Ernst and Young on 11 June 2019 confirming the 2019 Tax Suspension. No copy of the aforementioned Royal directive has been available for public inspection.

The 2019 Tax Suspension was extended under the Economic Stimulus Plan ("**ESP**") approved by Oman's Council of Ministers presided by His Majesty Sultan Haitham bin Tarek on 9 March 2021. While this extension was not published by way of a Royal Decree in the Official Gazette of Oman, Omani media outlets reported on 9 March 2021 that the ESP suspension of the application of the withholding tax on dividend distributions and interest amounts had been extended for a period of five years with effect from 2020 (the "**2021 Tax Suspension**"). On 11 January 2023, His Majesty Sultan Haitham bin Tarek issued a further Royal Directive under which it was announced that withholding tax would no longer apply to dividend distributions and interest amounts (the "**2023 Royal Directive**", and together with the 2019 Tax Suspension and the 2021 Tax Suspension, the "**Tax Suspensions**"). While there has been no official confirmation in the form of a Royal Decree of the 2023 Directive, details were published online by the Omani Ministry of Interior.

As a result of the Tax Suspensions, no withholding tax will be applicable to dividend payments made by the Company to holders of the Shares who are not Oman Tax Residents for as long as the withholding tax suspension under the 2023 Royal Directive is effective.

It is not clear whether fees in consideration for management or performance of services would include any arrangement fee, commitment fee or agency fee. Further, it is also not clear whether these fees would be considered as a service for the purposes of withholding tax. In case, these fees are regarded a management fee or fee for performance of services, the suspension of the withholding tax on interest would not apply to these fees and hence, the same would be subject to withholding tax.

Corporate Income Tax

Tax in Oman is governed by the Oman Income Tax Law and various other Royal Decrees and Ministerial decisions.

Tax is charged on business establishments owned by individuals, companies incorporated in Oman and permanent establishments (registered / unregistered branches) of foreign persons.

Under the Oman Income Tax Law, the Company is subject to the normal corporate income tax rate of 15 per cent of its income.

Every taxable entity is required to file a final return of income for every tax year together with the audited financial statements which should be prepared in accordance with the International Financial Reporting Standards.

Oman has entered into a comprehensive double taxation treaty with 35 countries (effective treaties) which include the United Kingdom, France and Spain, among others.

Capital Gains Taxes in Oman

Under the Oman Income Tax Law, gains on the sale or redemption of the Shares by shareholders who are residents or are deemed to have a permanent establishment in Oman will be subject to a tax of 15 per cent of their annual taxable gain from such sale or redemption, if such income (i) forms part of such shareholder's business profits which are realised in Oman and are recorded as having been realised as such in its financial statements, and (ii) such shareholders are not otherwise exempted under the Oman Income Tax Law. Consequently, any profit or gain realised by a shareholder as a result of the sale of the Shares shall constitute part of the shareholder's taxable income in Oman only where such proceeds are attributable to the shareholder's permanent establishment in Oman and are recorded as such in its financial statements. A shareholder who is neither resident in nor deemed to have permanent establishment in Oman will not be liable for such tax. For the avoidance of doubt, a shareholder will not be deemed to have a permanent establishment in Oman on the sole basis of its ownership of the Shares.

Value Added Tax in Oman

On 12 October 2020, His Majesty Sultan Haitham bin Tarek Al Said issued Royal Decree 121/2020 promulgating the law on value added tax (the "**VAT Law**"). The VAT Law was published in the Official Gazette of Oman on 18 October 2020 and came into effect on 16 April 2021. The VAT Law imposes a value added tax at a base rate of 5 per cent. on most goods and services exported to or imported from Oman. On 4 January 2021, the Oman Tax Authority issued three decisions in relation to the VAT Law, the first of which determines the monetary thresholds for mandatory and voluntary registration, the second provides a list of food items that are zero rated and the third determines a schedule for mandatory tax registration for taxable persons. On 10 March 2021, the Oman Tax Authority issued the executive regulations to the VAT Law. Between March and April 2021, two further decisions (No. 59/2021 and No. 65/2021) were issued in relation to VAT, providing a list of further food items and medical supplies that are zero rated. On 7 July 2021, Royal Decree 50/2021 was issued to ratify the Unified Agreement for Value Added Tax for the States of the Cooperation Council for the Arab States of the Gulf, dated 27 November 2016.

Certain United States Federal Income Tax Considerations

The following is a discussion of certain U.S. federal income tax consequences to U.S. Holders (defined below) of acquiring, owning and disposing of our Offer Shares, but it does not purport to be a comprehensive discussion of all tax considerations that may be relevant to a particular person's decision to acquire Offer Shares. This discussion applies only to a U.S. Holder that acquires Offer Shares in the Offer and that owns Offer Shares as capital assets for U.S. federal income tax purposes. This discussion is based on the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), its legislative history, U.S. Treasury regulations promulgated under the Code, and administrative rulings and judicial interpretations thereof, in each case as in effect of the date of this Prospectus. All of the foregoing authorities are subject to change, which change could apply retroactively and could affect the tax consequences described below. No ruling will be sought from the U.S. Internal Revenue Service (the "**IRS**") with respect to any statement or conclusion in this discussion, and there can be no assurance that the IRS will not challenge such statement or conclusion in the following discussion or, if challenged, that a court will uphold such statement or conclusion.

In addition, this discussion does not describe all of the tax consequences that may be relevant in light of a U.S. Holder's particular circumstances, including any U.S. state, local or non-U.S. tax law, the Medicare tax on net investment income, and any estate or gift tax laws, and it does not describe differing tax consequences applicable to U.S. Holders subject to special rules, such as:

- certain banks or financial institutions;
- regulated investment companies and real estate investment trusts;
- dealers or traders in securities that use a mark-to-market method of tax accounting;

- insurance companies;
- persons holding Offer Shares as part of a hedge, straddle, conversion, constructive sale, integrated transaction or similar transaction;
- persons liable for the alternative minimum tax;
- persons required for U.S. federal income tax purposes to accelerate the recognition of any item of gross income with respect to our Offer Shares as a result of such income being recognized on an applicable financial statement;
- persons whose functional currency for U.S. federal income tax purposes is not the US Dollar;
- entities or arrangements classified as partnerships or pass-through entities for U.S. federal income tax purposes or holders of equity interests therein;
- tax-exempt entities, "individual retirement accounts" or "Roth IRAs";
- certain U.S. expatriates;
- persons that own, directly, indirectly or constructively, ten percent (10%) or more of the total voting power or value of all of our outstanding stock; or
- persons owning Offer Shares in connection with a trade or business conducted outside the United States.

U.S. Holders should consult their tax advisors concerning the U.S. federal, state, local and non-U.S. tax consequences of acquiring, owning and disposing of Offer Shares in their particular circumstances.

For purposes of this discussion, a "U.S. Holder" is a person that, for U.S. federal income tax purposes, is a beneficial owner of Offer Shares and is:

- an individual citizen or resident of the United States;
- a corporation, or other entity taxable as a corporation, created or organized in or under the laws of the United States, any state therein or the District of Columbia;
- an estate, the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust if a court within the United States is able to exercise primary supervision over its administration and one or more United States persons have the authority to control all substantial decisions of the trust or otherwise if the trust has a valid election in effect under current Treasury regulations to be treated as a United States person.

If an entity or arrangement that is classified as a partnership for U.S. federal income tax purposes owns Offer Shares, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and the status and activities of the partnership. Partnerships owning Offer Shares and partners in such partnerships should consult their tax advisors as to the particular U.S. federal income tax consequences of acquiring, owning and disposing of the Offer Shares.

THE DISCUSSION OF U.S. FEDERAL INCOME TAX CONSIDERATIONS SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. ALL PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS CONCERNING THE TAX CONSEQUENCES OF THE ACQUISITION, OWNERSHIP, OR DISPOSITION OF OFFER SHARES IN LIGHT OF THEIR PARTICULAR CIRCUMSTANCES, INCLUDING THE APPLICABILITY AND EFFECT OF OTHER FEDERAL, STATE, LOCAL, NON-U.S. AND OTHER TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.

Taxation of Distributions

Subject to the discussion below under *"—Passive Foreign Investment Company Rules*," the gross amount of any distribution of cash or property paid with respect to our Offer Shares (including any amounts withheld in respect of Omani taxes), will generally be included in a U.S. Holder's gross income as dividend income on the date actually or constructively received to the extent such distribution is paid out of our current or accumulated earnings and profits (as determined under U.S. federal income tax principles). Distributions in excess of our current and accumulated earnings and profits will be treated first as a non-taxable return of capital, thereby reducing the U.S. Holder's adjusted tax basis in our Offer Shares (but not below zero), and thereafter as either long-term or short-term capital gain depending upon whether the U.S. Holder held our Offer Shares for more than one year as of the time such distribution is actually or constructively received. Because we do not prepare calculations of our earnings and profits using U.S. federal income tax principles, it is expected that distributions generally will be taxable to U.S. Holders as dividends, and taxable at ordinary income tax rates.

Dividends on our Offer Shares generally will not be eligible for the dividends-received deduction generally available to U.S. corporations with respect to dividends received from other U.S. corporations. Additionally, because our Offer Shares are not tradable on an established securities market in the United States and there is no income tax treaty between Oman and the United States, we do not expect that dividends we pay will give rise to "qualified dividend income" eligible for reduced rates of taxation available to certain non-corporate U.S. Holders. The amount of any dividend paid in Omani Rials will be the US Dollar value of the Omani Rials calculated by reference to the spot rate of exchange in effect on the date of actual or constructive receipt, regardless of whether the payment is in fact converted into US Dollars on such date. U.S. Holders should consult their own tax advisors regarding the treatment of any foreign currency gain or loss.

A U.S. Holder may be entitled, subject to certain limitations, to a credit against its U.S. federal income tax liability, or to a deduction, if elected, in computing its U.S. federal taxable income, for non-refundable non-U.S. income taxes withheld from dividends. Recently issued U.S. Treasury regulations require non-U.S. income tax laws to meet certain requirements in order for taxes imposed under such laws to be eligible for credit. The Company has not determined whether these requirements have been met with respect to any such non-U.S. withholding taxes. A recent notice from the IRS indicates that the Treasury and the IRS are considering proposing amendments to such regulations and allows, subject to certain conditions, taxpayers to defer the application of many aspects of such regulations for taxable years ending on or before December 31, 2023 (the notice also indicates that the Treasury and the IRS are considering whether, and under what conditions, to provide additional temporary relief for later taxable years). For purposes of the foreign tax credit limitation, dividends paid by the Company generally will constitute foreign source income in the "passive category income" basket. The rules relating to the foreign tax credit or deduction, if elected, are complex and U.S. Holders should consult their tax advisors concerning their availability in their particular circumstances.

Sale or Other Taxable Disposition of Common Shares

Subject to the discussion below under *"—Passive Foreign Investment Company Rules*," a U.S. Holder generally will recognize gain or loss for U.S. federal income tax purposes on the sale, exchange or other taxable disposition of our Offer Shares in an amount equal to the difference between the amount realized on the disposition and the U.S. Holder's adjusted tax basis in the Offer Shares disposed of, in each case as determined in US Dollars. Such gain or loss generally will be capital gain or loss and will be long-term capital gain or loss if the U.S. Holder's holding period for the Offer Shares exceeds one year. Long-term capital gains of certain non-corporate U.S. Holders (including individuals) are generally eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations.

A U.S. Holder's initial tax basis in our Offer Shares will be the US Dollar value of the Omani Rials denominated purchase price determined on the date of purchase, and the amount realized on a sale, exchange or other taxable disposition of our Offer Shares will be the US Dollar value of the payment received determined on the date of disposition. If our Offer Shares are treated as traded on an "established securities market," a cash method U.S. Holder or, if it elects, an accrual method U.S. Holder, will determine the US Dollar value of (i) the cost of such Offer Shares by translating the amount paid at the spot rate of exchange on the settlement date of the purchase, and (ii) the amount realized by translating the amount received at the spot rate of exchange on the settlement date of the sale, exchange or other taxable disposition. Such an election by an accrual method U.S. Holder must be applied consistently from year to year and cannot be revoked without the consent of the IRS. Accrual-method U.S. Holders that do not elect to be treated as cash-method taxpayers for this purpose may have a foreign currency gain or loss for U.S. federal income tax purposes, which in general will be treated as U.S.-source ordinary income or loss. U.S. Holders should consult their advisors as to the U.S. federal income tax consequences of the receipt of Omani Rials.

For purposes of the foreign tax credit limitations, capital gains generally will constitute foreign source income in the "passive category income" basket. Prospective purchasers should consult their tax advisers as to the foreign tax credit and other U.S. federal income tax implications (including the determination of the amount realized) in the case Omani taxes are imposed on disposition gains in their particular circumstances.

Passive Foreign Investment Company Rules

In general, a corporation organized outside the United States will be treated as a passive foreign investment company ("**PFIC**") for U.S. federal income tax purposes in any taxable year in which (a) 75% or more of its gross income is passive income (the "**income test**"), or (b) 50% or more of its assets by value either produce passive income or are held for the production of passive income, based on the quarterly average of the fair market value of such assets (the "**asset test**"). For this purpose, "gross income" generally includes all sales revenues less the cost of goods sold, plus income from investments and from incidental or outside operations or sources, and "passive income" generally includes, for example, dividends, interest, certain rents and royalties, certain gains from the sale of stock and securities, and certain gains from commodities transactions. For purposes of the PFIC income test and asset test described above, if the Company owns, directly or indirectly, 25% or more of the total value of the outstanding shares of another corporation, the Company will be treated as if it (a) held a proportionate share of the assets of such other corporation, and (b) received directly a proportionate share of the income of such other corporation.

Our most significant assets include the Amended Concession Agreement, concession receivables and contract assets (the "**Concession Assets**"). Pursuant to the Amended Concession Agreement, we have been granted the right to own, acquire, finance, design, construct, operate, maintain, repair and augment the Natural Gas Transportation Network. Although a significant portion of the income received in respect of the Concession Assets is classified as finance income for financial accounting purposes, we believe such income should be treated as income received in exchange for services and therefore as non-passive income for purposes of the PFIC income test and asset test. Based on the nature of our business, the composition of our income and assets, the value of our assets, the expected price of our Offer Shares, and assuming income received in respect of the Concession Assets is respected as non-passive income, we do not believe that we were a PFIC for the 2022 taxable year, or expect that we will be a PFIC for our current taxable year or in the foreseeable future. However, because a determination of whether a company is a PFIC must be made annually after the end of each taxable year and the Company's PFIC status for each taxable year will depend on facts, including the composition of Company's income and assets and the value of Company's assets (which may be determined in part by reference to the market value of the Offer Shares) at such time, and because the application of the PFIC rules is not entirely clear, there can be no assurance that the Company will not be a PFIC for the current or any future taxable year. If the Company is a PFIC for any taxable year during which a U.S. Holder holds Offer Shares and any of the Company's non-U.S. subsidiaries is also a PFIC, such U.S. Holder will be treated as owning a proportionate amount (by value) of the shares of the lower-tier PFIC for purposes of the application of these rules. U.S. Holders are urged to consult their tax advisors about the application of the PFIC rules to any of the Company's subsidiaries.

Generally, if the Company is a PFIC for any taxable year during which a U.S. Holder holds Offer Shares, the U.S. Holder may be subject to adverse tax consequences. Generally, gain recognized by a U.S. Holder upon a disposition (including, under certain circumstances, a pledge) of Offer Shares by the U.S. Holder would be allocated ratably over the U.S. Holder's holding period for such Offer Shares. The amounts allocated to the taxable year of disposition and to years before the Company became a PFIC would be taxed as ordinary income. The amount allocated to each other taxable year would be subject to tax at the highest rate in effect for that taxable year for individuals or corporations, as appropriate, and an interest charge would be imposed on the tax attributable to the allocated amount. Further, to the extent that any distribution received by a U.S. Holder on the Offer Shares exceeds 125% of the average of the annual distributions on such Offer Shares received during the preceding three years or the U.S. Holder's holding period, whichever is shorter, that distribution would be subject to taxation in the same manner as gain, described immediately above. Certain elections may be available that would result in alternative treatments of the Offer Shares if the Company was a PFIC.

If the Company was a PFIC for any year during which a U.S. Holder owned Offer Shares, the Company would generally continue to be treated as a PFIC with respect to such U.S. Holder for all succeeding years during which such U.S. Holder held the Offer Shares, even if the Company ceased to meet the threshold requirements for PFIC status.

If a U.S. Holder owns our Offer Shares during any year in which we are a PFIC, the U.S. Holder generally will be required to file an IRS Form 8621 annually with respect to the Company, generally with the U.S. Holder's U.S. federal income tax return for that year unless specified exceptions apply.

U.S. Holders should consult their tax advisors regarding our PFIC status for any taxable year and the potential application of the PFIC rules.

Information Reporting and Backup Withholding

Payments of dividends and sales proceeds from a sale, exchange or other taxable disposition (including redemption) of our Offer Shares that are made within the United States, by a U.S. payor or through certain U.S.-related financial intermediaries to a U.S. Holder generally are subject to information reporting, unless the U.S. Holder is a corporation or other exempt recipient. In addition, such payments may be subject to backup withholding, unless (1) the U.S. Holder is a corporation or other exempt recipient, or (2) the U.S. Holder provides a correct taxpayer identification number and certifies that it is not subject to backup withholding in the manner required.

Backup withholding is not an additional tax. The amount of any backup withholding from a payment to a U.S. Holder will generally be allowed as a credit against the U.S. Holder's U.S. federal income tax liability or may entitle the U.S. Holder to a refund, provided that the required information is timely furnished to the IRS.

Foreign Financial Asset Reporting

Certain U.S. Holders who are individuals or certain specified entities that own "specified foreign financial assets" with an aggregate value in excess of U.S.$50,000 (and in some circumstances, a higher threshold) may be required to report information relating to the Offer Shares by attaching a complete IRS Form 8938, Statement of Specified Foreign Financial Assets (which requires U.S. Holders to report "foreign financial assets," which generally include financial accounts held at a non-U.S. financial institution, interests in non-U.S. entities, as well as stock and other securities issued by a non-U.S. person), to their tax return for each year in which they hold our Offer Shares, subject to certain exceptions (including an exception for our Offer Shares held in accounts maintained by U.S. financial institutions). U.S. Holders should consult their tax advisors regarding their reporting obligations with respect to their acquisition, ownership, and disposition of the Offer Shares.

Chapter XXIII

Legal Matters

Certain legal matters with respect to the Offer will be passed upon for the Company by White & Case LLP and Al Busaidy Mansoor Jamal & Co. Certain legal matters with respect to the Offer will be passed upon for the Joint Global Coordinators and Collection Agents by Linklaters LLP and Al Maamary, Al Abri & Co.

Chapter XXIV

Independent Auditors

The financial statements of the Company as at and for the years ended 31 December 2022 and 31 December 2021 included in this Prospectus, have been audited in accordance with IFRS by KPMG LLC, independent auditors, as stated in their reports appearing herein.

With respect to the Company's unaudited condensed interim financial statements for the periods ended 30 June 2023 and 2022 included herein, KPMG LLC have reported that they have applied limited procedures in accordance with professional standards for a review of such information. However, their separate report included herein states that they did not audit and they do not express an opinion on those condensed interim financial statements. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied.

Chapter XXV

Historical Financial Statements

Unaudited condensed interim financial statements as at and for six months ended 30 June 2023

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OQ GAS NETWORKS SAOC

Report and condensed interim financial statements for the period ended 30 June 2023

Registered office

P.O Box 799, P.C 133
Al Khuwair, Bousher, Muscat
Sultanate of Oman

OQ GAS NETWORKS SAOC

Report and condensed interim financial statements for the period ended 30 June 2023

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KPMG

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Independent Auditors' Report on Review of Condensed Interim Financial Statements

To the Shareholders of OQ Gas Networks SAOC

Introduction

We have reviewed the accompanying condensed interim statement of financial position of OQ Gas Networks SAOC ("the Company") as at 30 June 2023, the condensed interim statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six month period then ended, and notes to the condensed interim financial statements. Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements as at 30 June 2023 are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

8 August 2023

KPMG
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Children's Public Library Building
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P O Box 641, PC 112
Sultanate of Oman
CR.No: 1358131

KPMG

KPMG LLC

CR No. 1358131
Tax Card No. 8063052

Condensed interim statement of profit or loss and other comprehensive income

for the six months period ended 30 June 2023 (unaudited)

	Notes	2023 RO	2022 RO
Income			
Revenue	7	**38,318,710**	36,207,682
Finance income	11	**45,149,101**	34,809,814
Other income	10	**1,532,979**	1,962,574
		85,000,790	72,980,070
Expenses			
Construction costs		**(21,984,576)**	(20,233,501)
Operating expenses	8	**(11,220,486)**	(11,584,188)
Administrative expenses	9	**(4,973,078)**	(6,434,167)
Finance cost	11	**(9,370,342)**	(7,422,213)
		(47,548,482)	(45,674,069)
Profit before income tax		**37,452,308**	27,306,001
Taxation	12	**(4,371,387)**	(3,922,061)
Profit for the period		**33,080,921**	23,383,940
Other comprehensive loss:			
Items that will not be reclassified to profit or loss			
Defined benefit obligation actuarial loss	24	**(15,269)**	(105,010)
Items that are or may be reclassified subsequently to profit or loss			
Effective portion of changes in fair value of cash flow hedges - net of tax	28	**385,188**	4,298,448
Reclassified to statement of profit or loss on termination of hedge		**(8,769,328)**	-
Other comprehensive income for the period		**(8,399,409)**	4,193,438
Total comprehensive income for the period		**24,681,512**	27,577,378
Basic and diluted earnings per share	30	**0.008**	0.005

The notes on pages 6 to 28 form an integral part of these condensed interim financial statements.

The independent auditors' review report on the condensed interim financial statements is set forth on page 1.

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OQ GAS NETWORKS SAOC

Condensed statement of financial position
As at

Assets	Notes	30 June 2023 RO (Unaudited)	31 December 2022 RO (audited)
Non-current assets			
Concession receivables	13	770,540,984	782,487,965
Contract assets	14	204,399,461	184,092,430
Right of use assets	15	8,276,122	8,645,236
Investment properties	16	4,935,218	985,783
Deferred tax asset	12	2,674,176	2,838,186
Derivatives	28	-	4,638,938
Total non-current assets		990,825,961	983,688,538
Current assets			
Concession receivables	13	28,125,307	32,582,564
Inventories	17	2,220,833	2,127,206
Trade and other receivables	18	26,523,419	25,263,862
Advances to contractors		4,223,157	5,272,132
Derivatives	28	-	5,224,757
Short term deposits	19	-	18,600,000
Cash and cash equivalents	20	26,128,218	48,777,590
Total current assets		87,220,934	137,848,111
Total assets		1,078,046,895	1,121,536,649
Equity and liabilities			
Equity			
Share capital	21	336,787,392	336,787,392
Share capital pending registration	21	96,275,000	-
Legal reserve	21	33,888,112	30,580,020
Hedging reserve	28	-	8,384,140
Retained earnings		157,554,244	232,841,012
Total equity		624,504,748	608,592,564
Liabilities			
Non-current liabilities			
Term loan	22	320,717,692	219,925,065
Loan from Parent Company	27 (c)	-	137,600,804
Employees' end of service benefits	24	512,371	556,772
Lease liabilities	25	8,976,193	9,040,724
Deferred income	23	4,934,064	4,864,801
Deferred tax liability	12	44,536,713	41,808,891
Total non-current liabilities		379,677,033	413,797,057
Current liabilities			
Term loan	22	9,255,985	30,869,616
Lease liabilities	25	105,181	308,905
Trade and other payables	26	64,458,517	67,923,076
Income tax payable	12	45,431	45,431
Total current liabilities		73,865,114	99,147,028
Total liabilities		453,542,147	512,944,085
Total equity and liabilities		1,078,046,895	1,121,536,649

These condensed interim financial statements were approved by the Board of Directors and signed on their behalf by:

Ahmed Al-Azkawi

Chairman

Sabrina al Bakry

Board Member

The notes on pages 6 to 28 form an integral part of these condensed interim financial statements.

The independent auditors' review report on the condensed interim financial statements is set forth on page 1.

OQ GAS NETWORKS SAOC

Condensed statement of changes in equity for the six months period ended 30 June 2023

	Notes	Share capital RO	Share capital pending registration RO	Legal reserve RO	Hedging reserve RO	Retained earnings RO	Total equity RO
At 1 January 2022 (audited)		336,787,392	-	26,020,398	2,612,704	192,014,430	557,434,924
Total comprehensive income for the period							
Net profit for the period		-	-	-	-	23,383,940	23,383,940
Other comprehensive income							
Changes in fair value of cash flow hedges	28	-	-	-	4,298,448	-	4,298,448
Defined benefit obligation actuarial loss	24	-	-	-		(105,010)	(105,010)
Other comprehensive income		-	-	-	4,298,448	(105,010)	4,193,438
Total comprehensive income for the period		-	-	-	4,298,448	23,278,930	27,577,378
Transfer to legal reserve	21	-	-	2,338,394	-	(2,338,394)	-
At 30 June 2022 (Unaudited)		336,787,392	-	28,358,792	6,911,152	212,954,966	585,012,302
At 1 January 2023 (Audited)		**336,787,392**	**-**	**30,580,020**	**8,384,140**	**232,841,012**	**608,592,564**
Total comprehensive income for the year							
Net profit for the period		**-**	**-**	**-**	**-**	**33,080,921**	**33,080,921**
Other comprehensive income							
Changes in fair value of cash flow hedges	**28**	**-**	**-**	**-**	**385,188**	**-**	**385,188**
Reclassified to statement of profit or loss on termination of hedge	**28**	**-**	**-**	**-**	**(8,769,328)**	**-**	**(8,769,328)**
Defined benefit obligation actuarial loss	**24**					**(15,269)**	**(15,269)**
Other comprehensive income				**-**	**(8,384,140)**	**(15,269)**	**(8,399,409)**
Total comprehensive income for the period		**-**	**-**	**-**	**(8,384,140)**	**33,065,652**	**24,681,512**
Transfer to legal reserve	**21**	**-**	**-**	**3,308,092**	**-**	**(3,308,092)**	**-**
Transactions with owners of the Company							
Settlement on termination of hedge entered with parent company	**28**	**-**	**-**	**-**	**-**	**(8,769,328)**	**(8,769,328)**
Bonus shares	**21**	**-**	**96,275,000**		**-**	**(96,275,000)**	**-**
At 30 June 2023 (Unaudited)		**336,787,392**	**96,275,000**	**33,888,112**	**-**	**157,554,244**	**624,504,748**

The notes on pages 6 to 28 form an integral part of these condensed interim financial statements.
The independent auditors' review report on the condensed interim financial statements is set forth on page 1.

Condensed statement of cash flows
for the six months period ended 30 June

	Note	June 2023 RO (Unaudited)	June 2022 RO (Unaudited)
Cash flows from operating activities			
Profit before income tax		**37,452,308**	27,306,001
Adjustments for:			
Depreciation		**646,013**	283,022
Provision for obsolete inventories	17	**43,959**	21,165
Provision for employees' end of service benefits	24	**133,956**	96,856
Interest on concession receivables and contract assets	11	**(35,220,000)**	(34,471,214)
Deferred income	23	**(12,181)**	-
Finance income	11	**(1,159,773)**	(338,600)
Gain transferred on termination of hedge		**(8,769,328)**	-
Finance cost	11	**9,370,342**	7,422,213
Operating cash flows before working capital changes		**2,485,296**	319,443
Changes in:			
Receipts against concession receivables	13	**43,671,707**	45,325,365
Receipts against contract asset	14	**6,098,482**	4,919,757
Inventories		**(137,586)**	(117,468)
Trade and other receivables		**(210,582)**	10,969,935
Trade and other payables		**(5,448,822)**	(2,257,765)
Cash generated from operations		**46,458,495**	59,159,267
Income tax paid	12	**-**	-
Employees' end of service benefits paid	24	**(193,626)**	(53,201)
Interest paid		**(6,553,953)**	(7,016,407)
Interest income received on fixed deposits		**1,159,773**	338,600
Receipt of connection fee		**81,444**	449,556
Net cash generated from operating activities		**40,952,133**	52,877,815
Cash flows from investing activities			
Additions in contract asset	14	**(21,984,576)**	(20,233,501)
Movement in term deposits		**18,600,000**	(1,270,830)
Net cash used in investing activities		**(3,384,576)**	(21,504,331)
Cash flows from financing activities			
Loan repaid to parent company	33	**(136,710,500)**	-
Repayment of term loan	33	**(252,902,873)**	(13,678,752)
Proceeds from term loan from commercial bank	33	**333,762,000**	-
Payment of loan issuance costs	33	**(3,799,923)**	-
Payment of lease liabilities	33	**(565,633)**	(358,612)
Net cash used in financing activities		**(60,216,929)**	(14,037,364)
Net (decrease)/ increase in cash and cash equivalents		**(22,649,372)**	17,336,120
Cash and cash equivalents at 1 January		**48,777,590**	34,357,645
Cash and cash equivalents at 30 June		**26,128,218**	51,693,765

The notes on pages 6 to 28 form an integral part of these condensed interim financial statements.

The independent auditors' review report on the condensed interim financial statements is set forth on page 1.

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1 Legal status and principal activities

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

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

A restated concession agreement was expected to be signed to ratify the RAB agreements. However, during the Ministerial review process of the various RAB agreements, on the instruction of the Ministry of Legal Affairs ("MOLA"), the Company was required to amend the 2000 Concession Agreement rather than to restate the concession as had been originally anticipated, which led to the withdrawal of the previously executed Restated Concession Agreement dated 25th December 2018. During the year 2020, the Amended Concession Agreement (fully approved by MOLA) with the Government of the Sultanate of Oman ("Government" or "GOSO") has been ratified through Royal Decree 122/2020 issued on 28 October 2020. The ratification of the Amended Concession Agreement and associated RAB agreements by Royal Decree 122/2020 means that the Amended TTA has been superseded.

As noted above, the amended TTA is superseded upon issuance of the Royal Decree which fully implemented the RAB system. The Amended Concession Agreement's terms, with respect to the determination and charging of transportation charges, are consistent with those under the Amended TTA, hence, no change in accounting treatment is required upon the application of Amended Concession Agreement.

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

OQ SAOC (the "Parent Company"), which is 100% owned by the Government of the Sultanate of Oman through Oman Investment Authority ("OIA"), holds 99.71% of the share capital of the Company.

The Company holds 100% ownership of Gas Transmission Company LLC ("GTC") registered in the Sultanate of Oman. Initially, GTC was established with the purpose of acting as the Shipper under the concession arrangement. However, this structure was not implemented, and currently, GTC remains non-operational and there have been no accounting numbers recorded therein. Considering its non-operational and immaterial nature, the Company does not consolidate GTC.

2. Significant agreements

2.1 Concession agreement

Amended Concession Agreement

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

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

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2. Significant agreements (continued)

2.1 Concession agreement (continued)

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

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

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

The following key documents form part of the Concession Agreement:

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

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

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

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

2. Significant agreements (continued)

2.2 Asset transfer agreements

Asset transfer agreement entered in 2018

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

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

Asset Transfer Agreements ("ATAs") entered in 2020

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

3. Basis of preparation

These condensed interim financial statements for the six months period ended 30 June 2023, have been prepared in accordance with IAS 34 Interim Financial Reporting, and should be read in conjunction with the Company's last annual financial statements as at and for the year ended 31 December 2022 ('last annual financial statements'). They do not include all of the information required for a complete set of financial statements prepared in accordance with IFRS Standards. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company's financial position and performance since the last annual financial statements.

4. Application of new and revised International Financial Reporting Standards

a. New and amended standards adopted by the Company

Following are the standards that are effective from 1 January 2023:

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

The above standards applicable during the period do not have any material impact on these condensed interim financial statements.

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4. Application of new and revised International Financial Reporting Standards (Continued)

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

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

- Amendments to IAS 1, Presentation of financial statements' on classification of liabilities
- Amendments to IFRS 16, Lease liability in a sale and leaseback
- Amendments to IAS 1, Non-current liabilities with covenants
- Amendment to IAS 7, Supplier Finance Arrangements

These are not expected to have a significant impact on the Company's condensed interim financial statements.

5. Summary of significant accounting policies

Except as described in note 4, the accounting policies applied in these condensed interim financial statements are the same as those applied in the Company's financial statements as at and for the year ended 31 December 2022.

6. Critical judgments and key sources of estimation uncertainty

In preparing these condensed interim 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.

Measurement of fair values

A number of the Company's accounting policies require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Company has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the Chief Financial Officer.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of the Standards, including the level in the fair value hierarchy in which the valuations should be classified.

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

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. There were no such transfers during the period.

7. Revenue

	30 June 2023 RO (Unaudited)	30 June 2022 RO (Unaudited)
Services transferred over time:		
Construction revenue (note 14)	**23,558,672**	21,682,220
Allowance for expenditures and pass-through cost (note 27(a))	**14,691,756**	14,210,842
Project management services	**68,282**	314,620
	38,318,710	36,207,682

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

8. Operating expenses

Depreciation (note 15)	**392,091**	252,757
Employee costs (note 9.1)	**5,043,240**	5,968,664
Repair and maintenance expenses	**2,181,611**	2,199,850
Pass through costs	**2,445,040**	2,265,717
Insurance	**695,257**	588,201
Provision for obsolete inventories	**43,959**	21,165
Catering and accommodation	**419,288**	287,834
	11,220,486	11,584,188

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 7.

9. Administrative expenses

	30 June 2023 RO (Unaudited)	30 June 2022 RO (Unaudited)
Employee costs (note 9.1)	**3,266,348**	2,252,776
Depreciation (note 16)	**253,922**	30,265
Training and business travel	**286,498**	214,365
Legal and professional	**58,648**	10,758
Utilities and office expenses	**253,216**	122,411
Repairs and maintenance	**362,964**	110,777
Contract services	**125,612**	175,631
Cost allocation expenses (note 27 (a))	**-**	3,445,582
Bad debt written off (note 18)	**167,083**	-
Other expenses	**198,787**	71,602
	4,973,078	6,434,167

9.1. Employee cost

Employee related expenses comprise the following:

Wages and salaries	**6,280,078**	6,245,968
Current service cost on long term benefits (note 24)	**133,956**	96,856
Contributions into unfunded defined contribution plan	**545,806**	487,618
Other benefits	**1,349,748**	1,390,998
	8,309,588	8,221,440

10. Other income

Rent (note 27a)	**1,393,067**	-
Amortization of deferred income (note 23)	**12,181**	-
Shared costs - income (note 27a)	**-**	1,962,574
Others	**127,731**	-
	1,532,979	1,962,574

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11. Finance income and cost

	30 June 2023 RO (Unaudited)	30 June 2022 RO (Unaudited)
Finance income		
Finance income on concession arrangement on:		
- Concession receivables (note 13)	**28,525,017**	29,156,651
- Contract assets (note 14)	**6,694,983**	5,314,563
	35,220,000	34,471,214
Transfer from OCI on termination of hedge	**8,769,328**	
Interest income on fixed deposits	**1,159,773**	338,600
	45,149,101	34,809,814
Finance cost		
Interest on loan from the Parent Company (note 27(c))	**32,151**	2,650,147
Amortization of deferred finance cost (note 22)	**2,119,792**	253,066
Interest on lease liabilities (note 25)	**274,401**	141,736
Interest on term loans from commercial banks	**6,941,629**	4,376,778
Exchange loss	**2,369**	486
	9,370,342	7,422,213

12. 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% (31 December 2022: 15%) of taxable income. For the purpose of determining the taxable result for the year, the accounting profit has been adjusted for tax purposes. Adjustments for tax purposes include items relating to both income and expense. The adjustments are based on the current understanding of the existing tax laws, regulations and practices.

The Company's tax assessments have been completed and agreed with Oman Taxation Authorities for all years up to 31 December 2018. 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 2023.

a) The taxation charge for the year is comprised of:

Current tax		
-in respect of current and prior period	**-**	-
	-	-
Deferred tax		
-in respect of current period	**4,371,387**	4,183,987
-in respect of prior period	**-**	(261,926)
	4,371,387	3,922,061
	4,371,387	3,922,061

12. Taxation (continued)

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:

	30 June 2023 RO (Unaudited)	30 June 2022 RO (Unaudited)
Net profit before tax	**37,452,308**	27,306,001
Tax on accounting profit @15%	**5,617,846**	4,095,900
Add / (less) tax effect of:		
Non-deductible expenses	**-**	88,087
Tax exempt revenues	**(1,246,459)**	-
Prior year deferred tax	**-**	(261,926)
	4,371,387	3,922,061

c) Current tax liability

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

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

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12. Taxation (continued)

d) Deferred tax

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

	1 January RO	**Charge to profit or loss RO**	**Charged to other comprehensive income RO**	**Transferred to profit or loss on termination of hedge**	**30 June 2023 / 31 December 2022 RO**
30 June 2023					
Taxable temporary differences					
Effect of accelerated tax depreciation	**39,033,452**	**4,261,843**	**-**	**-**	**43,295,295**
Right of use assets	**1,295,884**	**(54,466)**	**-**	**-**	**1,241,418**
Derivatives	**1,479,555**	**-**	**67,973**	**(1,547,528)**	**-**
Deferred tax liabilities	**41,808,891**	**4,207,377**	**67,973**	**(1,547,528)**	**44,536,713**
Deductible temporary differences					
Brought forward losses	**(1,430,574)**	**125,827**	**-**	**-**	**(1,304,747)**
Provision	**(5,168)**	**(2,055)**	**-**	**-**	**(7,223)**
Lease liability	**(1,402,444)**	**40,238**	**-**	**-**	**(1,362,206)**
Deferred tax assets	**(2,838,186)**	**164,010**	**-**	**-**	**(2,674,176)**
31 December 2022					
Taxable temporary differences					
Effect of accelerated tax depreciation	30,367,104	8,666,348	-	-	39,033,452
Right of use asset	667,703	628,181	-	-	1,295,884
Derivatives	-	-	1,479,555	-	1,479,555
Deferred Tax Liabilities	31,034,807	9,294,529	1,479,555	-	41,808,891
Deductible temporary differences					
Brought forward losses	(347,076)	(1,083,498)	-	-	(1,430,574)
Provision	(2,460)	(2,708)	-	-	(5,168)
Lease liability	(700,301)	(702,143)		-	(1,402,444)
Deferred tax assets	(1,049,837)	(1,788,349)	-	-	(2,838,186)

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12. Taxation (continued)

a) Deferred tax (continued)

At the reporting date, the Company has cumulative tax losses of RO 8,698,313 (31 December 2022: RO 9,537,162) available for adjustment from future taxable profits. The management has determined that the cumulative tax losses will expire in 2027 and 2028.

13. Concession receivables

	30 June 2023 RO (Unaudited)	31 December 2022 RO (audited)
At 1 January	**815,070,529**	829,529,017
Acquisition during the period/year	**-**	-
Transferred from contract assets (note 14)	**2,945,809**	15,737,265
Adjustment for penalties	**-**	(1,708,077)
Transfer to investment property (note 16)	**(4,203,357)**	-
Finance income during the period/year (note 11)	**28,525,017**	57,379,754
Billed during the period/year	**(43,671,707)**	(85,867,430)
At 30 June / 31 December	**798,666,291**	815,070,529
Non-current / current:		
Non-current portion	**770,540,984**	782,487,965
Current portion	**28,125,307**	32,582,564
	798,666,291	815,070,529

Concession receivables have effective interest rate of 7.22% (2022: 7.23%) per annum and will be settled / recovered over the term of the Concession Agreement.

For the purposes of impairment assessment, the concession receivables are considered to have low credit risk as the counterparty of this receivable is MEM (which is considered has 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 lifetime ECL.

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.

14. Contract assets

	Due from IGC RO	Due from others RO	Total RO
At 1 January 2023 (audited)	**182,290,147**	**1,802,283**	**184,092,430**
Additions during the period (note 7)	**23,558,672**	**-**	**23,558,672**
Transferred to a related party (note 27)	**-**	**(902,333)**	**(902,333)**
Transferred to concession receivables upon completion (note 13)	**(2,945,809)**	**-**	**(2,945,809)**
Finance income during the period (note 11)	**6,694,983**	**-**	**6,694,983**
Billed during the period	**(6,098,482)**	**-**	**(6,098,482)**
At 30 June 2023 (unaudited)	**203,499,511**	**899,950**	**204,399,461**

	Due from MEM RO	Due from others RO	Total RO
At 1 January 2022 (audited)	145,433,664	1,589,794	147,023,458
Additions during the year	53,047,850	212,489	53,260,339
Invoiced and transferred to receivable from a related party	1,134,668	-	1,134,668
Adjustment for penalties	(2,185,960)	-	(2,185,960)
Transferred to concession receivables upon completion (note 13)	(15,737,265)	-	(15,737,265)
Finance income during the year (note 11)	11,082,624	-	11,082,624
Billed during the year	(10,485,434)	-	(10,485,434)
At 31 December 2022 (audited)	182,290,147	1,802,283	184,092,430

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

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

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

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

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14. Contract assets (continued)

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

15. Right of use assets

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

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

	Leasehold land	**Motor vehicles**	**Building**	**Total**
	RO	**RO**	**RO**	**RO**
At 1 January 2022 (audited)	4,108,862	186,479	156,015	4,451,356
Additions	4,364,567	439,388	199,479	5,003,434
Depreciation	(333,277)	(420,571)	(55,706)	(809,554)
At 31 December 2022 (audited)	8,140,152	205,296	299,788	8,645,236
Additions	**-**	**22,977**	**-**	**22,977**
Depreciation	**(126,029)**	**(225,960)**	**(40,102)**	**(392,091)**
At 30 June 2023 (unaudited)	**8,014,123**	**2,313**	**259,686**	**8,276,122**

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16. Investment properties

	30 June 2023 RO (Unaudited)	31 December 2022 RO (Audited)
Cost		
At 1 January	**1,160,359**	995,372
Transferred from concession receivable (note 13)	**4,203,357**	164,987
At 31 December	**5,363,716**	1,160,359
Accumulated depreciation		
At 1 January	**174,576**	114,336
Charge for the period/year	**253,922**	60,240
30 June / 31 December	**428,498**	174,576
Carrying amount	**4,935,218**	985,783

At 31 December 2019, a building was transferred to investment property because it was no longer used by the Company in rendering the services under the concession arrangement. The fair value assessment of the investment property was carried out by management in 2023 resulting in fair value of RO 3.5 million (31 December 2022: RO 3.6 million) which is higher than the carrying value.

During the period, an accommodation building was transferred to investment property because it was no longer use by the Company in rendering services under the concession arrangement. The accommodation was rented out to a related party and the rent is recorded as other income. The fair value assessment of the investment property was carried out by management in 2023 resulting in fair value of RO 5.4 million which is higher than the carrying value.

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

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

Property description	**Valuation technique**	**Significant unobservable inputs**	**Inter-relationship between key unobservable inputs and fair value measurement**
Five story commercial building with basement floor, Plot No. 4, Al Khuwair area 41, at Wilayat Bausher.	*Discounted cash flows:* The valuation model considers the present value of net future cash flows projected.	• Rent per month at RO 31,536.5 (2022: RO 31,536.5) for 20 years with no YoY growth, • Discount rate of 6.5% (2022: 6.5%); and • Duration of 15.5 years (2022: 16 years).	The estimated fair value would increase / (decrease) if: • Monthly rent was higher / (lower); • Duration was higher / (lower); and • Discount rate was lower / (higher).
80 room accommodation in Fahud	*Discounted cash flows:* The valuation model considers the present value of net future cash flows projected.	• Rent per month at RO 66,464 for 30 years with no YoY growth, • Discount rate of 6.5% • Duration of 29.5 years.	The estimated fair value would increase / (decrease) if: • Monthly rent was higher / (lower); • Duration was higher / (lower); and Discount rate was lower / (higher).

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17. Inventories

	30 June 2023 RO (Unaudited)	31 December 2022 RO (Audited)
Stores, spares and consumables	**2,266,785**	2,161,656
Less: Provision for obsolete inventories	**(45,952)**	(34,450)
	2,220,833	2,127,206

Movement in provision for obsolete inventories is as follows:

At 1 January	**34,450**	16,399
Written off	**(32,457)**	(6,904)
Charge for the period / year (note 8)	**43,959**	24,955
At 30 June / 31 December 2022	**45,952**	34,450

18. Trade and other receivables

Receivables from IGC [note 27 (d)]	**13,213,701**	-
Receivable from MEM[note 27 (d)]	**-**	11,350,422
Due from related parties [note 27 (e)]	**10,572,045**	11,476,880
	23,785,746	22,827,302
Project management fee receivable - third parties	**453,591**	482,424
Advances to employees	**18,525**	188,336
Accrued revenue	**24,850**	-
Other receivables	**2,240,707**	1,765,800
	26,523,419	25,263,862

Receivable from MEM and IGC represents revenue receivable on account of invoices billed to the shipper. 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.

During the period, advances to employees of RO 167,083 (31 December 2022: nil) were written off.

As of 30 June 2023, other receivables and receivable from third parties for project management fees and others of RO 2.69 million (31 December 2022: RO 2.25 million) were fully performing. There is no impairment losses recognised on any receivables in the reporting period (31 December 2022: nil).

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

19. Short term deposits

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

20. Cash and cash equivalents

	30 June 2023 RO (Unaudited)	31 December 2022 RO (Audited)
Cash at bank	**26,112,389**	48,769,555
Cash in hand	**15,829**	8,035
	26,128,218	48,777,590

Balances with banks and short-term deposits (note 19) 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.

21. Share capital and reserves

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

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

The paid-up share capital comprises of 3,367,873,920 shares of RO 0.100 each (31 December 2022: 336,787,392 shares of RO 1 each)

The shareholding at the reporting date is as follows:

	Number of shares 30 June 2023 (Unaudited)	**% of share holding 30 June 2023 (Unaudited)**	Number of shares 31 Dec 2022 (Audited)	% of share holding 31 Dec 2022 (Audited)
OQ SAOC	**3,358,109,320**	**99.71**	335,810,932	99.71
Oman Energy Trading Company Limited	**4,882,300**	**0.145**	488,230	0.145
Oman Oil Services Limited	**4,882,300**	**0.145**	488,230	0.145
	3,367,873,920	**100**	336,787,392	100

Share capital pending registration

On 26 June 2023, the shareholders in an ordinary general meeting approved bonus share issue of RO 96,275,000 through capitalization of retained shares. The Company has registered the share capital with the Ministry of Commerce and Industries subsequent in July 2023.

21. Share capital and reserves (continued)

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. During the period, the Company transferred RO 2.5 million (30 June 2022: RO 2.3 million) to the legal reserve. This reserve is not available for distribution.

22. Term loans

	30 June 2023 RO (Unaudited)	31 December 2022 RO (Audited)
Term loan	**333,762,000**	252,902,873
Less: unamortized transaction cost	**(3,788,323)**	(2,108,192)
	329,973,677	250,794,681
The unamortized transaction cost is as follows:		
At January	**2,108,192**	2,614,323
Paid during the year	**3,799,923**	-
Amortised during the period/year	**(2,119,792)**	(506,131)
	3,788,323	2,108,192
Term loan – current portion	**9,255,985**	30,869,616
Term loan – non- current portion	**320,717,692**	219,925,065
	329,973,677	250,794,681

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.

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

Repayments

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

Interest

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

22. Term loans (continued)

Covenants

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

23. Deferred income

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

	30 June 2023 RO (Unaudited)	31 December 2022 RO (Audited)
At 1 January	**4,864,801**	4,148,058
Contributions received during the period / year	**81,444**	752,484
Recognized as income during period / year	**(12,181)**	(35,741)
At 31 December	**4,934,064**	4,864,801

24. Employees' end of service benefits

At 1 January	**556,772**	406,990
Charge for the period/year	**133,956**	116,288
Un-realised actuarial loss	**15,269**	210,020
Paid during the period/year	**(193,626)**	(176,526)
	512,371	556,772

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 2023 (Unaudited)	30 June 2022 (Unaudited)
Discount rate	**6.00%**	6.00%
Future salary increase	**3%**	3%
Retirement age in years	**60**	60

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

Service cost	**133,956**	98,856

The amount recognised in the statement of other comprehensive income

Actuarial loss – Experience adjustment	**15,269**	105,010

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Notes to the condensed interim financial statements (continued) for the six months period ended 30 June 2023

25. Leases liabilities

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Gross lease liability related to right-of-use assets	**21,703,334**	22,268,967
Future finance charges on finance leases	**(12,621,960)**	(12,919,338)
	9,081,374	9,349,629

The movement in lease liabilities is as follows:

As at 1 January	**9,349,629**	4,668,677
Recognized during the period / year	**22,977**	5,003,434
Accretion of interest (note 11)	**274,401**	688,898
Payments during the period / year	**(565,633)**	(1,011,380)
	9,081,374	9,349,629
Anaylsed as:		
Current	**105,181**	308,905
Non-current	**8,976,193**	9,040,724
	9,081,374	9,349,629

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

	30 June 2023	30 June 2022
Interest expense recognised in profit or loss	**274,401**	141,736
Total cash flows for leases	**565,633**	358,612

The Company does not face a significant liquidity risk with regard to its liabilities. Lease liabilities are monitored within the Company's treasury function.

26. Trade and other payables

Payables to contractors for construction contracts	**39,914,474**	31,634,285
Trade payables	**3,774,345**	8,005,196
Accrued expenses and provisions	**7,759,314**	10,457,910
Due to related parties [note 27 (f)]	**2,272,064**	10,856,208
Interest payable on term loan	**548,657**	511,561
Contract liability*	**8,130,856**	4,524,332
Other payables	**2,058,807**	1,933,584
	64,458,517	67,923,076

* The contract liability primarily relates to the billing in excess of revenue from the MEM for which revenue is recognised over time. This will be recognised as revenue, which is expected to occur in the ensuing year.

27. Related parties

Related parties comprise the shareholders, directors, key management personnel and business entities in which they have the ability to control or exercise significant influence in financial and operating decisions (other related parties). 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 period end are unsecured and settlement occurs in cash. No expense has been recognised in the period (2022 - RO nil) for bad and doubtful debts in respect of amounts owed by related parties.

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

(a) Details of significant related parties transactions are as under:

	30 June 2023 RO (Unaudited)	30 June 2022 RO (Unaudited)
Revenue from MEM/IGC		
Construction revenue (note 7)	**23,558,672**	21,682,220
Finance income on concession arrangement (note 11)	**35,220,000**	34,471,214
Allowance for expenditures and pass-through cost (note 7)	**14,691,756**	14,210,867
	73,470,428	70,364,301
Rent (note 10)	**1,393,067**	-
Interest expense on shareholder loans (note 11)	**32,151**	2,650,147

Cost allocation:

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

Cost allocation expenses - (note 9)	**-**	3,445,582
Cost allocation income - (note 10)	**-**	1,962,572
	-	5,408,154

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27. Related parties (continued)

(b) Key management personnel compensation is as follows:

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

	30 June 2023 RO (Unaudited)	30 June 2022 RO (Unaudited)
Short term benefits (wages and Salaries)	**55,643**	51,342
Post-employment benefits	**33,243**	36,283
	88,886	87,625

(c) Loan from Parent Company

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

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

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

(d) Receivables from IGC / MEM

Receivables from Integrated Gas Company SAOC	**13,213,701**	-
Receivables from MEM	**-**	11,350,422

(e) Amounts due from related parties under common control

Parent Company	**251,810**	-
Subsidiaries of the Parent Company	**10,320,162**	11,413,523
Associates of the Parent Company	**73**	63,357
	10,572,045	11,476,880

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

Parent Company	**2,070,960**	10,690,804
Subsidiaries of the Parent Company	**201,104**	165,404
	2,272,064	10,856,208

28. Derivatives

During the year ended 31 December 2020, 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 with in equity as an adjustment to the retained earnings.

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Notional amount hedged	-	127,545,000
Cumulative changes in fair values of derivatives		
At 1 January	**8,384,140**	2,612,704
Gain/ (loss) arising on changes in fair value of hedging instruments during the period / year	**453,161**	7,250,991
Deferred tax charged to other comprehensive income	**(67,973)**	(1,479,555)
Gain transferred to statement of profit and loss upon termination of hedge	**(8,769,328)**	-
	-	8,384,140
(Liability) / Asset		
Non-current portion	**-**	4,638,938
Current portion	**-**	5,224,757
	-	9,863,695

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

29. Commitments and contingencies

The Company is defending certain actions brought by contractors in relation to work carried out by them for the Company. The Company is also defending action brought by MEM to indemnify MEM for penalties it incurred due to delays in project delivery. Although liability is not admitted, if the defence against the action is unsuccessful, then the Company may be liable for an amount of RO 27.5 million (31 December 2022: RO 28.9 million). Management believes that the defence against the action will be successful.

As at 30 June 2023, the Company has commitments pertaining to the capital projects under construction of RO 66.5 million (31 December 2022: RO 67 million).

30. Earnings per share

Earnings per share are calculated by dividing the net profit for the period by number of weighted average shares issued during the period, after adjustment of share split and share capital pending registration (note 21).

	30 June 2023 RO (Unaudited)	30 June 2022 RO (Unaudited)
Profit for the period	**33,080,921**	23,383,940
Weighted average number of shares (note 21)	**4,330,623,920**	4,330,623,920
Basic and diluted earnings per share	**0.008**	0.005

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

Share capital	**336,787,392**	336,787,392
Conversion of retained earnings to share capital (note 21)	**96,275,000**	96,275,000
Additional shares issued due to reduction in par value of shares (note 21)	**3,897,561,528**	3,897,561,528
Weighted average number of shares	**4,330,623,920**	4,330,623,920

31. Financial instruments – Fair values and risk management

Accounting classifications and fair values

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 6 to the condensed interim financial statements.

Categories of financial instruments	**30 June 2023 RO**	31 December 2022 RO
Financial assets (at amortised cost)		
Concession receivables (note 13)	**798,666,291**	815,070,529
Contract asset (note 14)	**204,399,461**	184,092,430
Trade and other receivables (note 18)	**26,523,419**	25,263,862
Term deposits (note 19)	**-**	18,600,000
Cash and bank balances (note 20)	**26,128,218**	48,777,590
Financial assets (at fair value through OCI)		
Cash flow hedges (note 28)	**-**	9,863,695
	1,055,717,389	1,101,668,106
Financial liabilities (at amortised cost)		
Term loan (note 22)	**329,973,677**	250,794,681
Loan from Parent Company (note 27 (c))	**-**	137,600,804
Lease liability (note 25)	**9,081,374**	9,349,629
Trade and other payables (note 26)	**56,327,661**	63,398,744
	395,382,712	461,143,858

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31. Financial instruments – Fair values and risk management (continued)

Accounting classifications and fair values (continued)

Management believes that the fair values of other financial assets and liabilities of the Company are not considered to be significantly different to their carrying values at 30 June 2023.

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

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

32. 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 condensed interim financial statements. The strategic business unit is managed as one segment. For the strategic business unit, COD reviews internal management reports monthly. Performance is measured based on the profit before income tax, as included in the internal management reports. COD considers the business of the Company as one operating segment and monitors accordingly. The requirements of IFRS 8: Operating Segments - paragraphs 31 to 34 relating to entity wide disclosures have been covered under statements of financial position, profit and loss and other comprehensive income.

33. 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 / transfers**	**At 30 June 2023 / 31 December 2022**
2023					
Repayment of term loan	**250,794,681**	**333,762,000**	**(252,902,873)**	**2,119,792**	**333,773,600**
Payment of loan issuance cost	**-**	**-**	**(3,799,923)**	**-**	**(3,799,923)**
Loan from Parent Company	**137,600,804**	**-**	**(136,710,500)**	**(890,304)**	**-**
Finance lease liability	**9,349,629**	**-**	**(565,633)**	**297,378**	**9,081,374**
	397,745,114	**333,762,000**	**(393,978,929)**	**1,526,866**	**339,055,051**
2022					
Term loan from commercial banks	279,344,181	-	(29,144,368)	594,868	250,794,681
Loan from Parent Company	137,600,804	-	-	-	137,600,804
Finance lease liability	4,668,677	-	(1,011,380)	5,692,332	9,349,629
	421,613,662	-	(30,155,748)	6,287,200	397,745,114

OQ GAS NETWORKS SAOC

Report and financial statements for the year ended 31 December 2022

Registered office

P.O Box 799, P.C 133
Al Khuwair, Bousher, Muscat
Sultanate of Oman

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OQ GAS NETWORKS SAOC

Report and Financial statements for the year ended 31 December 2022

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Notes to the financial statements	8 - 56

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Independent auditors' report

To the Shareholders of OQ Gas Networks SAOC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of OQ Gas Networks SAOC ("the Company"), which comprise the statement of financial position as at 31 December 2022, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with IFRS Standards as issued by the International Accounting Standards Board (IFRS Standards).

Basis for Opinion

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

Other Information

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

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

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

Continued on page 2

CR No. 1358131
Tax Card No. 8063052

Continued from page 1

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

Continued on page 3

Continued from page 2

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

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

Report on Other Legal and Regulatory Requirements

We report that these financial statements comply, in all material respects, with the applicable provisions of Commercial Companies Law of 2019.

Further, as required by the applicable provisions of the Commercial Companies Law of 2019 and the Ministerial Decision 146/2021 issuing Commercial Companies' Regulations, we report that:

I. we have obtained all the information and explanation we considered necessary for the purposes of our audit;

II. the Company has maintained accounting records and the financial statements are in agreement therewith;

III. the Company has carried out physical verification of inventories;

IV. the financial information included in the Board of Directors' report is consistent with the books of accounts of the Company; and

V. based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Company has contravened during the year ended 31 December 2022 any of the applicable provisions of the Commercial Companies Law of 2019 or of its Articles of Association which would materially affect the financial performance and/or its financial position as at 31 December 2022.

26 March 2023

KPMG LLC

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Sultanate of Oman
CR.No: 1358131

Statement of profit or loss and other comprehensive income
For the year ended 31 December

	Notes	2022 RO	2021 RO
Income			
Revenue	6	**81,353,698**	84,689,573
Finance income	10	**69,437,276**	67,456,435
Other income	9	**9,645,126**	5,340,645
		160,436,100	157,486,653
Expenses			
Construction costs		**(49,503,405)**	(51,304,483)
Operating expenses	7	**(22,893,485)**	(22,905,587)
Administrative expenses	8	**(16,913,668)**	(16,509,747)
Impairment reversal / (expense)	29	**316,332**	(316,332)
Finance cost	10	**(18,339,468)**	(14,710,609)
		(107,333,694)	(105,746,758)
Profit before income tax		**53,102,406**	51,739,895
Taxation	11	**(7,506,182)**	(8,631,466)
Profit for the year		**45,596,224**	43,108,429
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Defined benefit obligation actuarial (loss) / gain	23	**(210,020)**	301,317
Items that are or may be reclassified subsequently to profit or loss			
Effective portion of changes in fair value of cash flow hedges – net of tax	27	**5,771,436**	3,231,465
Other comprehensive income for the year		**5,561,416**	3,532,782
Total comprehensive income for the year		**51,157,640**	46,641,211
Basic earnings per share	30	**0.135**	0.128

The notes on pages 8 to 56 form an integral part of these financial statements.

The independent auditors' report is set forth on pages 1 to 3.

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OQ GAS NETWORKS SAOC

Statement of financial position
As at 31 December

	Notes	2022 RO	2021 RO
Assets			
Non-current assets			
Concession receivables	*12*	**782,487,965**	799,126,029
Contract assets	*13*	**184,092,430**	147,023,458
Right of use assets	*14*	**8,645,236**	4,451,356
Investment property	*15*	**985,783**	881,036
Deferred tax assets	*11*	**2,838,186**	1,049,837
Derivatives	*27*	**4,638,938**	2,609,809
Total non-current assets		**983,688,538**	955,141,525
Current assets			
Concession receivables	*12*	**32,582,564**	30,402,988
Inventories	*16*	**2,127,206**	1,818,383
Trade and other receivables	*17*	**25,263,862**	57,349,271
Advances to contractors		**5,272,132**	7,564,200
Derivatives	*27*	**5,224,757**	2,895
Short term deposits	*19*	**18,600,000**	3,350,370
Cash and cash equivalents	*18*	**48,777,590**	34,357,645
Total current assets		**137,848,111**	134,845,752
Total assets		**1,121,536,649**	1,089,987,277
Equity and liabilities			
Equity			
Share capital	*20*	**336,787,392**	336,787,392
Legal reserve	*20*	**30,580,020**	26,020,398
Hedging reserve	*27*	**8,384,140**	2,612,704
Retained earnings		**232,841,012**	192,014,430
Total equity		**608,592,564**	557,434,924
Liabilities			
Non-current liabilities			
Term loan	*21*	**219,925,065**	250,199,813
Loan from Parent Company	*26 (c)*	**137,600,804**	137,600,804
Employees' end of service benefits	*23*	**556,772**	406,990
Lease liabilities	*24*	**9,040,724**	4,158,186
Deferred income	*22*	**4,864,801**	4,148,058
Deferred tax liabilities	*11*	**41,808,891**	31,034,807
Total non-current liabilities		**413,797,057**	427,548,658
Current liabilities			
Term loan	*21*	**30,869,616**	29,144,368
Lease liabilities	*24*	**308,905**	510,491
Trade and other payables	*25*	**67,923,076**	75,303,405
Income tax payable	*11*	**45,431**	45,431
Total current liabilities		**99,147,028**	105,003,695
Total liabilities		**512,944,085**	532,552,353
Total equity and liabilities		**1,121,536,649**	1,089,987,277

These financial statements were authorized for issuance by the Board of Directors on 19 March 2023 and signed on their behalf by:

Ahmed Al-Arjawi

Chairman

Sabrina al Bakry

Board Member

The notes on pages 8 to 56 form an integral part of these financial statements.
The independent auditors' report is set forth on pages 1 to 3.

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Statement of changes in equity
For the year ended 31 December 2022

	Notes	Share capital	Legal reserve	Hedging reserve	Retained earnings	Total equity
		RO	RO	RO	RO	RO
At 1 January 2021		336,787,392	21,709,555	(618,761)	152,915,527	510,793,713
Total comprehensive income for the year:						
Net profit for the year		-	-	-	43,108,429	43,108,429
Other comprehensive income						
Changes in fair value of cash flow hedges	*27*	-	-	3,231,465	-	3,231,465
Defined benefit obligation actuarial gain	*23*	-	-	-	301,317	301,317
Other comprehensive income		-	-	3,231,465	301,317	3,532,782
Total comprehensive income for the year		-	-	3,231,465	43,409,746	46,641,211
Transfer to legal reserve	*20*	-	4,310,843	-	(4,310,843)	-
At 31 December 2021		336,787,392	26,020,398	2,612,704	192,014,430	557,434,924
At 1 January 2022		336,787,392	26,020,398	2,612,704	192,014,430	557,434,924
Total comprehensive income for the year:						
Net profit for the year		-	-	-	**45,596,224**	**45,596,224**
Other comprehensive income						
Changes in fair value of cash flow hedges (net of tax)	*27*	-	-	**5,771,436**	-	**5,771,436**
Defined benefit obligation actuarial loss	*23*	-	-	-	**(210,020)**	**(210,020)**
Other comprehensive income		-	-	**5,771,436**	**(210,020)**	**5,561,416**
Total comprehensive income for the year		-	-	**5,771,436**	**45,386,204**	**51,157,640**
Transfer to legal reserve	*20*	-	**4,559,622**	-	**(4,559,622)**	-
At 31 December 2022		**336,787,392**	**30,580,020**	**8,384,140**	**232,841,012**	**608,592,564**

The notes on pages 8 to 56 form an integral part of these financial statements.

The independent auditors' report is set forth on pages 1 to 3.

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OQ GAS NETWORKS SAOC

Statement of cash flows
For the year ended 31 December

	Note	2022 RO	2021 RO
Cash flows from operating activities			
Profit before income tax		**53,102,406**	51,739,895
Adjustments for:			
Depreciation		**869,794**	567,574
Lease concession		**-**	(20,523)
Impairment expense	*29*	**(316,332)**	316,332
Provision / (reversal) of obsolete inventories	*16*	**24,955**	(6,008)
Provision for employees' end of service benefits	*23*	**116,288**	163,228
Interest on concession receivables and contract assets	*10*	**(68,462,378)**	(67,178,437)
Deferred income	*22*	**(35,741)**	-
Finance income	*10*	**(974,898)**	(277,998)
Finance cost	*10*	**18,339,468**	14,710,609
Operating cash flows before working capital changes		**2,663,562**	14,672
Working capital changes:			
Receipts against concession receivables	*12*	**85,867,430**	89,008,375
Receipts against contract asset	*13*	**10,485,434**	10,552,615
Inventories		**(333,778)**	(24,624)
Trade and other receivables and advances		**34,693,809**	2,960,039
Trade and other payables		**(7,903,627)**	(11,344,379)
Cash generated from operations		**125,472,830**	91,166,698
Income tax paid	*11*	**-**	(2,821,466)
Employees' end of service benefits paid	*23*	**(176,526)**	(5,682,608)
Interest paid		**(17,317,482)**	(13,701,696)
Interest income received on fixed deposits	*10*	**974,898**	277,998
Receipt of connection fee	*22*	**752,484**	4,148,058
Net cash generated from operating activities		**109,706,204**	73,386,984
Cash flows from investing activities			
Payment for acquisition of assets	*12*	**-**	(8,006,978)
Additions in contract asset	*13*	**(49,715,894)**	(52,292,879)
Addition in investment property	*15*	**(164,987)**	-
Movement in term deposits		**(15,249,630)**	(3,350,370)
Net cash used in investing activities		**(65,130,511)**	(63,650,227)
Cash flows from financing activities			
Loan received from Parent Company	*26(c)*	**-**	117,455,500
Repayment of term loan	*21*	**(29,144,368)**	(104,861,630)
Payment of lease liabilities	*24*	**(1,011,380)**	(770,270)
Net cash (used in) / generated from financing activities		**(30,155,748)**	11,823,600
Net increase in cash and cash equivalents		**14,419,945**	21,560,357
Cash and cash equivalents at the beginning of the year		**34,357,645**	12,797,288
Cash and cash equivalents at the end of the year	*18*	**48,777,590**	34,357,645

The accompanying notes 8 to 56 form an integral part of these financial statements.

The independent auditors' report is set forth on pages 1 to 3.

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1. Legal status and principal activities

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

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

A Restated Concession Agreement dated 25 December 2018 was signed to ratify the RAB agreements. However, during the Ministerial review process of the various RAB agreements, on the instruction of the Ministry of Legal Affairs ("MOLA"), the Company was required to amend the 2000 Concession Agreement rather than to restate the concession as had been originally anticipated, which led to the withdrawal of the previously executed Restated Concession Agreement.

The Company signed the Amended Concession Agreement (fully approved by MOLA) with the Government of the Sultanate of Oman ("Government" or "GOSO") on 9 June 2020 which was then ratified through Royal Decree 122/2020 issued on 28 October 2020. The ratification of the Amended Concession Agreement and associated RAB agreements means that the Amended TTA has been superseded.

As noted above, the amended TTA is superseded upon issuance of the Royal Decree which fully implemented the RAB system. The Amended Concession Agreement's terms, with respect to the determination and charging of transportation charges, are consistent with those under the Amended TTA, hence, no change in accounting treatment is required upon the application of Amended Concession Agreement.

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

OQ SAOC (the "Parent Company"), which is 100% owned by the Government of the Sultanate of Oman through Oman Investment Authority ("OIA"), holds 99.71% of the share capital of the Company.

2. Significant agreements

2.1 Concession agreement

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

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

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2. Significant agreements (continued)

2.1 Concession agreement (continued)

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

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

The following key documents form part of the Concession Agreement:

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

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

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

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

Asset transfer agreement entered in 2018

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

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2. Significant agreements (continued)

2.2 Asset transfer agreements

Asset transfer agreement entered in 2018 (continued)

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

Asset Transfer Agreements ("ATAs") entered in 2020

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

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

a. New standards or amendments for 2022 and forthcoming requirements

A number of new standards, amendments to standards and interpretations are effective for the periods beginning on or after 1 January 2022. Those, which are relevant to the Company, are set out below.

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37);
- Annual Improvements to IFRS Standards 2018–2020;
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16); and
- Reference to the Conceptual Framework (Amendments to IFRS 3).

These standards do not have any material impact on these financial statements.

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

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

- Amendments to IAS 1, Presentation of financial statements' on classification of liabilities. Effective date of this amendment is for annual periods beginning on or after 1 January 2023;
- IFRS 17 Insurance contracts. Effective date of this standard is annual periods beginning on or after 1 January 2023;
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2). Effective date of this standard is annual periods beginning on or after 1 January 2023;
- Definition of Accounting estimates (Amendments to IAS 8). Effective date of this standard is annual periods beginning on or after 1 January 2023; and
- Deferred Tax related to Assets and liabilities arising from a single Transaction (Amendments to IAS 12) Effective date of this standard is annual periods beginning on or after 1 January 2023.

The Company has decided to early adopt the amendments to IAS 12 in preparing these financial statements and have presented deferred tax asset and liabilities separately in the statement of financial position.

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4. Summary of significant accounting policies

Statement of compliance and basis of preparation

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

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

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

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

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

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

Concession arrangement

Infrastructure

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

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

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4. Summary of significant accounting policies (continued)

Concession arrangement (continued)

Infrastructure (continued)

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

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

Investment property

Investment property 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 property is recognised as other income.

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

Inventories

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

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

Contribution in aid of construction

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

Financial instruments

Initial recognition and measurement of financial asssets and financial liabilities

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

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

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4. Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial assets

Classification of financial assets

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

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

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

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

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

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

By default, all financial assets are measured subsequently at fair value through profit or loss (FVTPL).

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.

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4. Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Amortised cost and effective interest rate method

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

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

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

Business model assessment

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

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

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

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4. Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

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

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

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

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

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

Foreign exchange gains and losses
The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically, for financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss.

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.

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4. Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

Simplified approach

The Company applies simplified approach to measuring credit losses, which uses a lifetime expected loss allowance for trade receivables, concession receivables and contract assets. 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 concession receivables, contract assets and trade receivable without significant financing component.

(i) Significant increase in credit risk

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

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

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

(ii) Definition of default

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

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

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4. Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

(ii) Definition of default (continued)

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

(iii) Credit-impaired financial assets

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

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

(iv) Write-off policy

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

(v) Measurement of ECLs

ECLs are a probability weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset. The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Derecognition of financial assets

The Company recognizes 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.

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4. Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Classification as debt or equity

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

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

Financial liabilities

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

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

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

Foreign exchange gains and losses
For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in profit or loss. The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period.

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

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

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

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4. Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial liabilities (continued)

Offsetting

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

Interest rate benchmark reform

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

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

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

Derivative financial instruments and hedging activities

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

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

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

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

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

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4. Summary of significant accounting policies (continued)

Derivative financial instruments and hedging activities (continued)

Hedges directly affected by interest rate benchmark reform

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

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

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

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

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

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

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

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

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4. Summary of significant accounting policies (continued)

Derivative financial instruments and hedging activities (continued)

Hedge accounting

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

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

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

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

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

Cash flow hedges

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

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

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

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4. Summary of significant accounting policies (continued)

Financial instruments (continued)

Derivative financial instruments and hedging activities (continued)

Hedge accounting (continued)

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

Impairment

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of estimated future cash flows discounted at the original effective interest rate. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognised in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in profit or loss.

Revenue recognition

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

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

Construction of infrastructure

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

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4. Summary of significant accounting policies (continued)

Revenue recognition (continued)

Construction of infrastructure (continued)

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

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

Pass through costs

Pass through cost represents taxation, fuel gas and regulator fees which are reimbursable on actual incurred basis.

Finance income on concession receivables and contract assets

The Company recognizes finance income on concession receivable and contract assets using the effective interest method.

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 current tax expense as per the RAB rules.

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.

Borrowings

Borrowings are carried on the statement of financial position at their amortised cost. Installments due within one year are shown as a current liability. Interest is charged as an expense as it accrues, with unpaid amounts included in accounts payable and accruals. Transaction cost of obtaining long-term loans is deferred and amortised over the term of the long-term loan using the effective interest rate method. Deferred financing costs less accumulated amortisation are offset against the drawn amount of long-term loans.

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.

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4. Summary of significant accounting policies (continued)

Taxation

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

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

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.

If a tax deduction is allocated to the lease liability, then a temporary difference arises on the initial recognition of the right-of-use asset because there is an asset for accounting but no corresponding asset for tax purposes. Similarly, a liability is recognised for accounting purposes that has a tax base of zero; therefore, a temporary difference arises on the initial recognition of the lease liability.

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.

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4. Summary of significant accounting policies (continued)

Earnings per share

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

Cash and cash equivalents

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

Dividend distribution

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

Leases

The Company as a lessee

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

Lease liability

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

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

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4. Summary of significant accounting policies (continued)

Leases (continued)

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

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

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

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

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

Right-of-use asset

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

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

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

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4. Summary of significant accounting policies (continued)

Employees' end of service benefits

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

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

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

Segment information

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

5. Critical judgments and key sources of estimation uncertainty

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

Critical judgments in applying accounting policies

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

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

Critical judgments in applying accounting policies (continued)

Concession Arrangement

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

As disclosed in note 2 of these financial statements, during 2020, the Government of Sultanate of Oman acting through the MEM 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, which requires the Company to recognise revenue for the construction and operation phases in accordance with International Financial Reporting Standards 15. Accordingly, the Company has applied IFRIC 12 and recognised a financial asset (concession receivables and contract asset) and financial income. 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.

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:

Percentage-of-completion

At each reporting date, the Company is required to estimate stage of completion. Effects of any revision to these estimates are reflected in the year in which the estimates are revised. When it is probable that total contract costs will exceed total contract revenue, the total expected loss is recognised immediately, as soon as foreseen, whether or not work has commenced on these contracts. The Company uses its project managers to measure the surveys of performance completed to date or milestones reached. Factors such as delays in expected completion date, changes in the scope of work, changes in material prices, increase in labour and other costs are included in the construction cost estimates based on best estimates updated on a regular basis.

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6. Revenue

	2022 RO	2021 RO
Services transferred over time:		
Construction revenue (note 13)	**53,047,850**	54,977,885
Allowance for expenditures and pass-through cost [note 26(a)]	**28,090,511**	29,469,167
Project management services	**215,337**	242,521
	81,353,698	84,689,573

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

7. Operating expenses

	2022 RO	2021 RO
Depreciation (note 14)	**809,554**	505,514
Employee costs (note 8.1)	**10,467,159**	11,654,418
Repair and maintenance expenses	**5,137,004**	4,785,277
Pass through costs	**4,528,070**	4,255,116
Insurance	**1,184,139**	1,007,630
Provision / (reversal) of obsolete inventories (note 16)	**24,955**	(6,008)
Catering and accommodation	**742,604**	703,640
	22,893,485	22,905,587

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

8. Administrative expenses

	2022 RO	2021 RO
Employee costs (note 8.1)	**5,699,989**	4,108,559
Depreciation expense (note 15)	**60,240**	62,060
Training and business travel	**650,769**	383,357
Legal and professional	**134,745**	224,465
Utilities and office expenses	**470,513**	512,012
Repairs and maintenance	**293,680**	176,423
Contract services	**492,522**	342,544
Cost allocation expenses [note 26(a)]	**8,893,001**	10,512,355
Donations	**3,188**	-
Other expenses	**215,021**	187,972
	16,913,668	16,509,747

8.1. Employee cost

Employee related expenses comprise the following:

	2022 RO	2021 RO
Wages and salaries	**13,084,386**	11,995,420
Current service cost on long term benefits (note 23)	**116,288**	163,228
Contributions into unfunded defined contribution plan	**973,955**	939,616
Other benefits	**1,992,519**	2,664,713
	16,167,148	15,762,977

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9. Other income

	2022 RO	2021 RO
Tender fee and others	**146,577**	341,665
Amortization of deferred income (note 22)	**35,741**	-
Reversal of provisions	**4,970,663**	-
Lease concession	-	20,523
Shared costs - income [(note 26(a)]	**4,481,145**	4,978,457
Others	**11,000**	-
	9,645,126	5,340,645

10. Finance income and cost

Finance income		
Finance income on concession arrangement:		
Concession receivables (note 12)	**57,379,754**	56,996,736
Contract assets (note 13)	**11,082,624**	10,181,701
	68,462,378	67,178,437
Interest income on short term deposits	**974,898**	277,998
	69,437,276	67,456,435
Finance cost		
Interest on loan from Parent Company [note 26 (c)]	**7,066,272**	1,992,511
Amortization of deferred finance cost (note 21)	**506,131**	704,586
Interest on lease liabilities (note 24)	**688,898**	304,327
Interest on term loan from commercial banks (note 21)	**9,988,060**	11,411,426
Others	**90,107**	297,759
	18,339,468	14,710,609

11. Taxation

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

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% (2021: 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 include adjustments related to IFRIC 12 accounting, depreciation, leases and other adjustments and these adjustments relate to both income and expense. The adjustments are based on the current understanding of the existing tax laws, regulations and practices.

The effective tax rate for the year ended 31 December 2022 is 14% (2021: 17%).

The Company's tax assessments have been completed and agreed with Oman Taxation Authorities for all years up to 31 December 2018. The Company's management is of the opinion that additional taxes, if any, assessed for the open tax years would not be material to the Company's financial position as at 31 December 2022.

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Notes to the financial statements for the year ended 31 December 2022 (continued)

11. Taxation (continued)

a) Tax expense

The taxation charge for the year is comprised of:

	2022	2021
Current tax	**RO**	RO
- current year	-	-
- prior year	-	1,222,809
	-	1,222,809
Deferred tax		
- in respect of current year	**7,768,108**	7,395,721
- in respect of prior year	**(261,926)**	12,936
	7,506,182	7,408,657
	7,506,182	8,631,466

b) Tax reconciliation

The tax payments are made as per applicable local tax laws based on property, plant and equipment model under IAS 16 (PPE Model), as if the Company owns property, plant and equipment. However, the profit before tax in these financial statements is based on IFRIC 12 Service Concession Arrangements accounting.

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:

Net profit before tax	**53,102,406**	51,739,895
Tax on accounting profit @15%	**7,965,361**	7,760,984
Add / (less) tax effect of:		
Non-deductible expenses	**20,459**	147,396
Un-recognised deferred tax asset*	-	112,502
Tax exempt revenues	**(217,712)**	(625,161)
Prior year current tax	-	1,222,809
Prior year deferred tax	**(261,926)**	12,936
	7,506,182	8,631,466

*This represents un-recognsied deferred tax on allowance for expected credit loss expiring in five years.

c) Current tax liability

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

	2022	2021
	RO	RO
At 1 January	**45,431**	1,644,088
Charge for the year	-	1,222,809
Payment made during the year	-	(2,821,466)
At 31 December	**45,431**	45,431

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11. Taxation (continued)

d) Deferred tax

Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 15% (2021 - 15%). The deferred tax liability and deferred tax charge in the profit or loss and other comprehensive income are attributable to the following items:

	1 January RO	Charge to profit or loss RO	Charged to other comprehensive income RO	31 December RO
2022				
Taxable temporary differences				
Effect of accelerated tax depreciation	**30,367,104**	**8,666,348**	**-**	**39,033,453**
Right of use asset	**667,703**	**628,181**	**-**	**1,295,884**
Derivatives	**-**	**-**	**1,479,555**	**1,479,555**
Deferred tax liabilities	**31,034,807**	**9,294,529**	**1,479,555**	**41,808,891**
Deductible temporary differences				
Brought forward losses	**(347,076)**	**(1,083,498)**	**-**	**(1,430,574)**
Provision	**(2,460)**	**(2,708)**	**-**	**(5,168)**
Lease liability	**(700,301)**	**(702,143)**	**-**	**(1,402,444)**
Deferred tax assets	**(1,049,837)**	**(1,788,349)**	**-**	**(2,838,186)**
2021				
Taxable temporary differences				
Effect of accelerated tax depreciation	22,609,624	7,757,480	-	30,367,104
Right of use asset	531,927	135,776	-	667,703
Deferred tax liabilities	23,141,551	7,893,256	-	31,034,807
Deductible temporary differences				
Brought forward losses	-	(347,076)	-	(347,076)
Provision	(3,570)	1,110	-	(2,460)
Lease liability	(561,668)	(138,633)	-	(700,301)
Deferred tax assets	(565,238)	(484,599)	-	(1,049,837)

At the reporting date, the Company has cumulative tax losses of RO 9,537,162 (2021: RO 3,719,154) available for adjustment from future taxable profits. The management has determined that the cumulative tax losses will expire in 2026 and 2027.

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12. Concession receivables

	2022 RO	2021 RO
At 1 January	**829,529,017**	798,763,688
Acquisition during the year	**-**	8,006,978
Transferred from contract assets (note 13)	**15,737,265**	54,769,990
Adjustment of penalties	**(1,708,077)**	
Finance income during the year (note 10)	**57,379,754**	56,996,736
Billed during the year	**(85,867,430)**	(89,008,375)
At 31 December	**815,070,529**	829,529,017
Non-current / current:		
Non-current portion	**782,487,965**	799,126,029
Current portion	**32,582,564**	30,402,988
	815,070,529	829,529,017

Concession receivables have effective interest rate of 7.23% (2021: 7.28%) per annum and will be settled / recovered over the term of the Concession Agreement.

For the purposes of impairment assessment, the concession receivables are considered to have low credit risk as the counterparty of this receivable is MEM (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 lifetime ECL.

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

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

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13. Contract assets

	Due from MEM	Due from others	Total
	RO	RO	RO
2022			
At 1 January	**145,433,664**	**1,589,794**	**147,023,458**
Additions during the year (note 6)	**53,047,850**	**212,489**	**53,260,339**
Transferred from receivable from a related party	**1,134,668**	-	**1,134,668**
Adjustment of penalties	**(2,185,960)**	-	**(2,185,960)**
Transferred to concession receivables upon completion (note 12)	**(15,737,265)**	-	**(15,737,265)**
Finance income during the year (note 10)	**11,082,624**	-	**11,082,624**
Billed during the year	**(10,485,434)**	-	**(10,485,434)**
At 31 December	**182,290,147**	**1,802,283**	**184,092,430**
2021			
At 1 January	144,460,415	1,737,666	146,198,081
Additions during the year (note 6)	54,977,885	988,396	55,966,281
Invoiced and transferred to receivable from a related party	-	(1,136,268)	(1,136,268)
Transferred to concession receivables upon completion (note 12)	(54,769,990)	-	(54,769,990)
Finance income during the year (note 10)	10,181,701	-	10,181,701
Billed during the year	(9,416,347)	-	(9,416,347)
At 31 December	145,433,664	1,589,794	147,023,458

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

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

(c) For the purpose of impairment assessment for these financial assets, the loss allowance is measured at an amount equal to lifetime ECL using the simplified 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 (2021: Nil).

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13. Contract assets (continued)

(d) Due from others include receivable on account of the Pipe rack to be constructed at Salalah Port and Ras Markaz Pipeline project. As per the correspondence among the OQ group Companies (including Parent Company) and the relevant Ministries, the amount of pipe rack would be ultimately paid by the Government and / or relevant Ministry. During 2021, an amount of RO 1.1 million was completed and transferred to OQ LPG (SFZ) LLC in relation to Pipe rack.

14. Right of use assets

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

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

	Leasehold land	**Motor vehicles**	**Building**	**Total**
	RO	**RO**	**RO**	**RO**
At 1 January 2021	2,804,741	547,214	194,223	3,546,178
Additions (note 24)	1,410,692	-	-	1,410,692
Depreciation (note 7)	(106,571)	(360,735)	(38,208)	(505,514)
At 31 December 2021	**4,108,862**	**186,479**	**156,015**	**4,451,356**
Additions (note 24)	**4,364,567**	**439,388**	**199,479**	**5,003,434**
Depreciation (note 7)	**(333,277)**	**(420,571)**	**(55,706)**	**(809,554)**
At 31 December 2022	**8,140,152**	**205,296**	**299,788**	**8,645,236**
At 31 December 2021	4,108,862	186,479	156,015	4,451,356

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15. Investment property

	2022	2021
Cost	**RO**	RO
At 1 January	**995,372**	995,372
Additions	**164,987**	-
31 December	**1,160,359**	995,372
Accumulated depreciation		
At 1 January	**114,336**	52,276
Charge for the year (note 8)	**60,240**	62,060
31 December	**174,576**	114,336
Carrying amount	**985,783**	881,036

At 31 December 2019, a building was transferred to investment property because it was no longer used by the Company in rendering the services under the concession arrangement. During the year, renovation has been carried out in the building. The fair value of the investment was carried out by management in 2022 resulting in fair value of RO 3.6 million (2021: RO 3.7 million) which is higher than the carrying value.

Fair value measurement

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

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

Property description	**Valuation technique**	**Significant unobservable inputs**	**Inter-relationship between key unobservable inputs and fair value measurement**
Five story commercial building with basement floor, Plot No. 4, Al Khuwair area 41, at Wilayat Bausher.	*Discounted cash flows:* The valuation model considers the present value of net future cash flows projected.	• Rent per month at RO 31,536.5 (2021: RO 31,536.5) for 20 years with no YoY growth, • Discount rate of 6.5% (2021: 6.5%); and • Duration of 16 years (2021: 17 years).	The estimated fair value would increase / (decrease) if: • Monthly rent was higher / (lower); • Duration was higher / (lower); and • Discount rate was lower / (higher).

16. Inventories

	2022	2021
	RO	RO
Stores, spares and consumables	**2,161,656**	1,834,782
Less: Provision for obsolete stock	**(34,450)**	(16,399)
	2,127,206	1,818,383

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16. Inventories (continued)

Movement in provision for obsolete stock is as follows:

	2022	2021
	RO	RO
At 1 January	**16,399**	23,798
Provision written off	**(6,904)**	(1,391)
Charge / (reversal) for the year (note 7)	**24,955**	(6,008)
At 31 December	**34,450**	16,399

17. Trade and other receivables

	2022	2021
Receivable from MEM [note 26 (d)]	**11,350,422**	35,171,086
Due from related parties [note 26 (e)]	**11,476,880**	16,031,009
Allowance for expected credit loss (note 29)	**-**	(316,332)
	22,827,302	50,885,763
Receivable from third parties	**482,424**	141,228
Advances to employees	**188,336**	246,739
Accrued revenue	**-**	4,607,414
Other receivables	**1,765,800**	1,468,127
	25,263,862	57,349,271

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

The Company measures the loss allowance for trade receivables at an amount equal to lifetime ECL using the simplified approach. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment, that includes forward-looking information. There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

As of 31 December 2022, other receivables and receivable from third parties for project management fees and others of RO 2.25 million (2021 - RO 1.61 million) were fully performing. There is no impairment losses recognised on any receivables in the reporting period (2021: nil).

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

Accrued revenue represents value of work done for MEM but not billed at the reporting date.

Movement of allowance for expected credit loss is as follows:

	2022	2021
	RO	RO
As at 1 January	**316,332**	-
(Reversal) / allowance for the year	**(316,332)**	316,332
As at 31 December	**-**	316,332

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18. Cash and cash equivalents

	2022 RO	2021 RO
Cash at bank	**48,769,555**	34,345,101
Cash in hand	**8,035**	12,544
Cash and cash equivalents	**48,777,590**	34,357,645

Cash at bank includes RO 30.38 million (2021: RO 31.84 million) placed in call accounts with financial institutions operating in the Sultanate of Oman, having an interest rate of 0.01% to 5.4% (2021: 0.08% to 2.5%) per annum.

19. Short term deposits

Short term deposits have been placed with financial institutions operating in the Sultanate of Oman with residual maturities of less than one year, having an interest rate of 3.8% to 5.45% (2021- 0.08% to 0.95%) per annum.

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

20. Share capital and reserves

The Company's authorised, subscribed and paid-up share capital comprises 336,787,394 shares of RO 1 each (2021 - RO 336,787,394 and 336,787,394 shares). The shareholding as on 31 December 2022 and 2021 is as follows:

	Number of shares 2022	% of share holding 2022	Number of shares 2021	% of share holding 2021
OQ SAOC	**335,810,932**	**99.71**	335,810,932	99.71
Oman Energy Trading Company Limited	**488,230**	**0.14**	488,230	0.14
Oman Oil Services Limited	**488,230**	**0.14**	488,230	0.14
	336,787,392	**100**	336,787,392	100

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20. Share capital and reserves (continued)

Legal reserve

Article 132 of the Commercial Companies Law of Sultanate of Oman 2019 requires that 10% of the Company's profit for the year to be transferred to a non-distributable legal reserve until the amount of the legal reserve equals to one-third of the Company's share capital. This reserve is not available for distribution. During the year, RO 4.56 million (2021: RO 4.31 million) has been transferred to legal reserve.

21. Term loans

	2022	2021
	RO	RO
Term loan	**252,902,873**	281,958,504
Less: unamortized transaction cost	**(2,108,192)**	(2,614,323)
	250,794,681	279,344,181
Analysed as follows:		
Current	**30,869,616**	29,144,368
Non-current	**219,925,065**	250,199,813
	250,794,681	279,344,181
The unamortized transaction cost is as follows:		
At January	**2,614,323**	3,318,909
Amortised during the year	**(506,131)**	(704,586)
At 31 December	**2,108,192**	2,614,323

Term loan

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

22. Deferred income

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

	2022	2021
	RO	RO
At 1 January	**4,148,058**	-
Contributions received during the year	**752,484**	4,148,058
Recognized as income	**(35,741)**	-
At 31 December	**4,864,801**	4,148,058

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23. Employees' end of service benefits

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

	2022 RO	2021 RO
At 1 January	**406,990**	6,227,687
Charge for the year (note 8.1)	**116,288**	163,228
Un-realised actuarial loss/(gain)	**210,020**	(301,317)
Paid during the year	**(176,526)**	(5,682,608)
At 31 December	**556,772**	406,990

Effective from 1 January 2021, based on the harmonization initiative of OIA and the Parent Company, the Company abolished the policy of providing additional end of service benefits to Omani employees. The amount of outstanding provision was paid to the respective Omani employee during the year ended 31 December 2021 resulting in decrease in total outstanding balance.

As at 31 December 2021 and 2022, 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:

	2022	2021
Discount rate	**6.00%**	5.50%
Future salary increase	**3%**	3%
Retirement age in years	**60**	60

Movement in the present value of obligation towards expatriates is as follow:

At 1 January	**406,990**	633,466
Current service cost	**116,288**	163,228
Un-realised actuarial loss/(gains)	**210,020**	(301,317)
Paid during the year	**(176,526)**	(88,387)
At 31 December	**556,772**	406,990

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

Service cost	**116,288**	163,228

The amount recognised in the statement of other comprehensive income

Actuarial loss/(gain) – Experience adjustment	**210,020**	(301,317)

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23. Employees' end of service benefits (continued)

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.

	2022 RO		2021 RO	
	Increase	**Decrease**	Increase	Decrease
Discount rate (0.50% points)	**(14,091)**	**14,513**	(8,596)	9,026
Projected salary (0.50% points)	**14,688**	**(14,458)**	9,211	(8,844)

24. Leases liabilities

The movement in lease liabilities is as follows:

	2022 RO	2021 RO
At 1 January	**4,668,677**	3,744,451
Additions during the year (note 14)	**5,003,434**	1,410,692
Lease concession	**-**	(20,523)
Accretion of interest (note 10)	**688,898**	304,327
Payments	**(1,011,380)**	(770,270)
At 31 December	**9,349,629**	4,668,677

	2022 RO	2021 RO
Anaylsed as:		
Current	**308,905**	510,491
Non-current	**9,040,724**	4,158,186
	9,349,629	4,668,677
Gross lease liabilities	**22,268,967**	12,429,386
Future finance charges	**(12,919,338)**	(7,760,709)
	9,349,629	4,668,677
Interest expense recognised in profit or loss	**688,898**	304,327
Total cash flows for leases	**1,011,380**	770,270

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

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Notes to the financial statements
for the year ended 31 December 2022 (continued)

25. Trade and other payables

	2022	2021
	RO	RO
Payables to contractors for construction contracts	**31,634,285**	35,842,012
Trade payables	**8,005,196**	17,738,851
Accrued expenses and provisions	**10,457,910**	8,330,722
Due to related parties (note 26 (f))	**10,856,208**	11,256,994
Interest payable on term loan	**511,561**	773,527
Unearned revenue*	**4,524,332**	-
Other payables	**1,933,584**	1,361,299
	67,923,076	75,303,405

*Unearned revenue represents billings to MEM in excess of revenue.

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26. Related parties

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

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

Outstanding balances at year end are unsecured and settlement occurs in cash. No allowance for expected credit loss on amounts owed by related parties is recognized at the reporting date (2021: RO 0.32 million).

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

a) Significant related parties transactions:

	2022	2021
	RO	RO
Revenue from MEM		
Construction revenue (note 6)	**53,047,850**	54,977,885
Finance income on concession arrangement (note 10)	**68,462,378**	67,178,437
Allowance for expenditures and pass-through cost (note 6)	**28,090,511**	29,469,167
	149,600,739	151,625,489

Cost allocation:

Cost allocation represents common costs incurred by group companies and recharged based on the cost allocation mechanism adopted by the Parent Company. The expenses recharged by the group companies are recognised under administrative expenses and expenses charged to the group companies with margin is recognised in other income. As a part of the Parent Company cost allocation, the following amounts were recognised:

Cost allocation expenses - (note 8)	**(8,893,001)**	(10,512,355)
Cost allocation income - (note 9)	**4,481,145**	4,978,457
	(4,411,856)	(5,533,898)

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26. Related parties (continued)

b) Key management personnel compensation is as follows:

All key decisions are taken by the joint management company of the Parent Company. Key management compensation in relation to the Company is recharged through the group cost allocation by the Parent Company. No remuneration is paid to the Board of Directors during the year by the Company directly. Key management compensation paid during the year amounts to RO 104,824 (2021: RO 65,844).

c) Loan from Parent Company

	2022	2021
	RO	RO
At 1 January	**137,600,804**	20,145,304
Loans obtained during the year	**-**	117,455,500
At 31 December	**137,600,804**	137,600,804

i. During 2017, the Company obtained loan from Parent company for the funding of the Ras Markaz Pipeline project. As of 31 December 2022, the balance of loan was RO 0.89 million (2021: RO 0.89 million). As per the loan agreement with the Parent Company this loan is unsecured and interest bearing at a rate of 3-month LIBOR plus an agreed margin (2021: 3-month LIBOR plus an agreed margin).

ii. During 2021, the Company has obtained an additional un-secured loan from Parent Company amounting to RO 117.4 million. The loan carries interest 3-month LIBOR plus an agreed margin. The loan does not have a repayment schedule and is not expected to be paid within one year.

d) Receivables from MEM (note 17)

	2022	2021
	RO	RO
Receivables from Government for services	**11,350,422**	35,171,086

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

Parent Company	**-**	813,902
Subsidiaries of the Parent Company	**11,413,523**	13,969,259
Associates of the Parent Company	**63,357**	1,247,848
	11,476,880	16,031,009

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

Parent Company	**10,690,804**	9,615,591
Subsidiaries of the Parent Company	**165,404**	1,602,132
Associates of the Parent Company	**-**	39,271
	10,856,208	11,256,994

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27. Derivatives

During 2020, Parent Company entered into interest rate swap agreements with commercial banks, on behalf of the Company. The Parent Company then entered into back to back interest rate swap agreement with the Company. Any change in the valuation of these hedges is recorded in statement of comprehensive income.

	2022	2021
	RO	RO
Cumulative changes in hedging reserve		
At 1 January	**2,612,704**	(618,761)
Gain/ (loss) arising on changes in fair value of hedging instruments during the year	**7,250,991**	3,231,465
Deferred tax charged to other comprehensive income	**(1,479,555)**	-
At 31 December 2022	**8,384,140**	2,612,704
Asset / (liability)		
Non-current portion	**4,638,938**	2,609,809
Current portion	**5,224,757**	2,895
	9,863,695	2,612,704

The below table summarize the maturity profile of the nominal amount of derivatives designated as hedging instruments in fair value hedge relationship. The weighted average interest rate of these interest rates swaps was 0.5091% (2021: 0.5091%).

	Less than 6 months	6 to 12 months	More than 1 year	Total
RO'000				
31 December 2022	**30,038**	**11,861**	**85,646**	**127,545**
31 December 2021	10,783	(8,203)	127,545	130,125

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

28. Commitments and contingencies

The Company is defending certain actions brought by a contractor in relation to work carried out by him for the Company. The Company is also defending action brought by MEM to indemnify MEM for penalties it incurred due to delays in project delivery. Although liability is not admitted, if the defense against the action is unsuccessful, then the Company may be liable for an amount of RO 28.9 million (2021: RO 14.9 million). Based on legal advice, the Company's management believes that the defense against the action will be successful. As at 31 December 2022, the Company had commitments pertaining to the capital projects under construction of RO 67.0 million (2021: RO 94.3 million).

29. Impairment expense

	2022	2021
	RO	RO
(Reversal)/allowance for expected credit loss (note 17)	**(316,332)**	316,332

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30. Earnings per share

Earnings per share are calculated by dividing the profit for the year by number of weighted average shares issued during the year.

	2022 RO	2021 RO
Profit for the year	**45,596,224**	43,108,429
Weighted average number of shares (note 20)	**336,787,392**	336,787,392
Basic earnings per share	**0.135**	0.128

31. Financial instruments

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

Categories of financial instruments	2022 RO	2021 RO
Financial assets (at amortised cost)		
Concession receivables (note 12)	**815,070,529**	829,529,017
Contract asset (note 13)	**184,092,430**	147,023,458
Trade and other receivables (note 17)	**25,263,862**	57,349,271
Term deposits (note 19)	**18,600,000**	3,350,370
Cash and bank balances (note 18)	**48,777,590**	34,357,645
Financial assets (at fair value through OCI)		
Cash flow hedges (note 27)	**9,863,695**	2,612,704
	1,101,668,106	1,074,222,465
Financial liabilities (at amortised cost)		
Term loan (note 21)	**250,794,681**	279,344,181
Loan from Parent Company (note 26 (c))	**137,600,804**	137,600,804
Lease liability (note 24)	**9,349,629**	4,668,677
Trade and other payables (note 25)	**63,398,744**	75,303,405
	461,143,858	496,917,067

Management believes that the fair values of other financial assets and liabilities of the Company are not considered to be significantly different to their carrying values at 31 December 2022.

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

The carrying amounts of financial assets and financial liabilities recognized in the financial statements approximate their fair values.

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.

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31. Financial risk management (continued)

Managing interest rate reform and associated risks

Overview

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as 'IBOR reform'). As at 31 December 2022, the Company's IBOR exposure is indexed to US dollar LIBOR. The alternative reference rate for US dollar LIBOR is the Secured Overnight Financing Rate (SOFR). The Company is in the process of implementing appropriate fallback clauses for all US dollar LIBOR indexed exposures. These clauses will automatically switch the instrument from USD LIBOR to SOFR as and when USD LIBOR ceases. As announced by the Financial Conduct Authority (FCA) in early 2022, the panel bank submissions for US dollar LIBOR will cease in mid-2023.

Management monitors and manages the Company's transition to alternative rates. Management evaluates the extent to which contracts reference IBOR cash flows, whether such contracts will need to be amended as a result of IBOR reform and how to manage communication about IBOR reform with counterparties. Management reports to the Company's board of directors and collaborates with other business functions as needed.

Non-derivative financial assets

The Company does not have any non-derivative financial asset exposed to IBOR as at 31 December 2021 or 31 December 2022.

Non-derivative financial liabilities

The Company's IBOR exposures to non-derivative financial liabilities as at 31 December 2022 were loans indexed to US dollar LIBOR. The Company is in the process of introducing fallback clauses into all such loan agreements. These clauses will automatically switch the instrument from USD LIBOR to SOFR as and when USD LIBOR ceases.

Derivative financial assets and financial liabilities

The Company holds interest rate swaps for risk management purposes that are designated in cash flow hedging relationships. The interest rate swaps have floating legs that are indexed to USD LIBOR. The Company's derivative instruments are governed by contracts based on the International Swaps and Derivatives Association (ISDA)'s master agreements.

ISDA has published an IBOR fallback supplement to amend the 2006 ISDA definitions and an IBOR fallback protocol to include fallback clauses that would apply on the permanent discontinuation of certain key IBORs and facilitate multilateral amendments to include the amended floating-rate options in derivative transactions that were entered into before the date of the supplement. The Company currently plans to adhere to the protocol and to monitor whether its counterparties will also adhere. If this plan changes or there are counterparties who will not adhere to the protocol, the Company will negotiate with them bilaterally about including new fallback clauses.

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31. Financial risk management (continued)

Market risk (continued)

Hedge accounting

The Company's hedged items and hedging instruments as at the reporting date are indexed to USD LIBOR. The Company is in the process of introducing fallback clauses into all such agreements and replacing its USD LIBOR interest rate derivatives used in cash flow hedging relationships with economically equivalent interest rate derivatives referencing SOFR. Therefore, uncertainty about when and how replacement may occur with respect to the relevant hedged items and hedging instruments still exists. As a result, the Company continues to apply the amendments to IFRS 9 issued in September 2019 (Phase 1) to those hedging relationships.

Hedging relationships impacted by IBOR reform may experience ineffectiveness attributable to market participants' expectations of when the shift from the existing IBOR benchmark rate to an alternative benchmark interest rate will occur. This transition may occur at different times for the hedged item and hedging instrument, which may lead to hedge ineffectiveness.

Total amounts of unreformed contracts, including those with an appropriate fallback clause:

The Company monitors the progress of transition from IBOR to new benchmark rates by reviewing the total amounts of contracts that have yet to transition to an alternative benchmark rate and the amounts of such contracts that include an appropriate fallback clause. The Company considers that a contract is not yet transitioned to an alternative benchmark rate when interest under the contract is indexed to a benchmark rate that is still subject to IBOR reform, even if it includes a fallback clause that deals with the cessation of the existing IBOR (referred to as an 'unreformed contract'). As at 31 December 2022, agreements for loans having an outstanding balance of RO 252.9 million (31 December 2021: RO 281.9 million) are yet to transition to an alternative benchmark rate and include an appropriate fallback clause.

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

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as 'IBOR reform'). In July 2017, the United Kingdom Financial Conduct Authority ('FCA'), which regulates the London Interbank Offered Rate ('LIBOR'), announced that the interest benchmark would cease after 2021. LIBOR is one of the most common series of benchmark interest rates. LIBOR reforms and expectation of cessation of LIBOR will impact the Company's current risk management strategy and possibly accounting for financial liabilities of RO 252.9 million.

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31. Financial risk management (continued)

Financial risk factors (continued)

Market risk (continued)

ii) Interest rate risk (continued)

The Company has exposures to LIBORs on its financial instruments that will be replaced or reformed as part of these market-wide initiatives. There is uncertainty over the timing and the methods of transition in the jurisdiction that the Company operates in. The Company anticipates that LIBOR reform will not have a significant impact on its risk management in terms of interest rate risks associated with the Company borrowings

The OQ Group central treasury team along with the company management monitors and manages the Company's transition to alternative rates. The team evaluates the extent to which the borrowings contracts reference LIBOR cash flows, whether such contracts will need to be amended as a result of LIBOR reform and how to manage communication about IBOR reform with counterparties.

The team reports to the Company's board of directors and collaborates with other business functions as needed. It provides periodic reports to management of interest rate risk and risks arising from LIBOR reform.

At 31 December 2022, the Company has RO 252.9 million LIBOR secured bank loans that will be subject to IBOR reform. In assessing the impact, the Company does not expect any significant modification gain or loss which will arise as a result of the change in the interest rate benchmarks as a result of the amendments expected under these LIBOR reform as these are still under discussion with the company lenders and the Company has made the following assumptions that reflect its current expectations:

- The floating-rate debt will move to the benchmark adopted during 2022/2023, and the spread is expected to be similar to the spread expected from the current interest rate movements; and
- No other changes to the terms of the term loan are anticipated.

The Company is assessing the impact and next steps to ensure a smooth transition from LIBOR to the new benchmark rates.

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

	2022 RO	2021 RO
Fixed rate instruments		
Short term deposits	**18,600,000**	3,350,370
Floating rate instruments		
Loan from Parent Company	**137,600,804**	137,600,804
Term loan from commercial banks-net of hedging	**125,357,753**	151,833,214
	262,958,557	289,434,018

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31. Financial risk management (continued)

Financial risk factors (continued)

Market risk (continued)

ii) Interest rate risk (continued)

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

Sensitivity analysis for floating rate instruments
For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. At 31 December 2022, 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:

	2022	2021
	RO	RO
Loan from Parent Company	**1,376,008**	1,376,008
Term loan from commercial banks	**1,253,578**	1,518,332
	2,629,586	2,894,340

Liquidity risk

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

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

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

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31. Financial risk management (continued)

Financial risk factors (continued)

Liquidity risk (continued)

31 December 2022	Carrying amount	Contractual cash flows	Upto 1 year	1 to 5 years	Over 5 years
	RO	RO	RO	RO	RO
Loans from Parent Company	137,600,804	156,859,204	-	156,859,204	-
Term loans	250,794,681	299,144,240	45,650,441	253,493,799	-
Lease liability	9,349,629	22,268,967	820,857	2,363,846	19,084,264
Trade and other payables	63,398,744	63,398,744	63,398,744	-	-
	461,143,858	541,671,155	109,870,042	412,716,849	19,084,264
31 December 2021					
Loans from Parent Company	137,600,804	145,856,852	-	145,856,852	-
Term loan from commercial bank	279,344,181	322,213,821	38,955,138	171,113,875	112,144,808
Lease liability	4,668,677	12,429,386	233,587	1,087,154	11,108,645
Trade and other payables	75,303,405	75,303,405	75,303,405	-	-
	496,917,067	555,803,464	114,492,130	318,057,881	123,253,453

Trade payables are interest free and effective interest rates on Loan from Parent Company and term loan from Commercial banks was ranging from 2.41% and 7.00% (2021: 3.00% and 4.33%).

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

Credit risk

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

As at 31 December 2022, 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 MEM (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.

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31. Financial risk management (continued)

Credit risk (continued)

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

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

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

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

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31. Financial risk management (continued)

Credit risk (continued)

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

31 December 2022	External credit rating	12-month or lifetime ECL	Gross carrying amount	ECL	Loss allowance	Net carrying amount
			RO	%	RO	RO
Concession receivables	Ba3	Lifetime	**815,070,529**	-	-	**815,070,529**
Cash and bank balances	Ba3	12 months	**48,777,590**	-	-	**48,777,590**
Contract assets	Ba3	Lifetime	**184,092,430**	-	-	**184,092,430**
Term deposits	Ba3	12 months	**18,600,000**	-	-	**18,600,000**
Trade and other receivables	-	Lifetime	**25,263,862**	-	-	**25,263,862**
			1,091,804,411	-	-	**1,091,804,411**
31 December 2021						
Concession receivables	Ba3	Lifetime	829,529,017	-	-	829,529,017
Cash and bank balances	Ba3	12 months	34,357,645	-	-	34,357,645
Term deposits	Ba3	12 months	3,350,370	-	-	3,350,370
Contract assets	Ba3	Lifetime	147,023,458	-	-	147,023,458
Trade and other receivables	-	Lifetime	57,665,603	0.59	(316,332)	57,349,271
			1,071,926,093	0.59	(316,332)	1,071,609,761

As at December 31, 2022 the status of past due balances of financial assets are as follows:

31 December 2022	Carrying amount	Not due	Past due Upto 30 days	Upto 180 days	Over 365 days
	RO	RO	RO	RO	RO
Gross carrying amount:					
Concession receivables	**815,070,529**	**815,070,529**	-	-	-
Contract asset	**184,092,430**	**184,092,430**	-	-	-
Cash and bank balances	**48,777,590**	**48,777,590**	-	-	-
Term deposits	**18,600,000**	**18,600,000**	-	-	-
Trade and other receivables	**25,263,862**	**13,428,184**	**1,078,347**	**1,292,233**	**9,465,098**
	1,091,804,411	**1,079,968,733**	**1,078,347**	**1,292,233**	**9,465,098**

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31. Financial risk management (continued)

Credit risk (continued)

31 December 2021	Carrying amount	Not due	Past due Upto 30 days	Upto 180 days	Over 365 days
	RO	RO	RO	RO	RO
Gross carrying amount:					
Concession receivables	829,529,017	829,529,017	-	-	-
Contract asset	147,023,458	147,023,458	-	-	-
Term deposits	34,357,645	34,357,645	-	-	-
Cash and bank balances	3,350,370	3,350,370	-	-	-
Trade and other receivables	57,349,271	27,740,968	16,900,839	1,849,180	10,858,284
	1,071,609,761	1,042,001,458	16,900,839	1,849,180	10,858,284

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

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

32. Capital risk management

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

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

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

The Company's management reviews the capital structure of the Company on a semi-annual basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. The gearing ratio at 31 December 2022 was 35% (2021: 40%).

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32. Capital risk management (continued)

Gearing ratio

The gearing ratio at year end was as follows:

	2022	2021
	RO	RO
Net debt	**321,017,895**	379,236,970
Total equity	**608,592,564**	557,434,924
Total capital employed	**929,610,459**	936,671,894
Gearing ratio	**35%**	40%

33. Segment information

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

34. 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 31 December**
2022					
Term loan from commercial banks	**279,344,181**	-	**(29,144,368)**	**594,868**	**250,794,681**
Loan from Parent Company	**137,600,804**	-	-	-	**137,600,804**
Finance lease liability	**4,668,677**	-	**(1,011,380)**	**5,692,332**	**9,349,629**
	421,613,662	-	**(30,155,748)**	**6,287,200**	**397,745,114**
2021					
Term loan from commercial banks	383,501,225	-	(104,861,630)	704,586	279,344,181
Loan from Parent Company	20,145,304	117,455,500	-	-	137,600,804
Finance lease liability	3,744,451	-	(770,270)	1,694,496	4,668,677
	407,390,980	117,455,500	(105,631,900)	2,399,082	421,613,662

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35. Comparative amount

The presentation of corresponding figures for 2021 has been changed in order to conform with the presentation for the current year. This does not affect previously reported profit, shareholder's equity or net cash flows.

	As previously reported RO	Changes in comparatives RO	As currently reported RO
Statement of financial position			
Trade and other receivables	53,201,213	4,148,058	57,349,271
Deferred tax assets	-	1,049,837	1,049,837
Deferred tax liabilities	(29,984,970)	(1,049,837)	(31,034,807)
Deferred income	-	(4,148,058)	(4,148,058)
Statement of cash flows			
Cash flows from operating activities	77,060,386	(3,673,402)	73,386,984
Cash flows from investing activities	(67,323,629)	3,673,402	(63,650,227)
Statement of profit and loss and other comprehensive income			
Impairment expense	310,324	6,008	316,332
Operating expense	22,911,595	(6,008)	22,905,587

The changes in statement of financial position are on account of:

- Capital contributions in aid of construction received from customers represented from trade and other receivables to deferred income.
- Deferred tax asset shown separately from deferred tax liability following the early adoption of amendments to IAS 12.

The change in statement of cashflows is on account of construction margin on the contract assets represented from cash flows from investing activities to cash flows from operating activities.

The change in statement of profit and loss and other comprehensive income is on account of provision for obsolete stock represented from impairment expense to operating expense.

36. Non cash investing and financing activities

Non cash financing and investing activities disclosed in other notes are:

- The amount of transaction cost amortized during the year
- Recognition of finance lease liabilities and right of use assets and subsequent amortization and depreciation

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OQ GAS NETWORKS SAOC

Report and financial statements for the year ended 31 December 2021

Registered office

P.O Box 799, P.C 133
Al Khuwair, Bousher, Muscat
Sultanate of Oman

OQ GAS NETWORKS SAOC

Report and Financial statements
for the year ended 31 December 2021

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Independent auditors' report

To the Shareholders of OQ Gas Networks SAOC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of OQ Gas Networks SAOC ("the Company"), which comprise the statement of financial position as at 31 December 2021, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

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

Continued on page 2

Continued from page 1

Other Information

Management is responsible for the other information. The other information comprises the Director's report.

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

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and their preparation in compliance with the applicable provisions of the Commercial Companies Law of 2019 and the Ministerial Decision 146/2021 issuing Commercial Companies' Regulations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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.

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Auditors' 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 the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirements

We report that these financial statements comply, in all material respects, with the applicable provisions of Commercial Companies Law of 2019.

Further, as required by the applicable provisions of the Commercial Companies Law of 2019 and the Ministerial Decision 146/2021 issuing Commercial Companies' Regulations, we report that:

I. We have obtained all the information and explanation we considered necessary for the purposes of our audit;

II. The Company has maintained accounting records and the financial statements are in agreement therewith;

III. The financial information included in the Director's report is consistent with the books of accounts of the Company; and

IV. Based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Company has contravened during the year ended 31 December 2021 any of the applicable provisions of the Commercial Companies Law of 2019 or of its Articles of Association which would materially affect the financial performance and/or its financial position as at 31 December 2021.

Mobeen Chaudhri
Date: 17 March 2022

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CR No. 1358131
Tax Card No. 8063052

OQ GAS NETWORKS SAOC

Statement of comprehensive income
for the year ended 31 December 2021

	Notes	2021 RO	2020 RO
Income			
Revenue	*6*	**84,689,573**	91,146,386
Finance income	*10*	**67,456,435**	74,760,231
Other income	*9*	**5,340,645**	196,308
		157,486,653	166,102,925
Expenses			
Construction costs		**(51,304,483)**	(52,124,773)
Operating expenses	*7*	**(22,911,595)**	(19,299,008)
Administrative expenses	*8*	**(16,509,747)**	(10,010,349)
Finance cost	*10*	**(14,710,609)**	(16,896,953)
Impairment expense	*28*	**(310,324)**	(23,798)
		(105,746,758)	(98,354,881)
Profit before income tax		**51,739,895**	67,748,044
Taxation	*11*	**(8,631,466)**	(8,398,120)
Profit for the year		**43,108,429**	59,349,924
Other comprehensive loss:			
Items that are or may be reclassified to profit or loss			
Effective portion of changes in fair value of cash flow hedges	*26*	**3,231,465**	(618,761)
Items that never will be reclassified into profit or loss			
Defined benefit obligation actuarial gain	*22*	**301,317**	-
Other comprehensive income / (loss) for the year		**3,532,782**	(618,761)
Total comprehensive income for the year		**46,641,211**	58,731,163
Earnings per share	*29*	**0.128**	0.176

The accompanying notes 1 -35 form an integral part of these financial statements.

Statement of financial position at 31 December 2021

Assets	Notes	2021 RO	2020 RO
Non-current assets			
Concession receivables	*12*	**799,126,029**	772,297,746
Contract assets	*13*	**147,023,458**	146,198,081
Right of use assets	*14*	**4,451,356**	3,546,178
Investment property	*15*	**881,036**	943,096
Derivatives	*26*	**2,609,809**	-
Total non-current assets		**954,091,688**	922,985,101
Current assets			
Concession receivables	*12*	**30,402,988**	26,465,942
Inventories	*16*	**1,818,383**	1,787,751
Trade and other receivables	*17*	**53,201,213**	67,175,711
Advances to contractors		**7,564,200**	1,014,131
Derivatives	*26*	**2,895**	-
Short term deposits	*19*	**3,350,370**	-
Cash and bank balances	*18*	**34,357,645**	12,797,288
Total current assets		**130,697,694**	109,240,823
Total assets		**1,084,789,382**	1,032,225,924
Equity and liabilities			
Equity			
Share capital	*20*	**336,787,394**	336,787,394
Legal reserve	*20*	**26,020,398**	21,709,555
Hedging reserve	*26*	**2,612,704**	(618,761)
Retained earnings		**192,014,428**	152,915,525
Total equity		**557,434,924**	510,793,713
Liabilities			
Non-current liabilities			
Term loan	*21*	**250,199,813**	278,639,595
Loan from Parent Company	*25 (c)*	**137,600,804**	20,145,304
Employees' end of service benefits	*22*	**406,990**	6,227,687
Lease liabilities	*23*	**4,158,186**	3,129,909
Derivatives	*26*	-	165,740
Deferred tax liability	*11*	**29,984,970**	22,576,313
Total non-current liabilities		**422,350,763**	330,884,548
Current liabilities			
Term loan	*21*	**29,144,368**	104,861,630
Lease liabilities	*23*	**510,491**	614,542
Derivatives	*26*	-	453,021
Trade and other payables	*24*	**75,303,405**	82,974,382
Income tax payable	*11*	**45,431**	1,644,088
Total current liabilities		**105,003,695**	190,547,663
Total liabilities		**527,354,458**	521,432,211
Total equity and liabilities		**1,084,789,382**	1,032,225,924

These financial statements were approved by the Board of Directors on 17 March 2022 and signed on their behalf by:

Chairman **Board Member**

The accompanying notes 1-35 form an integral part of these financial statements.

OQ GAS NETWORKS SAOC

Statement of changes in equity
for the year ended 31 December 2021

	Notes	Share capital	Share capital pending registration	Legal reserve	Hedging reserve	Retained earnings	Total equity
		RO	RO	RO	RO	RO	RO
At 1 January 2020		223,644,561	113,142,833	15,774,563	-	99,500,593	452,062,550
Total comprehensive income for the year:							
Net profit for the year		-	-	-	-	59,349,924	59,349,924
Other comprehensive loss for the year							
Changes in fair value of cash flow hedges		-	-	-	(618,761)	-	(618,761)
Total comprehensive income for the year		-	-	-	(618,761)	59,349,924	58,731,163
Transfer to legal reserve	20	-	-	5,934,992	-	(5,934,992)	-
Transaction with owners:							
Share capital registered		113,142,833	(113,142,833)	-	-	-	-
At 31 December 2020		336,787,394	-	21,709,555	(618,761)	152,915,525	510,793,713
At 1 January 2021		**336,787,394**	-	**21,709,555**	**(618,761)**	**152,915,525**	**510,793,713**
Total comprehensive income for the year:							
Net profit for the year		-	-	-	-	**43,108,429**	**43,108,429**
Other comprehensive income							
Changes in fair value of cash flow hedges	*26*	-	-	-	**3,231,465**	-	**3,231,465**
Defined benefit obligation actuarial gain	*22*	-	-	-	-	**301,317**	**301,317**
Other comprehensive income		-	-	-	**3,231,465**	**301,317**	**3,532,782**
Total comprehensive income for the year		-	-	-	**3,231,465**	**43,409,746**	**46,641,211**
Transfer to legal reserve	20	-	-	**4,310,843**	-	**(4,310,843)**	-
At 31 December 2021		**336,787,394**	-	**26,020,398**	**2,612,704**	**192,014,428**	**557,434,924**

The accompanying notes 1-35 form an integral part of these financial statements.

OQ GAS NETWORKS SAOC

Statement of cash flows
for the year ended 31 December 2021

	Note	2021 RO	2020 RO
Cash flows from operating activities			
Profit before income tax		**51,739,895**	67,748,044
Adjustments for:			
Depreciation		**567,574**	507,585
Lease concession		**(20,523)**	-
Impairment expense-net	*28*	**310,324**	23,798
Provision for employees' end of service benefits	*22*	**163,228**	118,066
Interest on concession receivables and contract assets	*10*	**(67,178,437)**	(72,835,126)
Finance income	*10*	**(277,998)**	(1,925,105)
Finance cost	*10*	**14,710,609**	16,896,953
Operating cash flows before working capital changes		**14,672**	10,534,215
Working capital changes:			
Contract assets		**10,552,615**	15,774,167
Inventories		**(24,624)**	43,457
Trade and other receivables and advances		**7,108,097**	(27,044,645)
Trade and other payables		**(7,670,977)**	636,062
Concession receivables	*12*	**89,008,375**	81,811,710
Cash generated from operations		**98,988,158**	81,754,966
Income tax paid	*11*	**(2,821,466)**	(2,701,435)
Interest paid		**(13,701,696)**	(14,570,655)
Employees' end of service benefits paid	*22*	**(5,682,608)**	(138,096)
Interest income received on fixed deposits	*10*	**277,998**	1,925,105
Net cash generated from operating activities		**77,060,386**	66,269,885
Cas flows from investing activities			
Additions in concession receivable	*12*	**(8,006,978)**	-
Payment to Government on acquisition of assets		-	(113,142,833)
Additions in contract asset	*13*	**(55,966,281)**	(56,273,905)
Movement in term deposits		**(3,350,370)**	10,000,000
Loan to a related party		-	2,136,564
Net cash used in investing activities		**(67,323,629)**	(157,280,174)
Cash flows from financing activities			
Loan received from Parent Company		**117,455,500**	19,255,000
Repayment of term loan		**(104,861,630)**	(344,781,866)
Proceeds from term loan from commercial bank		-	308,080,000
Payment of loan issuance costs		-	(4,078,013)
Payment of lease liabilities	*23*	**(770,270)**	(473,597)
Net cash generated from / (used in) financing activities		**11,823,600**	(21,998,463)
Net increase / (decrease) in cash and cash equivalents		**21,560,357**	(113,008,765)
Cash and cash equivalents at the beginning of the year		**12,797,288**	125,806,053
Cash and cash equivalents at the end of the year	*18*	**34,357,645**	12,797,288

The accompanying notes 1-35 form an integral part of these financial statements.

1 Legal status and principal activities

OQ Gas Networks SAOC ("the Company") was established as a closely held joint stock Company under the Commercial Companies Law of Oman 2019 on 23 May 2000. The Company's Concession Agreement (the "Previous Concession Agreement") dated 22 August 2000, which governed the Company's operations was ratified subsequently by the Royal Decree 78/2000 issued on 28 August 2000.

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

A restated concession agreement was expected to be signed to ratify the RAB agreements. However, during the Ministerial review process of the various RAB agreements, on the instruction of the Ministry of Legal Affairs ("MOLA"), the Company was required to amend the 2000 Concession Agreement rather than to restate the concession as had been originally anticipated, which led to the withdrawal of the previously executed Restated Concession Agreement dated 25th December 2018. During the year 2020, the Amended Concession Agreement (fully approved by MOLA) with the Government of the Sultanate of Oman ("Government" or "GOSO") has been ratified through Royal Decree 122/2020 issued on 28 October 2020. The ratification of the Amended Concession Agreement and associated RAB agreements by Royal Decree 122/2020 means that the Amended TTA has been superseded.

As noted above, the amended TTA is superseded upon issuance of the Royal Decree which fully implemented the RAB system. The Amended Concession Agreement's terms, with respect to the determination and charging of transportation charges, are consistent with those under the Amended TTA, hence, no change in accounting treatment is required upon the application of Amended Concession Agreement.

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

OQ SAOC (the "Parent Company"), which is 100% owned by the Government of the Sultanate of Oman through Oman Investment Authority ("OIA"), holds 99.71% of the share capital of the Company.

2. Significant agreements

2.1 Concession agreement

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

2. Significant agreements (continued)

2.1 Concession agreement (continued)

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

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

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

The following key documents form part of the Concession Agreement:

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

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

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

2. Significant agreements (continued)

2.1 Concession agreement (continued)

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

2.2 Asset transfer agreements

Asset transfer agreement entered in 2018

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

(a) Acquired certain gas transportation facilities including pipelines, gas supply stations, metering stations and compressor stations;

(b) Acquired certain assets under construction;

(c) Settled the liabilities of the Government in respect of certain gas transportation assets transferred by the Government to the Company under an asset transfer agreement dated 22 August 2000;

(d) Settled the liabilities of the Government in respect of an asset package, procured by the Company from the Government, financed by a commercial loan repaid by the Government; and

(e) Settled the liabilities of the Government in respect assets directly financed by the Government pursuant to gas transportation and tariff agreement dated 22 August 2000.

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

2. Significant agreements (continued)

2.2 Asset transfer agreements (continued)

Asset Transfer Agreements ("ATAs") entered in 2020

During 2019, the Company had entered into two separate ATAs with the Government of the Sultanate of Oman effective from 1 July 2019 and 31 December 2019 for purchase of gas transportation pipeline system and ancillary assets at a purchase price amounting to RO 183,669,552 and RO 42,616,114 respectively. As per the ATAs, 50% of the purchase price was to be settled by issuing the shares to the Company's shareholders and remaining amount would be settled in cash (note 20). The Company issued the share capital during the year ended 31 December 2020.

As disclosed in note 2.1, the Company has adopted IFRIC 12 to the amended concession agreement with GOSO. Under IFRIC 12, financial asset model has been adopted and IFRS 15 has been followed for the construction or upgrade services undertaken by the Company.

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

New and amended IFRS that are effective for current the year

The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2021.

A. Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The Company has initially adopted *Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)* from 1 January 2021.

The Company applied the Phase 2 amendments retrospectively. Since the Company had no transactions for which the benchmark rate had been replaced with an alternative benchmark rate as at 31 December 2021, there is no impact on opening equity balances as a result of retrospective application.

Specific policies applicable from 1 January 2021 for interest rate benchmark Reform:

The Phase 2 amendments provide practical relief from certain requirements in IFRS Standards. These reliefs relate to modifications of financial instruments and lease contracts or hedging relationships triggered by a replacement of a benchmark interest rate in a contract with a new alternative benchmark rate.

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

New and amended IFRS that are effective for current the year (continued)

A. Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (continued)

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

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

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

The amendments also provide an exception to use a revised discount rate that reflects the change in interest rate when remeasuring a lease liability because of a lease modification that is required by interest rate benchmark reform.

Finally, the Phase 2 amendments provide a series of temporary exceptions from certain hedge accounting requirements when a change required by interest rate benchmark reform occurs to a hedged item and/or hedging instrument that permits the hedging relationship to be continued without interruption. The Company intends to apply the following reliefs as and when uncertainty arising from interest rate benchmark reform will no longer be present with respect to the timing and amount of the interest rate benchmark-based cash flows of the hedged item or hedging instrument:

– The Company will amend the designation of a hedging relationship to reflect changes that are required by the reform without discontinuing the hedging relationship; and

– when a hedged item in a cash flow hedge will be amended to reflect the changes that are required by the reform, the amount accumulated in the cash flow hedge reserve will be deemed to be based on the alternative benchmark rate on which the hedged future cash flows are determined.

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

New and amended IFRS that are effective for current the year (continued)

A. Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (continued)

The details of the accounting policies are disclosed in 4 Financial Instruments under Summary of significant accounting policies. See also note 30 Financial risk management for related disclosures about risks, financial assets and financial liabilities indexed to LIBOR and hedge accounting.

B. Covid-19-Related Rent Concessions beyond 30 June 2021 Amendments to IFRS 16

On 28 May 2020, the IASB issued *Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases*. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022. The Company has applied the practical expedient on Covid-19 related rent concessions.

New and revised IFRS in issue but not yet effective

A number of new standards are effective for annual periods beginning after 1 January 2021 and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing these consolidated financial statements.

A. Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

The amendment prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022.

The Company will apply this amendment retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of

3. Basis of preparation (continued)

3.3 Application of new and revised International Financial Reporting Standards (IFRSs) (continued)

New and revised IFRS in issue but not yet effective (continued)

A. Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16 (continued)

operating in the manner intended by management on or after the beginning of the earliest period presented in the consolidated financial statements in which the Company first applies the amendments. The amendment does not have any impact on the financial statements of the Company.

B. Other standards

The Company is currently assessing the impact of the below not yet effective amendments on consolidated financial statements:

New standards or amendments	Effective date
▪ Classification of Liabilities as Current or Non-current – Amendments to IAS 1 *Presentation of Financial Statements*	1 January 2023
▪ Definition of Accounting Estimates – Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*	1 January 2023
▪ Disclosure Initiative: Accounting Policies – Amendments to IAS 1 *Presentation of Financial Statements* and IFRS Practice Statement 2 *Making Materiality Judgements*	1 January 2023
▪ Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction – Amendments to IAS 12 *Income Taxes*	1 January 2023
▪ Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures*	-

There are no other standards, amendments and interpretations that are not yet effective that are expected to have a material impact in the current or future reporting periods or on foreseeable future transactions.

4. Summary of significant accounting policies

Statement of compliance and basis of preparation

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

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

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

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

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

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

Concession arrangement

Infrastructure

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

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

4. Summary of significant accounting policies (continued)

Concession arrangement (continued)

Infrastructure (continued)

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

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

Investment property

Investment property 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 property is recognised as other income.

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

Inventories

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

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

Financial instruments

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 and 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.

4. Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset 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.

The Company has debt instruments at fair value through other comprehensive income (FVTOCI). By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL). However, the Company does not have any FVTPL financial assets.

Amortised cost and effective interest rate method

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

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

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

4. Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Foreign exchange gains and losses
The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically, for financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the 'other gains and losses' line item:

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:

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

The Company measures loss allowance at an amount equal to lifetime ECLs, except for the following, which are measured as 12- month ECLs:

- Financial assets that are determined to have low credit risk at the reporting date; and
- Finance assets for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

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 contract assets / 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.

4. Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(i) Significant increase in credit risk (continued)

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, (the Company considers this to be Baa3 or higher per Moody's), are financial instruments with a low risk and have less likelihood of default. Where the external rating of a financial instrument is not available, the Company reviews the ability of the counterparty by reviewing their financial statements and other publicly available information.

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

(ii) Definition of default

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

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

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

(iii) Credit-impaired financial assets

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

4. Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(iii) Credit-impaired financial assets (continued)

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

(iv) Write-off policy

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

(v) Measurement of ECLs

ECLs are a probability weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset. The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received. On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

4. Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Classification as debt or equity (continued)

Classification as debt or equity

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

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

Financial liabilities

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.

Financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Company, are measured in accordance with the specific accounting policies set out below.

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

Foreign exchange gains and losses
For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the 'other gains and losses' line item in profit or loss. The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period.

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

4. Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial liabilities (continued)

Interest rate benchmark reform

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

– the change is necessary as a direct consequence of the reform; and

– the new basis for determining the contractual cash flows is economically equivalent to the previous basis – i.e. the basis immediately before the change.

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

Derivative financial instruments and hedging activities

The Company enters into a derivative financial instrument to manage its exposure to interest rate and commodity price due to market fluctuation. Further details of derivative financial instruments are disclosed in Note 26.

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

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

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

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

4. Summary of significant accounting policies (continued)

Derivative financial instruments and **hedging activities (continued)**

Hedges directly affected by interest rate benchmark reform

The Company has adopted the Phase 2 amendments and will apply them retrospectively (see Note 3). The Company will implement the below policies when it replaces the benchmark interest rate in any of the hedged item or hedging instrument with a new alternative benchmark rate.

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

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

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

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

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

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

4. Summary of significant accounting policies (continued)

Derivative financial instruments and **hedging activities (continued)**

Hedges directly affected by interest rate benchmark reform (continued)

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

Hedge accounting

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

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

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

4. Summary of significant accounting policies (continued)

Financial instruments (continued)

Derivative financial instruments and hedging activities (continued)

Hedge accounting (continued)

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

Note 26 sets out details of the fair values of the derivative instruments used for hedging purposes. Movements in the hedging reserve in equity are detailed in Note 26.

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 and is included in the 'other gains and losses' line item.

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.

4. Summary of significant accounting policies (continued)

Financial instruments (continued)

Derivative financial instruments and hedging activities (continued)

Cost of hedging reserve

The cost of hedging reserve reflects gain or loss on the portion excluded from the designated hedging instrument that relates to the forward element of forward contracts. It is initially recognised in OCI and accounted for similarly to gains or losses in the hedging reserve.

Impairment

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of estimated future cash flows discounted at the original effective interest rate. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognised in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in profit or loss.

Interest income and expense are recognised on an accrual basis using the effective interest rate method.

Revenue recognition

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

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

4. Summary of significant accounting policies (continued)

Revenue recognition (continued)

Construction of infrastructure (continued)

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

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

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

Expenditures are determined and allowed under the price control with no ex-post adjustment (except for specific events / triggers).

Pass through costs

Pass through cost represents taxation, fuel gas and regulator fees which are reimbursable on actual incurred basis.

Finance income on concession receivables and contract assets

The Company recognizes finance income on concession receivable and contract assets using the effective interest method.

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 current tax expense as per the RAB rules.

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.

4. Summary of significant accounting policies (continued)

Borrowings

Borrowings are carried on the statement of financial position at their principal amount. Installments due within one year are shown as a current liability. Interest is charged as an expense as it accrues, with unpaid amounts included in accounts payable and accruals. The cost of obtaining long-term loans is deferred and amortised over the term of the long-term loan using the effective interest rate method. Deferred financing costs less accumulated amortisation are offset against the drawn amount of long-term loans.

Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Taxation

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

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

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. 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 realized.

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).

4. Summary of significant accounting policies (continued)

Foreign currency (continued)

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.

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.

Cash and cash equivalents

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

Dividend distribution

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

Leases

The Company as a lessee

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

Lease liability

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

4. Summary of significant accounting policies (continued)

Leases (continued)

To determine the incremental borrowing rate, the Company:

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

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

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

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

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

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

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

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

Right-of-use asset

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

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the right-of-use asset

4. Summary of significant accounting policies (continued)

Leases (continued)

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.

The right-of-use assets are presented as a separate line item in the property, plant and equipment. The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any Identified impairment loss as described in the 'Property, plant and equipment' policy.

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

Employees' end of service benefits

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

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

The Company also provides end-of-service benefits to its expatriate employees. End-of-service benefits are accrued in accordance with the terms of employment of the Company's employees at the reporting date, having regard to the requirements of the Oman Labour Law 2003 and its amendments subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. The liability for end of service benefits recognized based on actuarial valuation. Actuarial gains and losses arising from experience-based adjustments and changes in actuarial assumptions are recorded in other comprehensive income. Service costs are classified as administrative expenses. Interest costs are charged to the statement of comprehensive income.

Segment information

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

5. Critical judgments and key sources of estimation uncertainty

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

Critical judgments in applying accounting policies

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

Concession Arrangement

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

As disclosed in note 2 of these financial statements, during 2020, the Government of Sultanate of Oman acting through the MEM 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.

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

Critical judgments in applying accounting policies (continued)

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, which requires the Company to recognise revenue for the construction and operation phases in accordance with International Financial Reporting Standards 15. Accordingly, the Company has applied IFRIC 12 and recognised a financial asset (concession receivables and contract asset) and financial income. 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.

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:

Percentage-of-completion
At each reporting date, the Company is required to estimate stage of completion. Effects of any revision to these estimates are reflected in the year in which the estimates are revised. When it is probable that total contract costs will exceed total contract revenue, the total expected loss is recognised immediately, as soon as foreseen, whether or not work has commenced on these contracts. The Company uses its project managers to measure the surveys of performance completed to date or milestones reached. Factors such as delays in expected completion date, changes in the scope of work, changes in material prices, increase in labour and other costs are included in the construction cost estimates based on best estimates updated on a regular basis.

6. Revenue

	2021 RO	2020 RO
Products and services transferred over time:		
Construction revenue (note 13)	**54,977,885**	56,273,905
Allowance for expenditures and pass-through cost [note 25(a)]	**29,469,167**	33,368,126
Project management services	**242,521**	1,504,355
	84,689,573	91,146,386

7. Operating expenses

	2021 RO	2020 RO
Depreciation (note 14)	**505,514**	455,309
Employee costs (note 8.1)	**11,654,418**	8,838,864
Repair and maintenance expenses	**4,785,277**	4,145,039
Pass through costs	**4,255,116**	4,269,470
Insurance	**1,007,630**	1,047,368
Catering and accommodation	**703,640**	542,958
	22,911,595	19,299,008

Pass through costs represents fuel gas and regulator fees which are reimbursable on actual incurred basis (refer note 6).

8. Administrative expenses

	2021 RO	2020 RO
Employee costs (note 8.1)	**4,108,559**	6,224,126
Depreciation expense (note 15)	**62,060**	52,276
Training and business travel	**383,357**	624,315
Legal and professional	**224,465**	340,624
Utilities and office expenses	**512,012**	823,959
Repairs and maintenance	**176,423**	410,273
Contract services	**342,544**	1,225,487
Advertising and public relation	**-**	3,684
Cost allocation expenses (note 25a)	**10,512,355**	-
Other expenses	**187,972**	305,605
	16,509,747	10,010,349

8. Administrative expenses (continued)

8.1 Employee related expenses comprise the following:

	2021 RO	2020 RO
Wages and salaries	**11,995,420**	11,840,262
Current service cost on long term benefits (note 22)	**163,228**	118,066
Contributions into unfunded defined contribution plan	**939,616**	951,706
Other benefits	**2,664,713**	2,152,956
	19,950,558	15,062,990

9. Other income

	2021 RO	2020 RO
Tender fee and others	**341,665**	196,308
Lease concession	**20,523**	-
Shared costs - income (note 25a)	**4,978,457**	-
	5,340,645	196,308

10. Finance income and cost

Finance income

	2021 RO	2020 RO
Finance income on concession arrangement on:		
- Concession receivables (note 12)	**56,996,736**	56,056,517
- Contract assets (note 13)	**10,181,701**	16,778,609
	67,178,437	72,835,126
Interest income on fixed deposits	**277,998**	1,925,105
	67,456,435	74,760,231

Finance cost

	2021 RO	2020 RO
Interest on loan from Parent Company [note 25 (c)]	**1,992,511**	520,860
Amortization of deferred finance cost (note 21)	**704,586**	2,101,536
Interest on lease liabilities (note 23)	**304,327**	224,762
Interest on term loan from commercial banks (note 21)	**11,411,426**	14,048,925
Other	**297,759**	870
	14,710,609	16,896,953

11. Taxation

As per Article 4 of the RAB Revenue Rules of the Amended Concession Agreement with the Government of Sultanate of Oman, the Shipper will reimburse all Oman tax liabilities to the Company and is recognised as revenue under allowance for expenditures and pass-through. 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% (2020 – 15%) of taxable income. For the purpose of determining the taxable result for the year, the accounting profit has been adjusted for tax purposes. Adjustments for tax purposes include items relating to both income and expense. The adjustments are based on the current understanding of the existing tax laws, regulations and practices.

The Company's tax assessments have been completed and agreed with Oman Taxation Authorities for all years up to 31 December 2018. The Company's management is of the opinion that additional taxes, if any, assessed for the open tax years would not be material to the Company's financial position as at 31 December 2021.

a) The taxation charge for the year is comprised of:

	2021	2020
Current tax	**RO**	RO
- current year	-	1,598,657
- prior year	**1,222,809**	-
	1,222,809	1,598,657
Deferred tax		
-in respect of current year	**7,395,721**	6,514,810
-in respect of prior year	**12,936**	284,653
	7,408,657	6,799,463
	8,631,466	8,398,120

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:

Net profit before tax	**51,739,895**	67,748,044
Tax on accounting profit @15%	**7,760,984**	10,162,207
Add / (less) tax effect of:		
Non-deductible expenses	**147,396**	-
Un-recognised deferred tax asset*	**112,502**	-
Tax exempt revenues	**(625,161)**	(2,048,740)
Prior year current tax	**12,936**	-
Prior year deferred tax	**1,235,745**	284,653
	8,631,466	8,398,120

*This represents un-recognsied deferred tax on allowance for expected credit loss with expiry.

11. Taxation (continued)

c) Movement in current tax liability

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

	2021 RO	2020 RO
At 1 January	**1,644,088**	2,746,866
Charge for the year	**1,222,809**	1,598,657
Payment made during the year	**(2,821,466)**	(2,701,435)
At 31 December	**45,431**	1,644,088

d) Deferred tax liability

Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 15% (2020 - 15%). The deferred tax liability and deferred tax charge in the profit or loss are attributable to the following items:

	1 January RO	Charge to profit or loss RO	31 December RO
Deferred taxes			
2021			
Taxable temporary differences			
Effect of accelerated tax depreciation	**22,609,624**	**7,757,480**	**30,367,104**
Right of use asset	**531,927**	**135,776**	**667,703**
Deductible temporary differences			
Brought forward losses	-	**(347,076)**	**(347,076)**
Provision	**(3,570)**	**1,110**	**(2,460)**
Lease liability	**(561,668)**	**(138,633)**	**(700,301)**
	22,576,313	**7,408,657**	**29,984,970**
2020			
Taxable temporary differences			
Effect of accelerated tax depreciation	15,775,620	6,834,004	22,609,624
Right of use asset	565,836	(33,909)	531,927
Deductible temporary differences			
Provision	-	(3,570)	(3,570)
Lease liability	(564,606)	2,938	(561,668)
	15,776,850	6,799,463	22,576,313

12. Concession receivables

	2021 RO	2020 RO
At 1 January	**798,763,688**	628,859,724
Acquisition during the year	**8,006,978**	-
Transferred from contract assets (note 13)	**54,769,990**	195,659,157
Finance income during the year (note 10)	**56,996,736**	56,056,517
Payments received during the year	**(89,008,375)**	(81,811,710)
At 31 December	**829,529,017**	798,763,688
Non-current / current:		
Non-current portion	**799,126,029**	772,297,746
Current portion	**30,402,988**	26,465,942
	829,529,017	798,763,688

Concession receivables have effective interest rate of 7.28% (2020: 8.2%) per annum and will be settled / recovered over the term of the Concession Agreement.

For the purposes of impairment assessment, the concession receivables are considered to have low credit risk as the counterparty of this receivable is MEM (which is considered as equivalent of the Government of Oman) having Ba3 (2020: Ba3) credit rating. For the purpose of impairment assessment for these financial assets, the loss allowance is measured at an amount equal to 12-month ECL.

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

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

13. Contract assets

2021	**Due from MEM**	**Due from others**	**Total**
	RO	**RO**	**RO**
At 1 January	**144,460,415**	**1,737,666**	**146,198,081**
Additions during the year (note 6)	**54,977,885**	**988,396**	**55,966,281**
Invoiced and transferred to receivable from a related party	-	**(1,136,268)**	**(1,136,268)**
Finance income during the year (note 10)	**10,181,701**	-	**10,181,701**
Transferred to concession receivables upon completion (note 12)	**(54,769,990)**	-	**(54,769,990)**
Payments received during the year	**(9,416,347)**	-	**(9,416,347)**
At 31 December	**145,433,664**	**1,589,794**	**147,023,458**

2020	Due from MEM	Due from others	Total
	RO	RO	RO
At 1 January	282,841,225	9,594,629	292,435,854
Additions during the year (note 6)	56,273,905	-	56,273,905
Invoiced and transferred to receivable from a related party	-	(7,856,963)	(7,856,963)
Finance income during the year (note 10)	16,778,609	-	16,778,609
Transferred to concession receivables upon completion (note 12)	(195,659,157)	-	(195,659,157)
Payments received during the year	(15,774,167)	-	(15,774,167)
At 31 December	144,460,415	1,737,666	146,198,081

(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 invoiced

(b) Payment becomes due from the Shipper when the infrastructure asset is commissioned and completed and any amount previously recognised as a contract asset is reclassified to concession receivables at the point at which it is commissioned and becomes operational.

13. Contract assets (continued)

(c) For the purpose of impairment assessment for these financial assets, the loss allowance is measured at an amount equal to 12-month ECL. None of the amounts due from customers at the end of the reporting period is past due as payments will be made in the form of reimbursement of depreciation once the contract asset is commissioned and transferred to concession receivable. 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 (2020: Nil).

(d) Due from others include receivable on account of the Pipe rack to be constructed at Salalah Port and Ras Markaz Pipeline project. As per the correspondence among the OQ group Companies (including Parent Company) and the relevant Ministries, the amount of pipe rack would be ultimately paid by the Government and / or relevant Ministry. During the year an amount of RO 1.1 million (2020: RO 7.8 million) was completed and transferred to OQ LPG (SFZ) LLC in relation to Pipe rack.

14. Right of use assets

The Company leases land for various infrastructure and vehicles for operations. Information about leases for which the Company is a lessee is presented below.

	Leasehold land RO	Motor vehicles RO	Building RO	Total RO
As at 1 January 2020	2,866,507	905,733	-	3,772,240
Additions	-	-	229,247	229,247
Depreciation charge	(61,766)	(358,519)	(35,024)	(455,309)
As at 31 December 2020	**2,804,741**	**547,214**	**194,223**	**3,546,178**
Additions	**1,410,692**	-	-	**1,410,692**
Depreciation charge	**(106,571)**	**(360,735)**	**(38,208)**	**(505,514)**
As at 31 December 2021	**4,108,862**	**186,479**	**156,015**	**4,451,356**

During the year ended 31 December 2021, the Company has entered into land lease agreement with the Public Establishment of Industrial Estates (Madayn) for a period of 30 years. Leas rental starts with RO 0.08 million and increased by 15% each 5 years with final rental being RO 0.16 million.

15. Investment property

	2021	2020
Cost	**RO**	RO
At 1 January and 31 December	**995,372**	995,372
Accumulated depreciation		
At 1 January	**(52,276)**	-
Charge for the year (note 8)	**(62,060)**	(52,276)
	(114,336)	(52,276)
	881,036	943,096

At 31 December 2019, a building was transferred to investment property because it was no longer used by the Company in rendering the services under the concession arrangement. The fair value of the investment was carried out by management in 2021 resulting in fair value of RO 4.1 million (2020: RO 4.2 million) which is higher than the carrying value.

Fair value measurement

The fair value measurement of the investment property has been calculated based on discounted cash flows. 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.	*Discounted cash flows:* The valuation model considers the present value of net future cash flows projected.	• Rent per month at RO 31,536.5 for 20 (2020: 19 years) years with no YoY growth, • Discount rate of 2021: 6.5% (2020: 6.5%); and • Duration of 20 years (2020: 19 years).	The estimated fair value would increase / (decrease) if: • Monthly rent was higher / (lower); • Duration was higher / (lower); and • Discount rate was lower / (higher).

16. Inventories

	2021 RO	2020 RO
Stores, spares and consumables	**1,834,782**	1,811,549
Less: Provision for obsolete stock	**(16,399)**	(23,798)
	1,818,383	1,787,751
Movement in provision for obsolete stock is as follows:		
At 1 January	**23,798**	-
Provision written off	**(1,391)**	-
(Reversal) / charge for the year	**(6,008)**	23,798
At 31 December	**16,399**	23,798

17. Trade and other receivables

	2021	2020
Receivables from MEM [note 25 (d)]	**35,171,086**	38,432,705
Due from related parties [note 25 (e)]	**16,031,009**	22,252,703
Allowance for expected credit loss (note 28)	**(316,332)**	-
	50,885,763	60,685,408
Project management fee receivable - third parties	**141,228**	1,011,227
Advances to employees	**246,739**	240,316
Accrued revenue	**459,356**	4,939,491
Other receivables	**1,468,127**	299,269
	53,201,213	67,175,711

Receivable from MEM represents revenue receivable on account of invoices billed to MEM.

The average credit period on invoices raised to the customer is 30 days. No interest is charged on outstanding trade receivables.

The Company measures the loss allowance for trade receivables at an amount equal to lifetime ECL using the general approach. 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. There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

As of 31 December 2021, other receivables and project management fees of RO 1.61 million (2020 - RO 1.31 million) were fully performing.

All trade receivables are realisable within one year of the reporting date.

17. Trade and other receivables (continued)

Accrued revenue represents value of work done for MEM but not billed as at 31 December 2021. The amount of accrued revenue is reduced by an amount received from customers in the amount of RO 4.2 million (2020: Nil) which will be adjusted against the concession receivables.

The other receivables classes within trade and other receivables do not contain impaired assets. There is no impairment losses recognised on any receivables in the reporting period (2020: nil).

Movement of allowance for expected credit loss is as follows:

	2021	2020
	RO	RO
As at 1 January	-	-
Allowance for the year	**316,332**	-
As at 31 December	**316,332**	-

18. Cash and cash equivalents

Cash at bank	**34,345,101**	12,786,596
Cash in hand	**12,544**	10,692
Cash and cash equivalents	**34,357,645**	12,797,288

Cash at bank includes RO 31.84 million (2020: RO 8.48 million) placed in call accounts with financial institutions operating in the Sultanate of Oman, having an interest rate of 0.01% to 3.51% (2020: 2.5% to 3.1%) per annum.

19. Short term deposits

Short term deposits have been placed with financial institutions operating in the Sultanate of Oman with residual maturities of less than one year (2020: Nil), having an interest rate of 0.05%-5% (2020- 4.35%) per annum. All the terms deposit were matured during the year 2021.

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

20. Share capital and reserves

The Company's authorised, subscribed and paid-up share capital comprises 336,787,394 shares of RO 1 each (2020 - RO 336,787,394 and 336,787,394 shares). The shareholding as on 31 December 2021 and 2020 is as follows:

	Number of shares 2021	**% of share holding 2021**	Number of shares 2020	% of share holding 2020
OQ SAOC	**335,810,934**	**99.71**	335,810,934	99.71
Oman Energy Trading Company Limited	**488,230**	**0.145**	488,230	0.145
Oman Oil Services Limited	**488,230**	**0.145**	488,230	0.145
	336,787,394	**100**	336,787,394	100

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.

21. Term loans

	2021 RO	2020 RO
Term loan-I	**-**	85,052,086
Term loan-II	**281,958,504**	301,768,048
	281,958,504	386,820,134
Less: unamortized transaction cost	**(2,614,323)**	(3,318,909)
	279,344,181	383,501,225
Analysed as follows:		
Current	**29,144,368**	104,861,630
Non-current	**250,199,813**	278,639,595
	279,344,181	383,501,225
The unamortized transaction cost is as follows:		
At January	**3,318,909**	1,342,432
Additions during the year	**-**	4,078,013
Amortised during the year	**(704,586)**	(2,101,536)
At 31 December	**2,614,323**	3,318,909

21. Term loans (continued)

Term loan I

During the year 2018, the Company had obtained an unsecured syndicated term loan facility ("syndicate facilities") in the aggregate maximum amount of OMR 423.5 million (equivalent to USD 1,100 million). The facility was obtained to pay for the acquisition of assets from GOSO, repayment of shareholder loan and to fund ongoing capital projects under construction. The term loan facility was unsecured and bore interest at LIBOR rates plus applicable margins.

In February 2020, the Company repaid this facility upto RO 304 million from the proceeds of Term loan II. In September 2020, out the outstanding term loan facility of RO 119, the Company repaid RO 34 million on the original repayment date of November 2020 and extended the maturity of the remaining OMR 85 million until November 2021. In November 2021, the Company repaid the remainder of RO 85 million under the facility.

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 is unsecured and is repayable in 14 semi-annual unequal instalments commencing from 24 August 2020 and carries an interest rate of LIBOR rate plus applicable margins. The proceeds from the term loan has been used to partially settle Term Loan I. The Company is not subject to any financial ratio covenant in relation to this facility.

22. Employees' end of service benefits

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

	2021	2020
	RO	RO
At 1 January	**6,227,687**	6,247,717
Charge for the year (note 8)	**163,228**	118,066
Un-realised actuarial gain	**(301,317)**	-
Paid during the year	**(5,682,608)**	(138,096)
At 31 December	**406,990**	6,227,687

With effective from 1 January 2021, based on the harmonization initiative of OIA and the Parent Company, the Company abolished the policy of providing additional end of service benefits to Omani employees. The amount of outstanding provision was paid to the respective employee during the year resulting in decrease in total outstanding balance.

As at 31 December 2021, 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:

22. Employees' end of service benefits (continued)

	2021
Discount rate	5.5%
Future salary increase	3%
Retirement age in years	60

Movement in the present value of obligation is as follow:

At 1 January	**633,466**
Current service cost	**163,228**
Un-realised actuarial gains	**(301,317)**
Paid During the year	**(88,387)**
At 31 December	**406,990**

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

Service cost	**163,228**

The amount recognised in the statement of other comprehensive income

Actuarial gain – Experience adjustment	**301,317**

Sensitivity analysis 2021

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.

	RO	
	Increase	Decrease
Discount rate (0.50% points)	**(8,596)**	**9,026**
Projected salary (0.50% points)	**9,211**	**(8,844)**

23. Leases liabilities

	2021	2020
	RO	RO
The movement in lease liabilities is as follows:		
As at 1 January	**3,744,451**	3,764,039
Recognized during the year	**1,410,692**	229,247
Lease concession	**(20,523)**	-
Accretion of interest	**304,327**	224,762
Payments	**(770,270)**	(473,597)
	4,668,677	3,744,451

23. Leases liabilities (continued)

	2021 RO	2020 RO
Anaylsed as:		
Current	**510,491**	614,542
Non-current	**4,158,186**	3,129,909
	4,668,677	3,744,451
Gross lease liability related to right-of-use assets	**12,429,386**	9,675,462
Future finance charges on finance leases	**(7,760,709)**	(5,931,011)
	4,668,677	3,744,451
Interest expense recognised in profit or loss	**304,327**	224,762
Total cash flows for leases	**770,270**	473,597

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 30.

24. Trade and other payables

	2021 RO	2020 RO
Payables to contractors for construction contracts	**35,842,012**	44,488,181
Trade payables	**12,264,810**	22,469,773
Payable for asset acquisition*	**5,474,041**	-
Accrued expenses and provisions	**8,330,722**	9,704,548
Due to related parties [note 25 (f)]	**11,256,994**	3,660,725
Interest payable on term loan	**773,527**	1,184,618
Other payables	**1,361,299**	1,466,537
	75,303,405	82,974,382

* This represents amount payable to Salalah Free Zone Company LLC on acquisition of assets during the year. The amount was paid subsequent to the year end.

25. Related parties

Related parties comprise the shareholders, directors, key management personnel and business entities in which they have the ability to control or exercise significant influence in financial and operating decisions (other related parties). 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. An amount of RO 0.32 million (2020 - RO nil) is recognised for expected credit loss on amounts owed by related parties.

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

a) Significant related parties transactions:

	2021	2020
	RO	RO
Revenue from MEM		
Construction revenue (note 13)	**54,977,885**	56,273,905
Finance income on concession arrangement (note 10)	**67,178,437**	72,835,126
Allowance for expenditures and pass-through cost (note 6)	**29,469,167**	33,368,126
	151,625,489	162,477,157

Cost allocation:

Cost allocation represents common costs incurred by group companies and recharged based on the cost allocation mechanism adopted by the Parent Company. The expenses recharged by the group companies are recognised under administrative expenses and expenses charged to the group companies with margin is recognised in other income. As a part of the Parent Company cost allocation, the following amounts were recognised:

Cost allocation expenses - (note 8)	**(10,512,355)**	-
Cost allocation income - (note 9)	**4,978,457**	-
	(5,533,898)	-

25. Related parties (continued)

b) Key management personnel compensation is as follows:

As all key decisions are taken by the joint management company of the Parent Company hence there is no key management person compensation paid during the year. Key management compensation in relation to the Company is recharged through the group cost allocation by the Parent Company. No remuneration is paid to the Board of Directors during the year. Key management paid during the year amounts to RO 65,844 (2020: Nil).

c) Loan from Parent Company

	2021	2020
	RO	RO
At 1 January	**20,145,304**	890,304
Loans obtained during the year	**117,455,500**	19,255,000
At 31 December	**137,600,804**	20,145,304

i. During 2017, the Company obtained loan from Parent company and as of 31 December 2021 the balance of loan was RO 0.89 million (2020: RO 0.89 million) for the funding of the Ras Markaz Pipeline project. As per the loan agreement with the Parent Company this loan is unsecured and interest bearing at a rate of 3-month LIBOR plus an agreed margin (2020: 3-month LIBOR plus an agreed margin).

ii. During the year, the Company has obtained an additional un-secured loan from Parent Company amounting to RO 117.4 million (2020: RO 19.255 million). The loan carries interest 3-month LIBOR plus an agreed margin. The loan does not have a repayment schedule and is not expected to be paid within one year.

d) Receivables from MEM (note 17)

	2021	2020
	RO	RO
Receivables from Government for services	**35,171,086**	38,432,705

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

Parent Company	**813,902**	-
Subsidiaries of the Parent Company	**13,969,259**	21,769,284
Associates of the Parent Company	**1,247,848**	483,419
	16,031,009	22,252,703

f) Amounts to related parties under common control (note 24)

Parent Company	**9,615,591**	1,921,572
Subsidiaries of the Parent Company	**1,602,132**	1,739,153
Associates of the Parent Company	**39,271**	-
	11,256,994	3,660,725

26. Derivatives

During 2020, Parent Company entered into interest rate swap agreements with commercial banks, on behalf of the Company. The Parent Company then entered into back to back interest rate swap agreement with the Company. These interest rate swaps do not qualify for hedge accounting and any change in the valuation of these hedges is recorded in statement of comprehensive income.

	2021	2020
	RO	RO
Cumulative changes in hedging reserve		
At 1 January	**(618,761)**	-
Gain/ (loss) arising on changes in fair value of hedging instruments during the year	**3,231,465**	(618,761)
At 31 December 2021	**2,612,704**	(618,761)
Asset / (liability)		
Non-current portion	**2,609,809**	(165,740)
Current portion	**2,895**	(453,021)
	2,612,704	(618,761)

The below table summarize the profile tenor of the nominal amount of derivatives designated as hedging instruments in fair value hedge relationship. The weighted average interest rate of these interest rates swaps was 0.5091% (2020: 0.5091%).

	Less than 6 months	6 to 12 months	More than 1 year	Total
RO'000				
31 December 2021	**10,783**	**(8,203)**	**127,545**	**130,125**
31 December 2020	63,349	13,556	130,125	207,030

27. Commitments and contingencies

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 14.9 million (2020: RO 14.9 million). Based on legal advice, the Company's management believes that the defence against the action will be successful. If eventually the amount becomes payable, the amount will be fully reimbursed by MEM.

As at 31 December 2021, the Company had commitments pertaining to the capital projects under construction of RO 94.3 million (2020: RO 50.2 million).

28. Impairment expense

	2021 RO	2020 RO
- *Non-financial assets*		
(Reversal) / allowance for slowing moving spares (note 16)	**(6,008)**	23,798
- *Financial assets*		
Allowance for expected credit loss (note 17)	**316,332**	-
	310,324	23,798

29. Earnings per share

Earnings per share are calculated by dividing the net profit for the year by number of weighted average shares issued during the year.

Profit for the year	**43,108,429**	59,349,924
Weighted average number of shares (note 20)	**336,787,394**	336,787,394
Earnings per share	**0.128**	0.176

30. Financial instruments

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

Categories of financial instruments	2021 RO	2020 RO
Financial assets (at amortised cost)		
Concession receivables (note 12)	**829,529,017**	798,763,688
Contract asset (note 13)	**147,023,458**	146,198,081
Trade and other receivables (note 17)	**53,201,213**	67,175,711
Term deposits (note 19)	**3,350,370**	-
Cash and bank balances (note 18)	**34,357,645**	12,797,288
Financial assets (at fair value through OCI)		
Cash flow hedges	**2,612,704**	-
	1,070,074,407	1,024,934,768
Financial liabilities (at amortised cost)		
Term loan (note 21)	**281,958,504**	386,820,134
Loan from Parent Company [note 25 (e)]	**137,600,804**	20,145,304
Lease liability (note 23)	**4,668,677**	3,744,451
Trade and other payables (note 24)	**60,137,343**	71,803,297
Financial liabilities (at fair value through OCI)		
Cash flow hedges	**-**	618,761
	484,365,328	483,131,947

30. Financial risk management (continued)

Management believes that the fair values of other financial assets and liabilities of the Company are not considered to be significantly different to their carrying values at 31 December 2021.

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

Financial risk factors

Market risk

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

Managing interest rate reform and associated risks

Overview

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as 'IBOR reform'). The Company has exposures to IBORs on its financial instruments that will be replaced or reformed as part of these market-wide initiatives. The Company's main IBOR exposure at 31 December 2020 was indexed to US dollar LIBOR. The alternative reference rate for US dollar LIBOR is the Secured Overnight Financing Rate (SOFR). The ICE Benchmark Administration (IBA), the FCA-regulated and authorised administrator of LIBOR, announced that it will cease the publication of all USD LIBORs after June 2023. The Company will implement appropriate fallback provisions for all US dollar LIBOR indexed exposures after June 2023.

The risk management committee monitors and manages the Company's transition to alternative rates. The committee evaluates the extent to which contracts reference IBOR cash flows, whether such contracts will need to be amended as a result of IBOR reform and how to manage communication about IBOR reform with counterparties. The committee reports to the Company's board of directors quarterly and collaborates with other business functions as needed. It provides periodic reports to management of interest rate risk and risks arising from IBOR reform.

Non-derivative financial assets

The Company does not have any non-derivative financial asset exposed to IBOR as at 31 December 2020 or 31 December 2021.

30. Financial risk management (continued)

Market risk (continued)

Managing interest rate reform and associated risks (continued)

Non-derivative financial liabilities

The Company's IBOR exposures to non-derivative financial liabilities as at 31 December 2021 were loans indexed to US dollar LIBOR. The Company is in the process of introducing fallback clauses into all such loan agreements. These clauses will automatically switch the instrument from USD LIBOR to SOFR as and when USD LIBOR ceases.

Derivatives

The Company holds interest rate swaps for risk management purposes that are designated in cash flow hedging relationships. The interest rate swaps have floating legs that are indexed to USD LIBOR. The Company's derivative instruments are governed by contracts based on the International Swaps and Derivatives Association (ISDA)'s master agreements.

ISDA has published an IBOR fallback supplement to amend the 2006 ISDA definitions and an IBOR fallback protocol to include fallback clauses that would apply on the permanent discontinuation of certain key IBORs and facilitate multilateral amendments to include the amended floating-rate options in derivative transactions that were entered into before the date of the supplement. The Company currently plans to adhere to the protocol and to monitor whether its counterparties will also adhere. If this plan changes or there are counterparties who will not adhere to the protocol, the Group will negotiate with them bilaterally about including new fallback clauses.

Hedge accounting

The Company's hedged items and hedging instruments as at the reporting date are indexed to USD LIBOR. The Company is in the process of introducing fallback clauses into all such agreements and replacing its USD LIBOR interest rate derivatives used in cash flow hedging relationships with economically equivalent interest rate derivatives referencing SOFR. Therefore, uncertainty about when and how replacement may occur with respect to the relevant hedged items and hedging instruments still exists. As a result, the Company continues to apply the amendments to IFRS 9 issued in September 2019 (Phase 1) to those hedging relationships.

Hedging relationships impacted by IBOR reform may experience ineffectiveness attributable to market participants' expectations of when the shift from the existing IBOR benchmark rate to an alternative benchmark interest rate will occur. This transition may occur at different times for the hedged item and hedging instrument, which may lead to hedge ineffectiveness.

30. Financial risk management (continued)

Market risk (continued)

Managing interest rate reform and associated risks (continued)

Total amounts of unreformed contracts, including those with an appropriate fallback clause:

The Company monitors the progress of transition from IBOR to new benchmark rates by reviewing the total amounts of contracts that have yet to transition to an alternative benchmark rate and the amounts of such contracts that include an appropriate fallback clause. The Company considers that a contract is not yet transitioned to an alternative benchmark rate when interest under the contract is indexed to a benchmark rate that is still subject to IBOR reform, even if it includes a fallback clause that deals with the cessation of the existing IBOR (referred to as an 'unreformed contract'). As at 31 December 2021, agreements for loans having an outstanding balance of RO 281.9 million (31 December 2020: RO 386.8 million) are yet to transition to an alternative benchmark rate and include an appropriate fallback clause.

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

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as 'IBOR reform'). In July 2017, the United Kingdom Financial Conduct Authority ('FCA'), which regulates the London Interbank Offered Rate ('LIBOR'), announced that the interest benchmark would cease after 2021. LIBOR is one of the most common series of benchmark interest rates. LIBOR reforms and expectation of cessation of LIBOR will impact the Company's current risk management strategy and possibly accounting for financial liabilities of RO 281.1 million.

The Company has exposures to LIBORs on its financial instruments that will be replaced or reformed as part of these market-wide initiatives. There is uncertainty over the timing and the methods of transition in the jurisdiction that the Company operates in. The Company anticipates that LIBOR reform will not have a significant impact on its risk management in terms of interest rate risks associated with the Company borrowings

The OQ Group central treasury team along with the company management monitors and manages the Company's transition to alternative rates. The team evaluates the extent to which the borrowings contracts reference LIBOR cash flows, whether such contracts will need to be amended as a result of LIBOR reform and how to manage communication about IBOR reform with counterparties.

30. Financial risk management (continued)

Financial risk factors (continued)

Market risk (continued)

ii) Interest rate risk (continued)

The team reports to the Company's board of directors and collaborates with other business functions as needed. It provides periodic reports to management of interest rate risk and risks arising from LIBOR reform.

At 31 December 2021, the Company has RO 281.9 million LIBOR secured bank loans that will be subject to IBOR reform. In assessing the impact, the Company does not expect any significant modification gain or loss which will arise as a result of the change in the interest rate benchmarks as a result of the amendments expected under these LIBOR reform as these are still under discussion with the company lenders and the Company has made the following assumptions that reflect its current expectations:

- The floating-rate debt will move to the benchmark adopted during 2022/2023, and the spread will be similar to the spread expected from the current interest rate movements; and
- No other changes to the terms of the term loan are anticipated.

The Company is assessing the impact and next steps to ensure a smooth transition from LIBOR to the new benchmark rates.

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

	2021	2020
	RO	RO
Fixed rate instruments		
Short term deposits	**3,350,370**	-
Floating rate instruments		
Loan from Parent Company	**137,600,804**	20,145,304
Term loan from commercial banks-net of hedging	**151,833,214**	179,790,374
	289,434,018	199,935,678

30. Financial risk management (continued)

Financial risk factors (continued)

Market risk (continued)

ii) Interest rate risk (continued)

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

Sensitivity analysis for floating rate instruments
For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. At 31 December 2021, 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:

	2021	2020
	RO	RO
Loan from Parent Company	**1,376,008**	201,453
Term loan from commercial banks	**1,518,332**	1,797,904
	2,894,340	1,999,357

Liquidity risk

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

Responsibility for liquidity risk management rests with the Board of Directors. The Board has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows. Included below information on undrawn facilities that the Company has at its disposal to further reduce liquidity risk.

30. 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.

31 December 2021	**Carrying amount**	**Contractual cash flows**	**Upto 1 year**	**1 to 5 years**	**Over 5 years**
	RO	**RO**	**RO**	**RO**	**RO**
Loan from Parent Company	**137,600,804**	**145,856,852**	-	**145,856,852**	-
Term loans	**281,958,504**	**322,213,822**	**38,955,138**	**171,113,875**	**112,144,808**
Lease liability	**4,668,677**	**12,429,386**	**233,587**	**1,087,154**	**10,875,059**
Trade and other payables	**60,137,343**	**60,137,343**	-	-	-
	484,365,328	**540,637,403**	**39,188,725**	**318,057,881**	**123,019,867**
31 December 2020					
Loan from Parent Company	20,145,304	20,145,304	-	20,145,304	-
Term loan from commercial bank	386,820,134	431,062,984	116,307,660	158,378,392	156,376,932
Lease liability	3,744,451	9,675,462	757,151	944,935	7,973,376
Cash flow hedges	618,761	607,295	453,473	153,822	-
Trade and other payables	71,803,297	71,803,297	-	-	-
	483,131,947	533,294,342	117,518,284	179,622,453	164,350,308

Trade payables are interest free and effective interest rates on Loan from Parent Company and term loan from Commercial banks was ranging from 3.00% and 4.33% (2020: 3.00% and 4.33%).

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.

30. Financial risk management (continued)

Credit risk

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

As at 31 December 2021, 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 MEM (Shipper). The management continues to monitor the willingness of the customer to pay the amount receivable and provide for any amounts deemed unrecoverable, therefore the Company considers the credit risk to be minimal.

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

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

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

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

30. Financial risk management (continued)

Credit risk (continued)

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

31 December 2021	External credit rating	12-month or lifetime ECL	Gross carrying amount	% ECL	Loss allowance	Net carrying amount
			RO		RO	RO
Concession receivables	Ba3	12 months	**829,529,017**	-	-	**829,529,017**
Cash and bank balances	Ba3	12 months	**34,357,645**	-	-	**34,357,645**
Term deposits	Ba3	12 months	**3,350,370**	-	-	**3,350,370**
Contract assets	Ba3	12 months	**147,023,458**	-	-	**147,023,458**
Trade and other receivables	-	Lifetime	**53,517,545**	**0.59**	**(316,332)**	**53,201,213**
			1,067,778,035	**0.03**	**(316,332)**	**1,067,461,703**
31 December 2020						
Concession receivables	Ba3	12 months	798,763,688	-	-	798,763,688
Cash and bank balances	Ba3	12 months	12,797,288	-	-	12,797,288
Contract assets	Ba3	12 months	146,198,081	-	-	146,198,081
Trade and other receivables	-	Lifetime	67,175,711	-	-	67,175,711
			1,024,934,768	-	-	1,024,934,768

As at December 31, 2021 the status of past due balances of financial assets are as follows:

31 December 2021	Carrying amount	Not due	Past due Upto 30 days	Upto 180 days	Over 365 days
	RO	RO	RO	RO	RO
Gross carrying amount:					
Concession receivables	**829,529,017**	**829,529,017**	-	-	-
Contract asset	**147,023,458**	**147,023,458**	-	-	-
Cash and bank balances	**34,357,645**	-	-	-	-
Term deposits	**3,350,370**	-	-	-	-
Trade and other receivables	**53,201,213**	**23,592,910**	**16,900,839**	**1,849,180**	**10,858,284**
	1,067,461,703	**1,000,145,385**	**16,900,839**	**1,849,180**	**10,858,284**

30. Financial risk management (continued)

Credit risk (continued)

31 December 2020	Carrying amount	Not due	Past due Upto 30 days	Upto 180 days	Over 365 days
	RO	RO	RO	RO	RO
Gross carrying amount:					
Concession receivables	798,763,688	798,763,688	-	-	-
Contract asset	146,198,081	146,198,081	-	-	-
Cash and bank balances	12,797,288	-	-	-	-
Trade and other receivables	67,175,711	34,906,457	10,629,350	19,357,402	2,282,502
	1,024,934,768	979,868,226	10,629,350	19,357,402	2,282,502

For trade receivables, 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. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix. Note 18 include further details on the ECL for these assets respectively.

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

31. 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.

31. Capital risk management (continued)

The Company's management reviews the capital structure of the Company on a semi-annual basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. The gearing ratio at 31 December 2021 was 40% (2020: 43%).

Gearing ratio

The gearing ratio at year end was as follows:

	2021	2020
	RO	RO
Net debt	**379,236,970**	390,849,241
Total equity	**557,434,924**	510,793,713
Total capital employed	**936,671,894**	901,642,954
Gearing ratio	**40%**	43%

32. Segment information

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

33. COVID 19 update

The Covid-19 outbreak was first reported near the end of 2019 in Wuhan, China. Since then, the virus has spread worldwide. On 11 March 2020, the WHO declared the Covid-19 outbreak to be a pandemic.

The management Covid-19 strategy is consistent with the last annual financial statements.

34. Comparative amount

Following corresponding figures for 2020 have been reclassified in order to conform with the presentation for the current year. Such reclassifications do not affect previously reported profit, shareholder's equity or net cash flows.

	As previously reported RO	Reclassification RO	As currently reported RO
Retained earnings (i)	158,257,018	(5,341,493)	**152,915,525**
Legal reserve (i)	16,368,062	5,341,493	**21,709,555**
Trade and other receivables	68,189,842	(1,014,131)	**67,175,711**
Advances from contractors	-	1,041,131	**1,041,131**
Administrative expenses (iii)	9,958,073	52,276	**10,010,349**
Operating expenses (iii)	19,375,082	(76,074)	**19,299,008**
Impairment expense (iii)	-	23,798	**23,798**

i) This represents rectification of transfer of legal reserve for 2020.
ii) This represents reclassification of advances to contractors.
iii) This represents reclassification of impairment expenses. Also the depreciation expense on investment property was reclassified into administrative expenses.

35. Approval of financial statements

The financial statements were approved by the Board of Directors and authorised for issue on 17 March 2022.

Chapter XXVI

Undertakings

(1) OQ Gas Networks SAOG (under transformation)

The Board of Directors of OQ Gas Networks SAOG (under transformation) jointly and severally hereby confirm that:

- The information provided in this Prospectus is true and complete.
- Due diligence has been taken to ensure that no material information has been omitted, the omission of which would render this Prospectus misleading.
- All the provisions set out in the Securities Law, the CCL, and the rules and regulations issued pursuant to them have been complied with.

On behalf of the Board of Directors (Authorised Signatories):

Name	**Signature**
[•]	Sd/-
[•]	Sd/-

(2) Issue Manager

Pursuant to our responsibilities under the CCL and the SAOG Executive Regulations, we have reviewed all the relevant documents and other material required for the preparation of this Prospectus pertaining to the issue of the shares of OQ Gas Networks SAOG (under transformation).

The Board of Directors of OQ Gas Networks SAOG (under transformation) will bear the responsibility with regard to the correctness of the information provided for in this Prospectus, and they have confirmed that they have not omitted any material information from it, the omission of which would render this Prospectus misleading.

We confirm that we have undertaken the due diligence required by our profession with regard to this Prospectus, which was prepared under our supervision and, based on the reviews and discussions with OQGN, its directors, officers and other related parties, we confirm the following:

- We have undertaken reasonable due diligence to ensure the information given to us by OQGN and included in this Prospectus is conformant with the facts in the documents and other material of the Offer.

- To the best of our knowledge and from the information available from OQGN, OQGN has not omitted any material information, the omission of which would render this Prospectus misleading.

- This Prospectus and the Offer to which it relates, is conformant with all the rules and terms of disclosure stipulated for in the Securities Law, the CML Executive Regulations of the Capital Market Law, the prospectus models applied by the CMA, the CCL, the SAOG Executive Regulations and the directives and decisions issued in this regard.

- The information contained in this Prospectus in the Arabic language (and the unofficial translation into the English language) is true, sound and adequate to assist the investor to take the decision as to whether or not to invest in the securities offered.

Issue Manager

Sd/-

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bank muscat SAOG

(3) Legal Adviser to OQ Gas Networks SAOG (under transformation)

The legal adviser whose name appears below, hereby confirms that all the procedures taken for the Offer of the securities as described in this Prospectus are in line with the laws and legislations related to OQGN's business and the CCL, the Securities Law and the CML Executive Regulations and directives issued pursuant to them, the requirements and rules for the issue of shares issued by the CMA, the Articles of OQGN, and the resolutions of the general meeting and Board of Directors of OQGN. OQGN has obtained all the consents and approvals of the official authorities required to carry out the activities described in this Prospectus.

Legal Adviser to OQ Gas Networks SAOG (under transformation)

Sd/-

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Al Busaidy, Mansoor Jamal & Co.
Barristers and Legal Advisors