# OQ SAOC AND ITS SUBSIDIARIES

Report and consolidated financial statements for the year ended 31 December 2021

Energy Beyond Limits

**OQ SAOC AND ITS SUBSIDIARIES**

**Report and consolidated financial statements for the year ended 31 December 2021**

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# Independent auditors' report

## To the Shareholders of OQ SAOC

## Report on the Audit of the Consolidated Financial Statements

### Opinion

We have audited the consolidated financial statements of OQ SAOC ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated 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 consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021, and its consolidated financial performance and its consolidated 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 Consolidated Financial Statements* section of our report. We are independent of the Group 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 consolidated financial statements in the Sultanate of Oman, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

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

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CR No. 1358131
Tax Card No. 8063052

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| Key Audit Matters (continued) | |
|---|---|
| **Impairment of Property, Plant and Equipment (PP&E) including oil and gas properties** | |
| **The key audit matter** | **How the matter was addressed in our audit** |
| *Refer to notes 6 and 7 to the consolidated financial statements.*<br><br>The group's balance sheet as at 31 December 2021 includes PP&E of RO 5,549.33 million (2020: RO 5,319.82 million), of which RO 1,230.66 million (2020: RO 1,091.19) are oil and gas properties within the upstream segment.<br><br>Management recorded RO 154.53 million as an impairment reversal during the year. (2020 RO 1,291.39 million as an impairment charge).<br><br>Through our audit risk assessment procedures, we identified three key management estimates in management's determination of the level of impairment charge and/or reversal to record. These are:<br><br>• Oil and gas prices - Group's oil and gas price assumptions have a significant impact on impairment assessments performed across the upstream segment and are inherently uncertain. The estimation of future prices is subject to increased uncertainty given climate change, the global energy transition and the impact of COVID-19. There is a risk that management do not forecast reasonable 'best estimate' oil and gas price forecasts when assessing Cash Generating Units (CGUs) for impairment, leading to material misstatements.<br><br>• Discount rates (WACC) - Given the long timeframes involved, certain CGU's impairment assessments are sensitive to the WACC rate applied. WACC should reflect the return required by the market and the risks inherent in the cash flows being discounted. There is a risk that the management may not assume reasonable WACC. | We evaluated the design and implementation of key controls over the estimation of oil and gas prices, discount rates, reserve and resources estimates, as well as key internal controls over the performance of the impairment assessments where we identified audit risks. In addition, our procedures included, amongst others, as described below:<br><br>Oil and gas prices<br><br>We performed our own sensitivity analysis, which included assessing the effect of a reasonable possible change in forecasts based on external data, against which we compared management's oil and gas price assumptions in order to challenge whether they are reasonable.<br><br>Discount rates (WACC)<br><br>We engaged our valuation specialists and together with the specialists, we tested the reasonableness of the key assumptions and inputs used in determination of the discount rates.<br><br>Reserves and resources estimates<br><br>•We assessed the competence, capability and objectivity of the Group's external reserves experts, through understanding their relevant professional qualifications and experience.<br><br>• We obtained an understanding of the Group's reserves and resources estimation methods and policies and assessed how these policies had been applied;<br><br>• Read the reports provided by management's external experts and assessed the scope of work and findings;<br><br>• Compared the production forecasts used in the impairment tests with management's approved reserves and resources estimates; and<br><br>• Performed a retrospective assessment to check for indications of estimation bias over time. |

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| Key Audit Matters (continued) | |
|---|---|
| **Impairment of PP&E including oil and gas properties (continued)** | |
| **The key audit matter** | **How the matter was addressed in our audit** |
| • Reserves and resources estimates - A key input to impairment assessments is the oil and gas production forecast, which is based on underlying reserves estimates and field specific development assumptions, which have been evaluated by management's appointed expert. The production forecasts include specific risk adjusted resource volumes, in addition to proved or probable reserves estimates, that are inherently less certain than reserves; and assumptions related to these volumes can be particularly judgmental. There is a risk that material misstatements could arise from unreasonable production forecasts for individually material CGUs. | Other procedures<br><br>• We discussed the potential changes in key drivers with management to evaluate whether the inputs and assumptions used in the cash flow forecasts were suitable;<br><br>•We tested the mathematical accuracy and integrity of the respective impairment workings;<br><br>We conducted sensitivity analysis around the oil and gas prices, WACC and reserve and resources estimates;<br><br>•We evaluated the adequacy of the impairments that have been recognized during the year; and<br><br>We assessed the adequacy of the disclosures in the consolidated financial statements in accordance with the applicable financial reporting framework. |

## Other Information

Management is responsible for the other information. The other information comprises the Chairman's report .

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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## Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements (continued)

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

Those Charged with Governance are responsible for overseeing the Group's financial reporting process.

## Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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## Auditors' Responsibilities for the Audit of the Consolidated 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.

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

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

## Report on Other Legal and Regulatory Requirements

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 Group has maintained accounting records and the consolidated financial statements are in agreement therewith;

III. The Group 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 Group; 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 Group 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.

KPMG

Mobeen Chaudhri
Date: 20 March 2022

KPMG LLC

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CR.No: 1358131



CR No. 1358131
Tax Card No. 8063052

## Consolidated statement of financial position as at 31 December 2021

| ASSETS | Notes | 2021 RO'000 | 2020 RO'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 6 | 4,318,667 | 4,228,625 |
| Oil and gas production and development assets | 7 | 1,230,658 | 1,091,194 |
| Right-of-use assets | 8 | 171,090 | 175,261 |
| Intangible assets | 9 | 89,114 | 112,638 |
| Goodwill | 10 | 12,409 | 13,170 |
| Investment in associates | 11 | 156,160 | 147,008 |
| Interest in joint ventures | 12 | 347,043 | 278,174 |
| Deferred tax assets | 41 | 29,756 | 36,602 |
| Concession receivables | 13 | 799,126 | 772,298 |
| Lease receivables | 14 | 240,367 | 250,191 |
| Contract assets | 15 | 147,023 | 146,198 |
| Derivatives | 21 | 35,541 | - |
| Due from related parties | 31 | 78,755 | 117,036 |
| Other non-current assets | 18 | 5,228 | 13,456 |
| **Total non-current assets** | | 7,660,937 | 7,381,851 |
| **Current assets** | | | |
| Inventories | 19 | 775,284 | 546,450 |
| Trade and other receivables | 20 | 1,178,166 | 746,852 |
| Concession receivables – current portion | 13 | 30,403 | 26,466 |
| Lease receivables – current portion | 14 | 9,900 | 9,157 |
| Due from related parties | 31 | 153,606 | 59,022 |
| Investments at fair value through profit and loss | 16b | 222,101 | 304,279 |
| Derivatives | 21 | 85,562 | 73,714 |
| Short-term deposits | 17 | 216,606 | 203,331 |
| Cash and cash equivalents | 22 | 838,043 | 460,769 |
| Assets held for sale | 16a | 452 | 76,418 |
| **Total current assets** | | 3,510,123 | 2,506,458 |
| **Total assets** | | 11,171,060 | 9,888,309 |
| | | | |
| EQUITY AND LIABILITIES | | | |
| EQUITY | | | |
| Share capital | 23 | 3,428,436 | 3,428,436 |
| Share capital pending registration | 23 | 194 | 194 |
| Statutory reserve | 24 | 171,166 | 95,730 |
| Other reserve | 25 | 16,249 | 16,249 |
| Hedge and fair value reserve | 26 | (23,388) | (99,378) |
| Translation reserve | | 29,208 | 12,232 |
| Accumulated losses | | (156,140) | (788,834) |
| **Equity attributable to equity holders of the parent** | | 3,465,725 | 2,664,629 |
| Non-controlling interests | 46 | 40,749 | 39,170 |
| **Total equity** | | 3,506,474 | 2,703,799 |
| **Non-current liabilities** | | | |
| Loans and borrowings | 27 | 4,248,612 | 4,359,767 |
| Lease liabilities | 28 | 155,154 | 149,825 |
| Employees' end-of-service benefits | 29 | 54,947 | 77,604 |
| Provisions | 30 | 106,631 | 134,850 |
| Due to related parties | 31 | 9,242 | 13,440 |
| Deferred tax liabilities | 41 | 199,095 | 150,183 |
| Derivatives | 21 | 24,411 | 61,212 |
| Other liabilities | 32 | 43,324 | 25,493 |
| **Total non-current liabilities** | | 4,841,416 | 4,972,374 |
| **Current liabilities** | | | |
| Trade and other payables | 33 | 1,217,223 | 1,108,480 |
| Loans and borrowings | 27 | 1,011,009 | 704,880 |
| Lease liabilities | 28 | 27,177 | 30,819 |
| Derivatives | 21 | 56,252 | 68,772 |
| Due to related parties | 31 | 482,368 | 284,549 |
| Income tax | 41 | 29,141 | 14,636 |
| **Total current liabilities** | | 2,823,170 | 2,212,136 |
| **Total liabilities** | | 7,664,586 | 7,184,510 |
| **Total equity and liabilities** | | 11,171,060 | 9,888,309 |

These consolidated financial statements were approved and authorized for issuance by the Board of Directors on 20 March 2022.

**Chairman** **Group Chief Executive Officer**

The accompanying notes form an integral part of these consolidated financial statements.

# Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2021

| | Notes | 2021 RO'000 | 2020 RO'000 |
|---|---|---|---|
| Revenue | *34* | **8,768,016** | 5,393,789 |
| Cost of sales | *34* | **(7,871,695)** | (5,142,171) |
| **Gross profit** | | **896,321** | 251,618 |
| Investment income / (loss) | *35* | **67,524** | (64,881) |
| Share of results of equity accounted investments | *36* | **88,655** | (210,275) |
| Other income | *37* | **58,397** | 47,115 |
| Administrative expenses | *38* | **(319,183)** | (255,454) |
| Impairment losses released / (charged) | *39* | **167,077** | (1,344,003) |
| **Operating profit / (loss)** | | **958,791** | (1,575,880) |
| Finance income | *40* | **13,991** | 16,664 |
| Finance cost | *40* | **(167,426)** | (141,694) |
| Foreign exchange gains / (losses) – net | *40* | **(11,401)** | (2,599) |
| **Profit / (loss) for the year before tax** | | **793,955** | (1,703,509) |
| Income tax expense | *41* | **(92,291)** | (13,435) |
| **Profit / (loss) for the year** | | **701,664** | (1,716,944) |
| **Other comprehensive income / (loss):** | | | |
| ***Items that may be reclassified subsequently to profit or loss*** | | | |
| Foreign currency translation difference relating to subsidiaries | | **(3,121)** | 41,936 |
| Foreign currency translation difference on disposal of held for sale assets | | **28,601** | - |
| Foreign currency translation difference on investment in associates | *11* | **(8,504)** | 3,463 |
| Share of other comprehensive income of associates and joint ventures | *26* | **(160)** | 988 |
| Effective portion of changes in fair value of cash flow hedges | *26* | **77,685** | (50,482) |
| ***Items not to be reclassified to profit or loss in subsequent periods*** | | | - |
| Fair value changes due to dilution of subsidiary/associates | | **(1,535)** | (3,919) |
| Transfer to defined benefit plan, actuarial gains and losses | | **6,510** | (2,935) |
| **Other comprehensive loss, net** | | **99,476** | (10,949) |
| **Total comprehensive income / (loss) for the year** | | **801,140** | (1,727,893) |
| **Profit / (loss) for the year attributable to:** | | | |
| - Equity holders of the parent | | **700,085** | (1,717,588) |
| - Non-controlling interests | | **1,579** | 644 |
| **Profit / (loss) for the year** | | **701,664** | (1,716,944) |
| **Total comprehensive income / (loss) attributable to:** | | | |
| - Equity holders of the parent | | **799,561** | (1,728,537) |
| - Non-controlling interests | | **1,579** | 644 |
| **Total comprehensive income / (loss) for the year** | | **801,140** | (1,727,893) |
| | | | |
| **Earnings / (Loss) per share** | | | |
| **Basic and diluted earnings / (loss) per share – RO** | *42* | **0.204** | (0.51) |

The accompanying notes form an integral part of these consolidated financial statements.

# Consolidated statement of changes in equity
## for the year ended 31 December 2021

| | Share capital RO'000 | Share capital pending registration RO'000 | Statutory reserve RO'000 | Other reserve RO'000 | Hedge and fair value reserve RO'000 | Translation reserve RO'000 | Accumulated losses RO'000 | Equity attributable to equity holders of the parent RO'000 | Non-controlling interests RO'000 | Total equity RO'000 |
|---|---|---|---|---|---|---|---|---|---|---|
| **At 1 January 2021** | **3,428,436** | **194** | **95,730** | **16,249** | **(99,378)** | **12,232** | **(788,834)** | **2,664,629** | **39,170** | **2,703,799** |
| **Profit for the year** | **-** | **-** | **-** | **-** | **-** | **-** | **700,085** | **700,085** | **1,579** | **701,664** |
| ***Other comprehensive income*** | | | | | | | | | | |
| **Foreign currency translation differences** | **-** | **-** | **-** | **-** | **-** | **16,976** | **-** | **16,976** | **-** | **16,976** |
| **Changes in fair value of cash flow hedges** | **-** | **-** | **-** | **-** | **77,685** | **-** | **-** | **77,685** | **-** | **77,685** |
| **Share of other comprehensive income associates and joint ventures** | **-** | **-** | **-** | **-** | **(1,695)** | **-** | **1,535** | **(160)** | **-** | **(160)** |
| **Defined benefit plan actuarial gains, net of tax** | **-** | **-** | **-** | **-** | **-** | **-** | **6,510** | **6,510** | **-** | **6,510** |
| **Other comprehensive income** | **-** | **-** | **-** | **-** | **75,990** | **16,976** | **8,045** | **101,011** | **-** | **101,011** |
| **Total comprehensive income for the year** | **-** | **-** | **-** | **-** | **75,990** | **16,976** | **708,130** | **801,096** | **1,579** | **802,675** |
| **Transfer to legal reserve (note 24)** | **-** | **-** | **75,436** | **-** | **-** | **-** | **(75,436)** | **-** | **-** | **-** |
| **At 31 December 2021** | **3,428,436** | **194** | **171,166** | **16,249** | **(23,388)** | **29,208** | **(156,140)** | **3,465,725** | **40,749** | **3,506,474** |

The accompanying notes form an integral part of these consolidated financial statements.

# Consolidated statement of changes in equity
# for the year ended 31 December 2021

| | Share capital | Share capital pending registration | Statutory reserve | Other reserve | Hedge and fair value reserve | Translation reserve | Retained earnings | Equity attributable to equity holders of the parent | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|
| | RO'000 | RO'000 | RO'000 | RO'000 | RO'000 | RO'000 | RO'000 | RO'000 | RO'000 | RO'000 |
| At 1 January 2020 | 3,315,293 | 113,337 | 95,730 | 16,249 | (45,965) | (33,167) | 921,125 | 4,382,602 | 43,770 | 4,426,372 |
| Loss for the year | - | - | - | - | - | - | (1,717,588) | (1,717,588) | 644 | (1,716,944) |
| *Other comprehensive income* | | | | | | | | | | |
| Foreign currency translation differences | - | - | - | - | - | 45,399 | - | 45,399 | - | 45,399 |
| Changes in fair value of cash flow hedges | - | - | - | - | (54,401) | - | - | (54,401) | - | (54,401) |
| Share of other comprehensive income associates and joint ventures | - | - | - | - | 988 | - | - | 988 | - | 988 |
| Defined benefit plan actuarial gains, net of tax | - | - | - | - | - | - | (2,935) | (2,935) | - | (2,935) |
| Other comprehensive income for the year | - | - | - | - | (53,413) | 45,399 | (2,935) | (10,949) | - | (10,949) |
| Total comprehensive income for the year | - | - | - | - | (53,413) | 45,399 | (1,720,523) | (1,728,537) | 644 | (1,727,893) |
| Transfer to statutory reserve (note 24) | - | - | - | - | - | - | - | - | - | - |
| Movement in investment in subsidiaries and NCI | - | - | - | - | - | - | 10,564 | 10,564 | (3,410) | 7,154 |
| *Transactions with owners:* | | | | | | | | | | |
| Increase in share capital during the year | 113,143 | (113,143) | - | - | - | - | - | - | 140 | 140 |
| Dividend paid to non-controlling interests | - | - | - | - | - | - | - | - | (1,974) | (1,974) |
| | 113,143 | (113,143) | - | - | - | - | - | - | (1,834) | (1,834) |
| At 31 December 2020 | 3,428,436 | 194 | 95,730 | 16,249 | (99,378) | 12,232 | (788,834) | 2,664,629 | 39,170 | 2,703,799 |

The accompanying notes form an integral part of these consolidated financial statements.

# Consolidated statement of cash flows
# for the year ended 31 December 2021

| | Notes | 2021 RO'000 | 2020 RO'000 |
|---|---|---|---|
| **Operating activities** | | | |
| Profit / (Loss) before tax | | **793,955** | (1,703,509) |
| Adjustments for : non-cash and others items: | | | |
| (Reversal) / Charge of impairment losses – net | *39* | **(167,077)** | 1,344,003 |
| Share of results of equity accounted investees | *36* | **(88,655)** | 210,275 |
| Realised gain on sale of investments | *35* | **(41,169)** | 10,166 |
| Depreciation including right of use assets | *6* | **584,019** | 498,100 |
| Accrual for end of service benefits | *29* | **4,251** | 14,297 |
| Gain on disposal of property, plant and equipment | | **(45)** | (1,341) |
| Unwinding of discount on site restoration and abandonment cost | *30* | **2,397** | 8,272 |
| Finance cost | *40* | **165,029** | 133,422 |
| Finance income | *40* | **(13,991)** | (16,664) |
| Unrealized loss financial instruments through profit and loss account | *35* | **(26,193)** | 66,445 |
| **Operating cash flows before working capital changes** | | **1,212,521** | 563,466 |
| **Working capital changes:** | | | |
| Inventories | | **(229,083)** | (34,124) |
| Trade and other receivables | | **(432,090)** | (66,541) |
| Concession receivables | | **32,012** | 25,755 |
| Lease receivables | | **9,082** | 8,609 |
| Contract assets | | **370** | 6,853 |
| Trade and other payables | | **106,961** | (125,646) |
| Due from related parties | | **(46,803)** | 193,801 |
| Due to related parties | | **197,819** | 34,507 |
| Other movement in other non-current asset | | **(425)** | 3,898 |
| Other movements in non-current liabilities | | **29,859** | (4,715) |
| **Cash from operations** | | **880,223** | 605,863 |
| Employees' end of service benefits paid | *29* | **(19,454)** | (7,047) |
| Taxes paid | | **(21,215)** | (14,150) |
| **Net cash from operating activities** | | **839,554** | 584,666 |
| **Investing activities** | | | |
| Acquisition of property, plant and equipment | *6* | **(371,725)** | (479,577) |
| Acquisition of oil and gas exploration and production assets | *7* | **(284,569)** | (284,067) |
| Payment for intangible assets | *9* | **(5,920)** | (5,749) |
| Acquisition of contract assets and concession receivables | *13&15* | **(63,972)** | (56,274) |
| Proceeds from disposal of property, plant and equipment | | **4,754** | 3,496 |
| Additions of investment in equity accounted investees | *11 & 12* | **(83,011)** | (59,392) |
| Proceeds on sale of available for sale investments | *16a* | **82,843** | - |
| Proceeds from disposal of equity accounted investments | *11 & 12* | **123,111** | 44,263 |
| Dividend received from equity accounted investees | *11 & 12* | **90,843** | 21,112 |
| Payments to related parties | | **(4,198)** | (470) |
| Receipts from related parties | | **26,060** | 4,169 |
| Net movement in term deposits | *17* | **(13,275)** | (30,768) |
| Finance income received | *40* | **13,991** | 16,664 |
| **Net cash used in investing activities** | | **(485,068)** | (826,593) |
| **Financing activities** | | | |
| Interest paid | | **(158,941)** | (124,540) |
| Dividends paid to non-controlling interests | | **-** | (1,974) |
| Proceeds from loans and borrowings | *45* | **860,565** | 949,314 |
| Repayment of loans and borrowings | *45* | **(655,310)** | (652,400) |
| Repayment of lease liabilities including interest | *28* | **(41,188)** | (46,867) |
| **Net cash from financing activities** | | **5,126** | 123,533 |
| **Net change in cash and cash equivalents** | | **359,612** | (118,394) |
| Translation adjustments | | **17,662** | 11,662 |
| Cash and cash equivalents at the beginning of the year | | **460,769** | 567,501 |
| **Cash and cash equivalents at end of the year** | *22* | **838,043** | 460,769 |

The accompanying notes form an integral part of these consolidated financial statement.

# Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

## 1 Legal status and principal activities

OQ SAOC ("the Parent" or "the Parent Company") is a closed joint stock company domiciled in the Sultanate of Oman. The consolidated financial statements as at and for the year ended 31 December 2021 comprise the Parent Company and its subsidiaries (together referred to as "the Group" and individually as "Group entities") and the Group's interest in associates and joint ventures. The Parent Company primarily is involved in the business of identifying, acquiring, managing, operating interests in petroleum and other energy related enterprises and dealing in investments. The Group is primarily engaged in exploration, production, marketing and distribution of petroleum and petroleum by-products. The Group operates in the Sultanate of Oman, United Arab Emirates, India, Pakistan, Korea, China, Hungary, Portugal, Spain, Chile, Netherlands, United Kingdom, Brasil, Japan, Germany, United States of America and Kazakhstan. The registered address of the Parent Company is P O Box 261, Postal Code 118, Sultanate of Oman.

The Parent Company is wholly owned by the Oman Investment Authority. During the year ended 31 December 2020, the shareholding of the Parent Company was transferred from Ministry of Finance to Oman Investment Authority (OIA). The Group is ultimately owned by the Government of Sultanate of Oman.

During the year ended 31 December 2021, the Group completed commissioning of OQ LPG (SFC) LLC and OQ Plastic LLC plants.

During May 2021, the Parent Company has listed its debt securities, a global medium-term note programme on the London Stock Exchange. Further details are disclosed in note 27.

## 2 Group entities

The Group has the following investments in subsidiaries:

| **Company name** | **Notes** | **Country of incorporation** | **% holding 2021** | % holding 2020 |
|---|---|---|---|---|
| Oman Oil Holdings Spain SL (OOHS) | | Spain | **100%** | 100% |
| Oman Oil (Hungary) Limited (OOHL) | | Cayman Islands | **100%** | 100% |
| Oman Oil (Budapest) Limited (OOBL) (held through OOHL) | | Cayman Islands | **100%** | 100% |
| Oman Oil (S.E. Asia) Holdings (OOSEAH) | | Cayman Islands | **100%** | 100% |
| Oman Oil (Singapore Holdings) (OOSH) (held through OOSEAH) | | Cayman Islands | **100%** | 100% |
| Oman Pearls Company Limited (OPCL) | | Cayman Islands | **100%** | 100% |
| Oman Oil (Upstream) Holdings Limited (OOUHL) | | Cayman Islands | **100%** | 100% |
| OQ Exploration and Production L.L.C (OQEP) | i | Sultanate of Oman | **100%** | 100% |
| Abraj Energy Services SAOC (held through OQEP) | | Sultanate of Oman | **100%** | 100% |
| OQEP Holding Limited (held through OQEP) | | Cayman Islands | **100%** | 100% |
| Abutubul LLC (held through OQEP) | | Sultanate of Oman | **100%** | 100% |
| Musandam Gas Plant LLC (held through OQEP) | | Sultanate of Oman | **100%** | 100% |
| Makarim Gas Development LLC (held through OQEP) | | Sultanate of Oman | **100%** | 100% |
| Musandam Oil & Gas Company LLC (held through OQEP) | | Sultanate of Oman | **100%** | 100% |
| Oman Oil Company Limited (OOCL) | | Bermuda | **100%** | 100% |
| Oman Oil Services Limited (OOSL) | | Bermuda | **100%** | 100% |
| Oman Energy Trading Company Limited (OETCL) | | Bermuda | **100%** | 100% |
| Takatuf Oman LLC | 16a | Sultanate of Oman | **-** | 100% |
| Oman Oil International Limited (OOIL) (held through OETCL) | | Cayman Islands | **70%** | 70% |

# Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

## 2 Group entities (continued)

| Company name | Notes | Country of incorporation | % holding 2021 | % holding 2020 |
|---|---|---|---|---|
| Sumhuram Energy B.V (SE) (held through OOHE) | ii | Netherlands | **-** | 100% |
| Sumhuram Energy Chile I SpA (SEC I) (held through SE) | ii | Chile | **-** | 100% |
| Sumhuram Energy Chile II Limitada (SEC II) (held through SEC I) | ii | Chile | **-** | 100% |
| Mazoon B.V (held through OOHE) | ii | Netherlands | **-** | 100% |
| Majan Energy B.V (held through OOHE) | | Netherlands | **100%** | 100% |
| OQ Chemical International Holding Drei GmbH (held through Majan Energy B.V | | Germany | **100%** | 100% |
| OQ Chemicals Holding Drei GmbH, Monheim am Rhein/Germany | | Germany | **100%** | 100% |
| OQ Chemicals Holding Zwei GmbH (held through Majan Energy B.V) | | Germany | **100%** | 100% |
| OQ Chemicals GmbH (held through Majan Energy B.V) | | Germany | **100%** | 100% |
| OPG OQ Beteiligungs-GmbH | | Germany | **100%** | 100% |
| OQ Chemicals GmbH (held through Majan Energy B.V) | | Germany | **100%** | 100% |
| OQ Infrastruktur GmbH & Co. KG (held through Majan Energy B.V) | | Germany | **98%** | 98% |
| OQ Chemicals Nederland B.V (held through Majan Energy B.V) | | Netherlands | **100%** | 100% |
| OIG OQ Infrastruktur GmbH (held through Majan Energy B.V) | | Germany | **100%** | 100% |
| OQ Chemicals Japan K.K. (held through Majan Energy B.V) | | Japan | **100%** | 100% |
| OQ Chemicals Singapore Pte. LTD (held through Majan Energy B.V) | | Singapore | **100%** | 100% |
| OQ Chemicals UK LTD. (held through Majan Energy B.V) | | United Kingdom | **100%** | 100% |
| OQ Chemicals Holding Corporation (held through Majan Energy B.V) | | United States of America | **100%** | 100% |
| OQ Chemicals Corporation (held through Majan Energy B.V) | | United States of America | **100%** | 100% |
| OQ Services LLC (held through Majan Energy B.V) | | United States of America | **100%** | 100% |
| OQ Chemical Bishop LLC (held through Majan Energy B.V) | | United States of America | **100%** | 100% |
| OQ Quimicos Brasil Participações LTDA (held through Majan Energy B.V) | | Brasil | **100%** | 100% |
| OQ International GmbH (held through Majan Energy B.V) | | Germany | **100%** | 100% |
| OQ Advanced Derivatives LTD. (held through Majan Energy B.V) | | China | **100%** | 100% |
| OQ Chemicals Production GmbH & Co. KG (held through Majan Energy B.V) | | Germany | **100%** | 100% |
| OQ Services GmbH (held through Majan Energy B.V) | | Germany | **100%** | 100% |
| Oman Pearls Company Limited – UK (OPCL) | | United Kingdom | **100%** | 100% |
| Oman Oil Marketing Company SAOG (OOMCO) | iii | Sultanate of Oman | **49%** | 49% |
| OQ Methanol(SFZ) L.L.C. | | Sultanate of Oman | **100%** | 100% |
| Takamul Investment Company LLC (TIC) | | Sultanate of Oman | **100%** | 100% |
| Oman Aluminium Rolling Company LLC (OARC) (held through TIC) | | Sultanate of Oman | **100%** | 100% |
| Rolling Mill Holding Company Limited (held through TIC) | | Cayman Islands | **100%** | 100% |
| Sohar Sulphur Fertilizer LLC (held through TIC) | | Sultanate of Oman | **68.75%** | 68.75% |
| Sohar Paper Cores LLC (SPC) (held through TIC) | | Sultanate of Oman | **100%** | 100% |
| Oman Purified Isophthalic Acid Company LLC (held through TIC) | | Sultanate of Oman | **100%** | 100% |
| Duqm Management & Services LLC (held through TIC) | | Sultanate of Oman | **70%** | 70% |
| Takamul Holding Company Limited | | Cayman Island | **100%** | 100% |
| Duqm Petroleum Terminal Company LLC (DPTC) | | Sultanate of Oman | **100%** | 100% |
| Oman Tank Terminal Company LLC (OTTCO) | | Sultanate of Oman | **100%** | 100% |
| OQ Gas Networks S.A.O.C (OQ GN) | | Sultanate of Oman | **100%** | 100% |
| Oman Oil Facilities Development Company LLC(OOFDC) | | Sultanate of Oman | **100%** | 100% |
| Oman International Petrochemical Industry Company LLC | | Sultanate of Oman | **70%** | 70% |
| OQ LPG (SFZ) L.L.C (held through OOFDC) | | Sultanate of Oman | **100%** | 100% |
| Oman Gas International LLC | | Cayman Island | **100%** | 100% |
| OQ Trading LLC (OQT) (held through OOIL) | | United Arab Emirates | **100%** | 100% |
| Oman Oil Holding Europe B.V (OOHE) | | Netherlands | **100%** | 100% |
| OQ Refineries and Petroleum Industries L.L.C (OQ RPI) | | Sultanate of Oman | **100%** | 100% |

# Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

## 2 Group entities (continued)

| Company name | Notes | Country of incorporation | % holding 2021 | % holding 2020 |
|---|---|---|---|---|
| OQ Refineries L.L.C (Held through OQ RPI) | | Sultanate of Oman | **100%** | 100% |
| OQ Aromatics L.L.C (Held through OQ RPI) | | Sultanate of Oman | **100%** | 100% |
| OQ Plastics L.L.C (Held through OQ RPI) | | Sultanate of Oman | **100%** | 100% |
| OQ Depots L.L.C (Held through OQ RPI) | | Sultanate of Oman | **100%** | 100% |
| OQ Marketing L.L.C (Held through OQ RPI) | | Sultanate of Oman | **100%** | 100% |
| OQ Alternative Energy LLC (OQ AE) {formerly, Oman Oil Duqm Development LLC} | | Sultanate of Oman | **100%** | 100% |
| Oman Energy Development Company SPC (Held through OQ AE) | | Sultanate of Oman | **100%** | - |

i. The Group has the following material interests, all of which are located within the Sultanate of Oman.

| Name | Participating Interest (2021 & 2020) | Operator | Activity |
|---|---|---|---|
| Block 60 | 100% | OQEP | Exploration and production |
| Block 48 | 100% | OQEP | Exploration |
| Block 42 | 50% | OQEP | Exploration |
| Block 9 | 45% | Occidental | Exploration and production |
| Block 61 | 30% | BP | Exploration and production |
| Block 65 | 27% | Occidental | Exploration and production |
| Block 30 | 27% | Occidental | Exploration and production |
| Karim | 25% | Medco | Production service agreement |
| Rima | 25% | Petrogas | Production service agreement |
| Block 53 | 20% | Occidental | Exploration and production |
| Block 52 | 15% | ENI | Exploration |

All interests of less than 100% are Joint Operations. OQEP also has interests in gas purchase and sale contracts relating to Dolphin field.

Furthermore, the Group entity OQ RPI has 60% investments in OQ Logistics LLC (OLC) which is accounted for as a joint operation (note 32).

### ii. Changes in structure

In 2021, the following companies were liquidated:

- Sumhuram Energy Chile I SpA (SEC I) (held through SE)
- Sumhuram Energy Chile II Limitada (SEC II) (held through SEC I)

The following companies were merged into Oman Oil Holding Europe B.V during the year:

- Sumhuram Energy B.V (SE) (held through OOHE)
- Mazoon B.V (held through OOHE)

# Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

## 3. Basis of preparation

### 3.1 Statement of compliance

iii. Although the Group owns less than half of the total share capital of OOMCO, the management of the Parent Company assessed that the Group has control over its investment in OOMCO based on whether the Group has the practical ability to direct the relevant activities of OOMCO unilaterally. The management considered the Group's absolute size of holding in OOMCO and relative size of and dispersion of the shareholding owned by the other shareholders.

The Group holds 3,225,000 multi vote shares and 28,380,000 ordinary shares, which give it an overall voting power of 51.43% in OOMCO. Accordingly, the Group has control over OOMCO by virtue of Article 5 of chapter two of OOMCO's Articles of Association, which entitles the holder of multi vote share to two votes at the Annual General Meeting of OOMCO. After assessment, the management, concluded that the Group has a sufficiently dominant voting interest to direct the relevant activities of OOMCO.

These consolidated 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.

The consolidated financial statements are prepared under the historical cost convention except for investments at fair value through profit and loss and derivatives, which are measured at fair value and assets held for sale which are measured at lower of carrying value or fair value less cost to sell. The consolidated financial statements are prepared under the going concern assumption.

The Group comprises operations with a number of functional currencies. The Parent Company's functional currency is Rial Omani ("RO"). Management uses RO for controlling and maintaining the performance and financial position of the Group and accordingly the consolidated financial statements are presented in Rial Omani.

All financial information presented in RO has been rounded to the nearest thousand, unless otherwise indicated.

A substantial amount of transactions of the Group are denominated in USD which is exchanged at fixed rate of RO O.3851 since 1986. Apart from USD, the Group has significant transactions and balances in Euro and HUF with relevant exchange rate being disclosed in note 44.

### 3.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at 31 December 2021. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

# Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

## 3. Basis of preparation (continued)

### 3.2 Basis of consolidation (continued)

Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee),
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee.
- Rights arising from other contractual arrangements.
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- derecognises the assets (including goodwill) and liabilities of the subsidiary
- derecognises the carrying amount of any non-controlling interests
- derecognises the cumulative translation differences recorded in equity
- recognises the fair value of the consideration received
- recognises the fair value of any investment retained
- recognises any surplus or deficit in profit or loss
- reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

# Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

## 3. Basis of preparation (continued)

### 3.2 Basis of consolidation (continued)

*Transactions with non-controlling interests*

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is re measured to its fair value, with the change in carrying amount recognised in profit or loss.

The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

*Investment in associates and joint ventures*

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in its associate and joint venture are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not separately tested for impairment.

The consolidated statement of profit or loss reflects the Group's share of the results of operations of the associate or joint venture. Any change in other comprehensive income (OCI) of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share

# Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

## 3. Basis of preparation (continued)

### 3.2 Basis of consolidation (continued)

*Investment in associates and joint ventures (continued)*

of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the statement of profit or loss and represents share of profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss as 'Impairment' in the statement of profit or loss.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

*Interest in joint operations*

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When a Group entity undertakes its activities under joint operations, the Group as a joint operator recognises in relation to its interest in a joint operation:

- Its assets, including its share of any assets held jointly.
- Its liabilities, including its share of any liabilities incurred jointly.
- Its revenue from the sale of its share of the output arising from the joint operation.
- Its share of the revenue from the sale of the output by the joint operation.
- Its expenses, including its share of any expenses incurred jointly.

# Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

## 3. Basis of preparation (continued)

### 3.2 Basis of consolidation (continued)

*Interest in joint operations (continued)*

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

When a Group entity transacts with a joint operation in which a Group entity is a joint operator (such as a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognised in the Group's consolidated financial statements only to the extent of other parties' interests in the joint operation.

When a Group entity transacts with a joint operation in which a Group entity is a joint operator (such as a purchase of assets), the Group does not recognise its share of the gains and losses until it resells those assets to a third party.

*Transactions with related parties*
The Group has applied the exemption under IAS 24 paragraphs 25 and 26, and have not disclosed the related party transactions and outstanding balances, including commitments related to:

(a) a government that has control or joint control of, or significant influence over, the reporting entity; and

(b) another entity that is a related party because the same government has control or joint control of, or significant influence over, both the reporting entity and the other entity.

In applying the exemption, the Group has disclosed the following related to the transactions and related outstanding balances:

(a)the name of the government and the nature of its relationship with the reporting entity (i.e. control, joint control or significant influence) ;

(b)the following information in sufficient detail to enable users of the entity's financial statements to understand the effect of related party transactions on its financial statements:

(i) the nature and amount of each individually significant transaction; and

(ii) for other transactions that are collectively, but not individually, significant, a qualitative or quantitative indication of their extent.

# Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

## 3. Basis of preparation (continued)

### 3.3 Application of new and revised International Financial Reporting Standards (IFRSs)

***New and amended IFRS that are effective for current the year***

The Group 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 Group 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 Group applied the Phase 2 amendments retrospectively. Since the Group had no transactions for which the benchmark rate had been replaced with an alternative benchmark rate as at 31 December 2020, 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.

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 Group 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 Group 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 Group applies the policies on accounting for modifications to the additional changes.

# Notes to the consolidated financial statements
# for the year ended 31 December 2021 (continued)

## 3. Basis of preparation (continued)

### 3.3 Application of new and revised International Financial Reporting Standards (IFRSs) (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 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 Group 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 Group 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.

The details of the accounting policies are disclosed in 4.10 Financial Instruments under Summary of significant accounting policies under. See also note 44 Financial risk management for related disclosures about risks, financial assets and financial liabilities indexed to LIBOR and hedge accounting.

# Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

## 3. Basis of preparation (continued)

### 3.3 Application of new and revised International Financial Reporting Standards (IFRSs) (continued)

***New and amended IFRS that are effective for current the year***

**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 Group 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 Group 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 and will be applied accordingly in line with the Group practice of adopting all new and revised IFRSs from the date of application.

The Group 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 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 Group first applies the amendments. On initial application of amendment on 1 January 2022, accumulated losses and carrying amount of the property, plant and equipment will decrease and increase by an estimated amount RO 43.2 million, respectively.

# Notes to the consolidated financial statements
# for the year ended 31 December 2021 (continued)

## 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)***

**B. Other standards**

The Group 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

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to the periods presented, unless otherwise stated.

# Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

## 4. Summary of significant accounting policies (continued)

### 4.1 Oil and natural gas exploration, evaluation and development expenditure

Oil and natural gas exploration, evaluation and development expenditure is accounted for using the successful efforts method of accounting.

*Pre-licence costs*

Pre-licence costs are expensed in the period in which they are incurred.

*Licence and property acquisition costs*

Exploration licence acquisition costs are capitalised in intangible assets. Licence costs paid in connection with a right to explore in an existing exploration area are capitalised and amortised over the term of the permit.

Licence and property acquisition costs are reviewed at each reporting date to confirm that there is no indication that the carrying amount exceeds the recoverable amount.

Upon recognition of proved reserves and internal approval for development, the relevant expenditure is transferred to oil and gas assets.

*Exploration and evaluation costs*

Exploration and evaluation (E&E) activity involves the search for hydrocarbon resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource.

Costs directly associated with exploration wells are capitalised as E&E intangible assets until the drilling of the well is complete and the results have been evaluated. Costs include directly attributable to employee remuneration, materials and fuel used, rig costs and payments made to contractors. Geological and geophysical costs are expensed as incurred.

If no potentially commercial hydrocarbons are discovered, the E&E asset is written off. If potentially commercial hydrocarbons are found the costs continue to be carried as an intangible asset while the discovery is appraised. Costs directly associated with appraisal activity are initially capitalised as an intangible asset. All capitalised E&E costs are subject to technical, commercial and management review, as well as a review for indicators of impairment at least once a year. Where it is determined that a discovery is not potentially commercial the costs are written off as an exploration expense. All capitalised E&E costs are subject to technical, commercial and management review, as well as assessment for impairment based on the identification of impairment indicators at least once a year.

On commencement of development capitalised E&E expenditure is first assessed for impairment and (if required) any impairment loss is recognised, then the remaining balance is transferred to fixed assets. Other than licence costs, no amortisation is charged during the E&E phase.

# Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

## 4. Summary of significant accounting policies (continued)

### 4.1 Oil and natural gas exploration, evaluation and development expenditure (continued)

*Farm-outs - in the exploration and evaluation phase*

The Group does not record any expenditure made by the farmee on its account. It also does not recognise any gain or loss on its exploration and evaluation farm-out arrangements, but redesignates any costs previously capitalised in relation to the whole interest as relating to the partial interest retained.

Any cash consideration received directly from the farmee is credited against costs previously capitalised in relation to the whole interest.

*Farm-outs - other than in the exploration and evaluation phase*

In accounting for a farm-out arrangement other than in the exploration and evaluation phase, the Group:

- Derecognises the proportion of the asset that it has sold to the farmee.

- Recognises the consideration received or receivable from the farmee, which represents the cash received and/or the farmee's obligation to fund the capital expenditure in relation to the interest retained by the farmor.

- Recognises a gain or loss on the transaction for the difference between the net disposal proceeds and the carrying amount of the asset disposed of. A gain is recognised only when the value of the consideration can be determined reliably. If not, then the Group accounts for the consideration received as a reduction in the carrying amount of the underlying assets.

- Tests the retained interests for impairment if the terms of the arrangement indicate that the retained interest may be impaired.

*Development costs*

Expenditure on the construction, installation or completion of infrastructure facilities such as platforms, pipelines and the drilling of development wells, including unsuccessful development or delineation wells, is capitalised within fixed assets.

### 4.2 Oil and gas properties and other property, plant and equipment

**Initial recognition**

Oil and gas assets and other property, plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment losses. The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into

# Notes to the consolidated financial statements
# for the year ended 31 December 2021 (continued)

## 4. Summary of significant accounting policies (continued)

### 4.2 Oil and gas properties and other property, plant and equipment (continued)

operation, the initial estimate of the decommissioning obligation and, for qualifying assets, borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. The capitalised value of a lease is also included within property, plant and equipment.

When a development project moves into the production stage, the capitalisation of development costs ceases, and costs are either regarded as part of the cost of inventory or expensed, except for costs which qualify for capitalisation relating to asset additions, improvements or new developments.

**Major maintenance, inspection and repairs**

Expenditure on major maintenance, refits, inspections or repairs comprises the cost of replacement assets or parts of assets, inspection costs and overhaul costs. Where an asset, or part of an asset that was separately depreciated and is now written off is replaced and it is probable that future economic benefits associated with the item will flow to the Group, the expenditure is capitalised. Where part of the asset replaced was not separately considered as a component and therefore not depreciated separately, the replacement value is used to estimate the carrying amount of the replaced asset(s) and is immediately written off. Inspection costs associated with major maintenance programmes are capitalised and amortised over the period to the next inspection. All other day-to-day repairs and maintenance costs are expensed as incurred.

**Depreciation / amortisation**

The net book value of producing assets are depreciated on a unit-of-production basis over the total proven and probable reserves of the field concerned, except in the case of assets whose useful life is shorter than the lifetime of the field, in which case the straight-line method is applied. The total proven and probable reserves of the field are reviewed at least annually. The unit-of-production rate calculation takes into account expenditures incurred to date, together with sanctioned and projected future development expenditure.

Other property, plant and equipment are generally depreciated on a straight-line basis over their estimated useful lives, and major inspection costs are amortised over three to five years, which represents the estimated period before the next planned major inspection. Property, plant and equipment held under finance/capital leases are depreciated over the shorter of lease term and estimated useful life.

Items of property, plant and equipment are measured at cost less accumulated depreciation / depletion and impairment losses.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or

# Notes to the consolidated financial statements
# for the year ended 31 December 2021 (continued)

## 4. Summary of significant accounting policies (continued)

### 4.2 Oil and gas properties and other property, plant and equipment (continued)

**Depreciation / amortisation (continued)**

disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss and other comprehensive income when the asset is derecognised.

The asset's residual values, useful lives and methods of depreciation/amortisation are reviewed at each reporting period and adjusted prospectively, if appropriate.

The consideration receivable on disposal of an item of property, plant and equipment is recognised initially at its fair value by the Group. However, if payment for the item is deferred, the consideration received is recognised initially at the cash price equivalent. The difference between the nominal amount of the consideration and the cash price equivalent is recognised as interest revenue.

Any part of the consideration that is receivable in the form of cash is treated as a financial asset and is accounted for at amortised cost, if it meets the criteria of SPPI test.

The estimated useful lives for other assets are as follows:

| | **Years** |
|---|---|
| Buildings | 5 - 30 |
| Furniture and office equipment | 2 - 15 |
| Plant, equipment and vehicles | 2 - 30 |

Useful lives and residual values are reviewed at each reporting date.

**Capital work-in-progress**

Capital work-in-progress is stated at cost less any impairment losses. When commissioned, capital work-in-progress is transferred to the appropriate plant and equipment category and depreciated in accordance with depreciation policies of the Group.

**Emission rights**

In order to protect the environment and limit the emission of carbon dioxide, there is a system in the European Union of pollution rights which are to a certain extent granted free of charge by the European Union whereas missing quantities have to be purchased in the market at fluctuating prices. At present, the accounting for such emission rights is not clearly regulated by IFRS. The Group accounts for these rights as follows: At the time the Group receives emission rights from the government, these are not recognized in the balance sheet since the amount paid is nil and the rights are assigned free of charge. In the case where the Group buys additional emission rights, these rights are recorded at historical average cost. When the rights are used in operating activities, this is recognized as an expense in the statement of income.

# Notes to the consolidated financial statements
# for the year ended 31 December 2021 (continued)

## 4. Summary of significant accounting policies (continued)

### 4.2 Oil and gas properties and other property, plant and equipment (continued)

**Rhodium**

The Group uses rhodium catalysts in its production processes. The base catalyst load contained in the reactors is accounted for as a fixed asset and amortized on a straight-line basis over the useful life of 21.5 years. Rhodium catalysts which are being recycled are accounted for as inventory. Inventory quantities are estimated after taking into account expected recovery rates for used catalysts.

### 4.3 Business combinations and goodwill

Business combinations are accounted for using the acquisition method except for transaction under common control. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss. It is then considered in the determination of goodwill.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with changes in fair value recognised either in either profit or loss or as a change to OCI. If the contingent consideration is not within the scope, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

## 4. Summary of significant accounting policies (continued)

### 4.3 Business combinations and goodwill (continued)

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

*Transactions under Common Control*

The Group follows the predecessor accounting method when there is business combination under common control. Moreover, the Group adopts retrospective presentation method as if both acquirer and acquiree had always been combined or using the results from the date when either entity joined the Group, where such a date is later.

Under predecessor accounting method, the acquirer continues to adopt the value of the assets and liabilities as per the book value in the acquired entity, even after transfer of shareholding. Any excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the book value of the net identifiable assets acquired and liabilities assumed is transferred to other reserves in equity.

### 4.4 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment, whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in

## 4. Summary of significant accounting policies (continued)

### 4.4 Intangible assets (continued)

the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

*Technology, customer relationship and trademarks*

As part of the purchase price allocation performed by the Group on the acquisition of OQ Chemicals, the Group had identified and recorded intangible assets relating to trademarks, customer relationships and technology (refer to note 9).

A summary of the policies applied to the Group's major intangible asset classes are as follows:

| | |
|---|---|
| • Know-how, patents and other production technologies | 2.5 – 20 years |
| • Customer relationship and similar rights | 1.3 – 10 years |
| • Software | 1.8 – 5 years |
| • Other rights and values | 3 years |

### 4.5 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs comprise purchase cost and where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs to be incurred in selling. Work in progress on long term contracts is calculated at cost plus attributable profit, to the extent that this is reasonably certain after making provision for contingencies, less any losses foreseen in bringing contracts to completion and less amounts received and receivable as progress payments. Cost for this purpose includes direct labour, direct expenses and an appropriate allocation of overheads. The cost of the inventory is determined using FIFO method.

The valuation approach for OQT inventory is based on OQT's specific activities in relation to each product. Physical commodities principally acquired for the purpose of selling in the near future and generating a profit from fluctuations in price or broker-traders' margin are held at fair value less costs to sell. These commodities include crude oil, refined products, petrochemicals and liquefied natural gas. Movements in the fair value of inventory between reporting dates are directly recognised in cost of sales. The fair value is measured with reference to observable market prices.

# Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

## 4. Summary of significant accounting policies (continued)

### 4.6 Employees' end-of-service benefits

The Group's obligation for contributions to defined contribution pension plans are recognised as an expense when due. The Group'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.

Group entities registered in Oman make 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 Group entities operating in Oman also provide end-of-service benefits to its expatriate employees. End-of-service benefits are accrued in accordance with the terms of employment of the Group'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 using projected unit credit method.

Employee entitlements to annual leave and leave passage are recognised when they accrue to employees and an accrual is made for the estimated liability arising as a result of services rendered by employees up to the reporting date. These accruals are included in current liabilities, while that relating to end of service benefits is disclosed as a non-current liability.

Liabilities for defined benefit plans for OQ Chemicals are measured using the projected unit credit method, taking into account not only the pension obligations and vested pension rights known at the reporting date, but also expected future salary and benefit increases. 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 consolidated statement of comprehensive income. The amounts payable under defined contribution plans are expensed when the contributions are due and classified as administrative expenses. Past service costs are recognized immediately in the consolidated statement of comprehensive income, regardless of vesting requirements. For funded plans, OQ Chemicals offsets the fair value of the plan assets with the benefit obligation.

Remeasurements in the net defined benefit liability comprising actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in OCI.

These defined benefit plans expose OQ Chemicals to actuarial risks, such as longevity risk, currency risk and interest rate risk. For funded plans, OQ Chemicals offsets the fair value of the plan assets with the benefit obligation.

## 4. Summary of significant accounting policies (continued)

### 4.7 Foreign currency transactions

Transactions in foreign currencies are translated into Rial Omani at exchange rates ruling at the value dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies (including monetary assets and liabilities considered as a net investment in foreign operation) are translated into Rial Omani at exchange rates ruling at the reporting date. The foreign currency gain or loss on monetary items is the difference between amortised costs in the Rial Omani at the beginning of the period, adjusted for effective interest and payments during the period and the amortised costs in foreign currency translated at the exchange rate at the end of the period. 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 statement of comprehensive income, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to Rial Omani at the exchange rate at the date that the fair value was determined. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss.

On consolidation, the assets and liabilities of foreign operations are translated into Rial Omani at the rate of exchange prevailing at the reporting date. The statement of income and corresponding profits and losses of group entities denominated in a foreign currency are translated at monthly average exchange rates which approximate the exchange rate at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in other comprehensive income and a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the profit or loss. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operations and translated at closing rate.

### 4.8 Leases

**Group as a lessee**

The Group assesses whether contract is or contains a lease, at inception of the contract. The Group 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 Group 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.

# Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

## 4. Summary of significant accounting policies (continued)

### 4.8 Leases (continued)

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 rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

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

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease

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

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group re-measures 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 revise 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 liability is remeasured by discounting the revised lease payments using a revised discount rate.

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

# Notes to the consolidated financial statements
# for the year ended 31 December 2021 (continued)

## 4. Summary of significant accounting policies (continued)

### 4.9 Leases (continued)

**Group as a lessee (continued)**

The 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 cost of the right-of-use of asset reflects that the Group 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 of assets are presented as a separate line in the statement of financial position. The Group applies IAS36 to determine whether a right-of-use asset is impaired and accounts for an 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 'Other expenses' in the statement of profit or loss. As a practical expedient, IFRS16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient.

**Group as a lessor**

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group net investment in the leases.

# Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

## 4. Summary of significant accounting policies (continued)

### 4.8 Leases (continued)

**Group as a lessor (continued)**

Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group net investment outstanding in respect of the leases.

When a contract includes lease and non-lease components, the Group applies IFRS 15 to allocate consideration under the contract to each component.

### 4.9 Concession arrangement

***Infrastructure***

As disclosed in note 13, the Group 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 Group. Under the terms of the Concession Agreement the Group acts as an operator. The Group constructs or upgrades infrastructure (construction or upgrade services) used to provide a public service and operates and maintains that infrastructure (operation services) for a specified period of time.

In accordance with the requirements of the IFRIC 12 a financial asset has been recognised where the Group 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.

The Group recognizes and measures revenue in accordance with IFRS 15 for the services it performs.

Revenue and costs relating to the construction or upgrade are being recognised in income over the construction phase of the arrangement in accordance with International Financial Reporting Standards 15 "Revenue from Contracts with Customers". Therefore, subject to the requirements of IFRS 15, revenue is being recognised by reference to the stage of completion of the construction project. Contract revenue is the fair value of the amount due from the Government for the construction activity. The construction revenue recognised to date is recognised as a contract asset. Accounting policy details are stated below in the revenue recognition section.

# Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

## 4. Summary of significant accounting policies (continued)

### 4.10 Financial instruments

In the normal course of business the Group uses financial instruments, principally investments in equity securities, trade and other receivables, cash and cash equivalents, term deposits, loans and borrowings, trade and other payables and derivatives.

#### 4.10.1 Classification

**Financial assets**

The Group classifies its financial assets as follows:

- Financial assets at amortised cost
- Financial assets at Fair Value Through Other Comprehensive Income (FVOCI)
- Financial assets at Fair Value Through Profit or Loss (FVTPL)

To determine their classification and measurement category, all financial assets, except equity instruments and derivatives, is assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

The derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

**Business model assessment**

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these are applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'Sell' business model. *T*he *business* model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account.

**Contractual cash flow characteristics test**

The Group assesses whether the financial instruments' cash flows represent Solely for Payments of Principal and Interest (the 'SPPI'). The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk.

The Group reclassifies a financial asset only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent.

## 4. Summary of significant accounting policies (continued)

### 4.10 Financial instruments (continued)

#### 4.10.1 Classification (continued)

**Financial liabilities**

All financial liabilities are classified as “amortised cost” other than negative fair value of derivatives which are carried at “fair value through profit or loss”.

#### 4.10.2 Recognition / derecognition

A financial asset or a financial liability is recognized when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (in whole or in part) is derecognized when the contractual rights to receive cash flows from the financial asset has expired or the Group has transferred substantially all risks and rewards of ownership and has not retained control. If the Group has retained control, it continues to recognize the financial asset to the extent of its continuing involvement in the financial asset.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and recognition of a new liability. 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.

All regular way purchase and sale of financial assets are recognized using settlement date accounting. Changes in fair value between the trade date and settlement date are recognized in the statement of profit or loss or in the statement of comprehensive income in accordance with the policy applicable to the related instrument. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulations or conventions in the market place.

*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 Group 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.

# Notes to the consolidated financial statements
# for the year ended 31 December 2021 (continued)

## 4. Summary of significant accounting policies (continued)

### 4.10 Financial instruments (continued)

#### 4.10.2 Recognition / derecognition (continued)

*Interest rate benchmark reform (continued)*

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 Group 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 Group applied the policies on accounting for modifications to the additional changes.

#### 4.10.3 Measurement

All financial assets or financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue are added except for those financial instruments classified as “at fair value through profit or loss”.

*Financial assets at FVOCI*

A debt instrument is measured at FVOCI if it satisfies the SPPI test and is held within a business model whose objective is to hold assets to collect contractual cash flows and to sell. These assets are subsequently measured at fair value, with change in fair value recognized in OCI. Interest income calculated using effective interest method, foreign exchange gains/losses and impairment are recognized in the consolidated statement of profit or loss. On de-recognition, gains and losses accumulated in the OCI are reclassified to consolidated statement of profit and loss.

For an equity instrument; upon initial recognition, the Group may elect to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. Such classification is determined on an instrument-by- instrument basis. Gains and losses on these equity instruments are never recycled to consolidated statement of profit or loss. Dividends are recognised in consolidated statement of profit or loss when the right to receive has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment. Upon disposal cumulative gains or losses may be reclassified from fair value reserve to retained earnings in the consolidated statement of changes in equity.

*Financial asset at FVTPL*

Financial assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. This also includes equity instruments held-for-trading and are recorded and measured in the consolidated statement of financial position at fair value.

# Notes to the consolidated financial statements
# for the year ended 31 December 2021 (continued)

## 4. Summary of significant accounting policies (continued)

### 4.10 Financial instruments (continued)

#### 4.10.3 Measurement (continued)

*Financial asset at FVTPL (continued)*

Changes in fair values and dividend income are recorded in the consolidated statement of profit or loss according to the terms of the contract, or when the right to receive has been established.

*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.

*Financial guarantees*

Financial guarantees are subsequently measured at the higher of the amount initially recognized less any cumulative amortization and the best estimate of the present value of the amount required to settle any financial obligation arising as a result of the guarantee.

#### 4.10.4 Impairment

Group recognizes ECL for cash and bank balances, due from related parties, contract assets and other assets using the general approach and uses the simplified approach for trade receivables as allowed by IFRS 9.

*General approach*

The Group 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 recognized 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 recognized based on the PD of the customer within next 12 months. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group 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 Group's historical experience and informed credit assessment, that includes forward-looking information. Financial

# Notes to the consolidated financial statements
# for the year ended 31 December 2021 (continued)

## 4. Summary of significant accounting policies (continued)

### 4.10 Financial instruments (continued)

#### 4.10.4 Impairment (continued)

assets are assessed as credit impaired when there is a detrimental impact on the estimated future cash flows of the financial asset.

*Simplified approach*

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

#### 4.10.5 Measurement ECLs (continued)

ECL is the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD). The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation. EAD represents the expected exposure in the event of a default.

The Group derives the EAD from the current exposure to the financial instruments and potential changes to the current amounts allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount. The LGD represents expected loss conditional on default, its expected value when realised and the time value of money.

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

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

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

The Group incorporates forward-looking information based on expected changes in macro-economic factors in assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL.

# Notes to the consolidated financial statements
# for the year ended 31 December 2021 (continued)

## 4. Summary of significant accounting policies (continued)

### 4.10 Financial instruments (continued)

*Write off*

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group 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.

#### 4.10.6 Derivative financial instruments and hedging activities

The Group 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 21.

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 Group has both legal right and intention to offset.

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

**Hedges directly affected by interest rate benchmark reform**

The Group has adopted the Phase 2 amendments and will apply them retrospectively (see Note 3). The Group 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 Group 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 Group amends the hedge designation only to make one or more of the following changes:

## 4. Summary of significant accounting policies (continued)

### 4.10 Financial instruments (continued)

#### 4.10.6 Derivative financial instruments and hedging activities (continued)

– 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 Group amends 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 Group 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 Group 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 Group 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 Group 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 Group 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 Group entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its

# Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

## 4. Summary of significant accounting policies (continued)

### 4.10 Financial instruments (continued)

#### 4.10.6 Derivative financial instruments and hedging activities (continued)

**Hedge accounting (continued)**

strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group entity 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 Group entity adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

Note 21 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.

# Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

## 4. Summary of significant accounting policies (continued)

### 4.10 Financial instruments (continued)

#### 4.10.6 Derivative financial instruments and hedging activities (continued)

**Hedge accounting (continued)**

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 Group entity 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.

*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.

#### 4.10.7 Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset and reported on a net basis in the accompanying consolidated statement of financial position when a legally enforceable right to set off such amounts exists and when the Group intends to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

### 4.11 Impairment of non-financial assets

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

# Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

## 4. Summary of significant accounting policies (continued)

### 4.12 Impairment of non-financial assets (continued)

In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year. Impairment losses of continuing operations, including impairment on inventories, are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the profit or loss.

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets with indefinite useful lives are tested for impairment annually at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

# Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

## 4. Summary of significant accounting policies (continued)

### 4.12 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of this discounting is recognised as finance cost.

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. Provisions are determined by discounting the expected future cash flows at pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

The Group records a provision for site restoration mainly relating to oil wells and fuel stations. Site restoration costs are provided for at the present value of expected costs to settle the obligation using estimated cash flows and are recognised as part of the cost of the relevant asset. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the site restoration liability. The unwinding of the discount is expensed as incurred and recognised in the statement of profit or loss as a finance cost. The estimated future costs and discount rates of site restoration are reviewed annually and adjusted as appropriate. Changes in the estimated future costs, or in the discount rate applied, are added to or deducted from the cost of the asset.

### 4.13 Fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on a number of accounting policies and methods.

Where applicable, information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to the Group.

## 4. Summary of significant accounting policies (continued)

### 4.13 Fair values (continued)

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.
The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities

- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

At each reporting date, the Group analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group’s accounting policies. For this analysis, the Group verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

### 4.14 Revenue recognition

IFRS 15 “Revenue from contracts with customers” outlines a single comprehensive model of accounting for revenue arising from contracts with customers.

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled for those goods and services.

The process for applying the standard is separated into five steps:

# Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

## 4. Summary of significant accounting policies (continued)

### 4.14 Revenue recognition (continued)

- Step 1 – Identify the contract with a customer
- Step 2 – Identify the separate performance obligations in the contract
- Step 3 – Determine the transaction price
- Step 4 – Allocate the transaction price to the separate performance obligations in the contract
- Step 5 – Recognise revenue when (or as) the entity satisfies a performance obligation

The Group recognises revenue over time if any one of the following criteria is met:

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

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

Revenue comprises the fair value of the consideration received or receivable for the services rendered in the ordinary course of the Group's activities. Revenue is recognised only when it is probable that the economic benefits associated with a transaction will flow to the Group and the amount of revenue can be measured reliably and is stated net of sales taxes if applicable (such as VAT) and discounts. If advances are received from customers for future contractual services, the revenue is deferred until the services are provided.

Where revenue contains a significant financing element, the financing element is shown as a financing item and revenues are adjusted by a corresponding amount.

The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties. The Company considers the terms of the contracts with customers and the Price Control Maximum Allowed Revenue for the relevant period as approved by the Regulatory Asset Base ("RAB") Joint Management Committee to determine the transaction price.

# Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

## 4. Summary of significant accounting policies (continued)

### 4.14 Revenue recognition (continued)

**Revenue from sale of oil and gas**

The Group has concluded that it is the principal in all of its revenue arrangements, since it is the primary obligor, and is also exposed to the risk of loss of inventory except in the case of Gas Purchase and Sale agreement with Dolphin Energy.

Revenue from the sale of oil and petroleum products is recognised when the control over the goods or services passed on to the customer.

Revenue for under-/over lifting is recognised based on the actual amount of oil and gas sold regardless of the amount of oil and gas production entitied to the Group accordinging to the working interest. Under-/over lifting balances are accounted for by non-financial receivables/(liabilities), respectively and corresponding adjustment of production/operating costs.

**Revenue from rendering services**

Revenue from rendering services is recognised as the services are rendered, including where they are based on contractual daily rates for providing messing services which include catering services.

Revenue from services is recognised over time as the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.

**Revenue from Oil field services**

Revenue from the oil field services are recognised when the control of services passed on to the customer. The customer simultaneously receives and consumes the benefits or performance creates, enhances an asset that the customer controls and recognizes revenue over time.

Revenue from services rendered overtime is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed based on output method. Stage of completion is assessed by reference to billing sheets prepared by the Group and approved by customers, based on the applicable day rates.

Mobilisation revenue net of delayed startup penalty, if any, for newly commissioned capital assets are recognised over the firm contract period. Mobilisation costs that are expected to be recovered are capitalized and amortised over the firm contract period.

**Concession income**

The Group recognises finance income on concession receivable and contract assets based on effective interest rate method.

# Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

## 4. Summary of significant accounting policies (continued)

### 4.14 Revenue recognition (continued)

*Construction revenue*

The Group 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 OQ GN has an enforceable right to payment for work done. Revenue from upgrade or construction of the Infrastructure is therefore recognised over time on a surveys of performance completed to date or milestones reached.

The Group consider that this output method is an appropriate measure of the progress towards complete satisfaction of these performance obligations under IFRS 15. Construction revenue is the fair value of the amount due from the Government for the construction activity. The construction revenue recognised to date is recognised as a contract asset. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

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

The Group 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 Group 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 Group 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.

**Revenue from power generation**

Revenue from power generation comprises tariffs for power capacity, electrical energy and fuel charges. Tariffs are calculated in accordance with the power purchase agreement entered with Oman Water and Power Procurement Company SAOC.

# Notes to the consolidated financial statements
# for the year ended 31 December 2021 (continued)

## 4. Summary of significant accounting policies (continued)

### 4.14 Revenue recognition (continued)

**Revenue from power generation (continued)**

Capacity charge represents amounts payable to the Group for each hour during which the plant is available for power generation. Capacity charges income is recognised on a straight-line basis over the lease term. Energy charge revenue which compensates the Group for the fuel and variable cost of power is recognised based on the supply of generated power.

**Rental income**

Rental income is recognised in profit or loss on a straight-line basis over the term of the lease.

### 4.15 Finance income and expenses

Finance income comprises foreign exchange gains and interest income. Interest income is recognised as the interest accrues using the effective interest rate method, under which the rate used exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset at the reporting date.

Finance income comprises foreign exchange gains and interest income. Interest income is recognised as the interest accrues using the effective interest rate method, under which the rate used exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset at the reporting date.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are added to the cost of the respective assets. Interest revenue earned on deposits of borrowed funds is netted off against the cost of the borrowed funds added to the cost of the respective assets. All other borrowing costs are recognised in profit or loss in the period in which they are incurred. Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds.

### 4.16 Investment income

Investment income comprises dividend income, gains and losses on sale of investments and fair value changes on investments held at fair value through profit and loss and held for trading. Dividend income is recognised when the right to receive the dividend is established.

# Notes to the consolidated financial statements
# for the year ended 31 December 2021 (continued)

## 4. Summary of significant accounting policies (continued)

### 4.17 Income tax

Income tax expense comprises current and deferred tax. Taxation is provided based on relevant laws of the respective countries in which the Group operates. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date and any adjustments to tax payable in respect of previous years.

Income tax is recognised in the profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Deferred tax assets/liabilities are calculated using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. The carrying amount of deferred income tax assets/liabilities is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

### 4.18 Income tax on subsidiaries, associates and joint ventures

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group entity or an associate or a joint venture operates and its subsidiaries and associates operate and generates taxable income.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

### 4.19 Directors' remuneration

The board of directors' remuneration is accrued within the limits and the requirements of the Commercial Companies Law of the Sultanate of Oman.

### 4.20 Dividend on ordinary shares

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Parent's shareholders. Interim dividends are deducted from equity when they are paid.

Dividends for the year that are approved after the reporting date are dealt with as an event after the reporting date.

# Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

## 4. Summary of significant accounting policies (continued)

### 4.21 Carry of a partner

In the course of joint operations during exploration and appraisal stage one partner can fund (or carry) the expenditures of another. The interest could be recognised on the funds borrowed which will be capitalised in the main carry. The repayment of carry shall be recognised based on the agreed base from future benefits flowing in from future sales of extracted hydrocarbons. If no commercial discovery occurs, the carrier shall not recover the carry and the funded amount would be expensed in the same accounting period.

### 4.22 Transferred assets

*Government assistance.* For assistance provided by the Government of the Sultanate of Oman, an assessment is made as to whether it is acting as a shareholder or as the Government. Assistance is accounted for as a Government Grant or deemed equity contribution accordingly.

*Transferred assets.* Transferred assets are assets which are acquired by the Group either through transfer from another entity, donation or for no consideration and no issue of shares. Transferred assets are valued at fair value and classified according to the nature of the asset. Transferred assets with a fair value of below a de minimums level are accounted for at nil. For assets or rights transferred to the Group primarily due to Government ownership and without consideration, credit relating to fair valuation (in line with Level 3 of fair value measurement) is maintained in a separate reserve ("other reserve").

### 4.23 Segmental reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses. All operating segment operating results are reviewed regularly by the Group Chief Executive Officer (Chief Operating Decision Maker) to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

The Group's operating segments are established on the basis of those components of the Group that are evaluated regularly by the Group Chief Executive Officer (Chief Operating Decision Maker), in deciding how to allocate resources and in assessing performance.

The accounting policies of the operating segments are the same as the Group's accounting policies described in this note, except that IFRS requires that the measure of profit or loss disclosed for each operating segment is the measure that is provided regularly to the Chief Operating Decision Maker. For further information see note 47.

# Notes to the consolidated financial statements
# for the year ended 31 December 2021 (continued)

## 4. Summary of significant accounting policies (continued)

### 4.24 Earnings per share

The Group presents basic and diluted 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 Group by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held.

Diluted earnings per share is calculated by adjusting the profit and loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

### 4.25 Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held- for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property or biological assets, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held-for-sale or held-for distribution and subsequent gains and losses on remeasurement are recognised in profit or loss.

Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity-accounted investee is no longer equity accounted.

### 4.26 Dividend distribution

Dividend distribution to the Parent Company's shareholders is recognised as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the Parent Company's shareholders.

### 4.27 Events after the reporting date

The Group consolidated financial statements are adjusted to reflect events that occurred between the reporting date and the date when the financial statements are authorised for issue, provided they give evidence of conditions that existed at the reporting date. Any post year-end events that are non-adjusting are disclosed in the consolidated financial statements when material.

## 5. Critical accounting judgements and key sources of estimation uncertainty

The preparation of consolidated financial statements requires the management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. The resulting accounting estimates will, by definition, seldom equal the related actual results.

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.

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in these consolidated financial statements:

**Control over investments in subsidiaries**

Management assesses whether or not the Group has control over its investment in subsidiaries based on whether the Group has the power to direct the relevant activities of the investees unilaterally.

Management considers the Group's absolute size of holding in subsidiaries and relative size of and dispersion of the shareholding owned by the other shareholders. After assessment, management concluded that the Group has a sufficiently dominant voting interest to direct the relevant activities of subsidiaries and therefore Group has control over investment in subsidiaries, refer note 2(iii).

**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 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.

# Notes to the consolidated financial statements
# for the year ended 31 December 2021 (continued)

## 5. Critical accounting judgements and key sources of estimation uncertainty (continued)

**Concession arrangement (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 Group to recognise revenue for the construction and operation phases in accordance with International Financial Reporting Standards 15. Accordingly, the Group 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 Group would have recorded property, plant and equipment and revenue calculated under the RAB rules.

**Contract claims**

Contract claims are recognised as revenue only to the extent that it is probable that they will not result in a significant reversal of revenue in subsequent periods. Management reviews the judgment related to these contract claims periodically, and adjustments are made in the future periods, if assessments indicates that such adjustments are appropriate.

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

**Impairment of oil producing assets & gas properties and other property, plant and equipment**

*Carrying value of oil & gas properties and other property, plant and equipment*

Management performs impairment reviews on the Group's oil & gas properties and other property, plant and equipment assets at least annually with reference to indicators in IAS 36 Impairment of Assets. Where indicators are present and an impairment test is required, the calculation of the recoverable amount requires estimation of future cash flows within complex impairment models. Key assumptions and estimates in the impairment models relate to: commodity prices and the long-term corporate economic assumptions thereafter, discount rates that are adjusted to reflect risks specific to individual assets, oil and gas reserves and the related cost profiles. Assumptions reflect all oil and gas reserves that a market participant would consider when valuing the asset. Judgment is also required in establishing the appropriate grouping of assets into cash generating units.

# Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

## 5. Critical accounting judgements and key sources of estimation uncertainty (continued)

*Reserves estimates used in the calculation of Depreciation, Depletion and Amortisation (DD&A) and impairment of oil & gas properties and other property, plant and equipment*

The determination of the Group's oil and gas reserves requires significant judgement and estimates to be applied. These are regularly reviewed and updated. Proven and probable reserves are estimates of the amount of oil and gas that can be economically extracted from the Group's oil and gas assets. The Group estimates its reserves using standard recognised evaluation techniques applied by the in-house reserve engineer.

**Useful lives of oil producing assets & gas properties and other property, plant and equipment**

Further, these reserve estimates are evaluated by external reserve engineers every three year. Proven and probable reserves are determined using estimates of oil and gas in place, recovery factors and future commodity prices, the latter having an impact on the total amount of recoverable reserves and the proportion of the gross reserves which are attributable to the government under the terms of the Exploration and Production Sharing Contracts.

Future development costs are estimated taking into account the level of development required to produce the reserves by reference to operators, where applicable, and internal engineers.

Estimates of oil and gas reserves are used to calculate depreciation, depletion and amortisation charges for oil and gas properties. The impact of changes in oil and gas reserves is dealt with prospectively. Oil and gas reserves also have a direct impact on the assessment of recoverability of asset carrying values. If oil and gas reserves are revised downwards, earnings could be affected by changes in depreciation expense or by immediate write-downs of asset carrying values.

**Useful life of intangible assets**

Amortisation is charged so as to write off the cost of the intangible assets over their estimated useful lives. The calculation of useful lives is based on management's assessment of various factors such as:

- Expected usage of the assets by the Group;
- Typical product life cycle for the asset and public information on estimates of useful lives of similar type of assets used in similar way;
- Technical, technological, commercial or other types of obsolescence and the period of control over the assets.
- Legal or similar limits on the use of the asset, such as the expiry dates of related leases.

## 5. Critical accounting judgements and key sources of estimation uncertainty (continued)

**Useful lives of property, plant and equipment**

Depreciation is charged so as to write off the cost of assets over their estimated useful lives. The calculation of useful lives is based on management's assessment of various factors such as the operating cycles, the maintenance programs, and normal wear and tear using its best estimates. Refer note 4.2 for details.

**Impairment loss on investments in associates and joint ventures**

The Group reviews its investments in associates and joint ventures periodically and evaluates the objective evidence of impairment. Objective evidence includes the performance of associate, the future business model, local economic conditions and other relevant factors. Based on the objective evidences, the Group determines the need for impairment loss on investments in associates and joint ventures. Refer notes 11 and 12 for details.

**Income tax**

Uncertainties exist with respect to the interpretation of tax regulations and the amount and timing of future taxable income. Given the wide range of business relationships and nature of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded.

The Group establishes provisions, based on reasonable estimates, for possible consequences of finalisation of tax assessments of the Group. The amount of such provisions is based on various factors, such as experience of previous tax assessments and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Refer note 41 for details.

**Deferred tax**

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. Refer note 41 for details.

**Percentage of completion method**

The Group uses the output method to recognise revenue on the basis of Group's efforts or inputs to the satisfaction of a performance obligation in accounting for its construction contracts. This is done by measuring surveys of performance completed to date or milestones reached.

# Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

## 5. Critical accounting judgements and key sources of estimation uncertainty (continued)

**Percentage of completion method (continued)**

At each reporting date, the Group 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 Group 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.

**Valuation of unquoted investments**

Valuation of unquoted equity investments is normally based on one of the following:

- Recent arm's length market transactions;
- Current fair value of another instrument that is substantially the same;
- The expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics; and
- Other valuation models

Refer note 16b(iii) for details.

**Accounting for commodity purchase and sale contracts**

At inception, physical commodity purchase and sales transactions which support Group entity's (OQT's) principal activities which are capable of net settlement and are not entered into (or continue to be held) for the purpose of receipt or delivery of a non-financial item in accordance with Group entity's expected purchase, sale or usage requirements fall within the scope of IFRS 9.

Certain physical commodity contracts do not fall within the scope of IFRS 9. These contracts are accounted for as executory contracts. Revenue from the sale of goods and provision of services under these contracts is recognised on an accrual basis as the resources are delivered or the services are provided. The related purchase costs are recognised on an accrual basis within cost of sales. Refer note 21 for details.

# Notes to the consolidated financial statements
# for the year ended 31 December 2021 (continued)

## 5. Critical accounting judgements and key sources of estimation uncertainty (continued)

**Impairment of property, plant and equipment**

A decline in the value of property, plant and equipment could have a significant effect on the amounts recognised in the financial statements. Management assesses the impairment of property and equipment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Refer note 6 for further details.

**Expected credit loss allowance**

When measuring ECL the Group uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

Judgements are required in assessing the recoverability of overdue trade receivables and lease receivables and determining whether a provision against those receivables is required. Factors considered include the creditworthiness of the counterparty, timing and value of anticipated future payments and actions that can be taken to mitigate the risk of non-payment.

# Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

## 6. Property, plant and equipment

| | Freehold land | Buildings | Furniture and office equipment | Plant, equipment and vehicles | Site restoration cost | Capital spare part | Capital work-in-progress | Total |
|---|---|---|---|---|---|---|---|---|
| | RO'000 | RO'000 | RO'000 | RO'000 | RO'000 | RO'000 | RO'000 | RO'000 |
| At 1 January 2020 | 408 | 374,038 | 56,620 | 4,024,568 | 19,711 | 6,196 | 2,699,316 | 7,180,857 |
| Additions | - | 923 | 865 | 30,923 | - | 586 | 457,605 | 490,902 |
| Transfers | - | 8,208 | (1,022) | 38,300 | - | - | (54,149) | (8,663) |
| Reclassification (i) | - | (616) | - | (71,054) | - | - | - | (71,670) |
| Dilution of subsidiary | - | - | - | (222) | - | - | (94,769) | (94,991) |
| Disposals | - | (1,391) | (1,169) | (28,541) | - | (7) | - | (31,108) |
| Translation differences | - | 6,291 | 483 | 27,950 | - | - | 1,721 | 36,445 |
| At 31 December 2020 | 408 | 387,453 | 55,777 | 4,021,924 | 19,711 | 6,775 | 3,009,724 | 7,501,772 |
| **At 1 January 2021** | **408** | **387,453** | **55,777** | **4,021,924** | **19,711** | **6,775** | **3,009,724** | **7,501,772** |
| **Additions** | **-** | **2,204** | **694** | **36,339** | **-** | **-** | **352,933** | **392,170** |
| **Transfers** (ii) | **-** | **178,222** | **1,340** | **2,672,060** | **31,276** | **2,574** | **(2,886,815)** | **(1,343)** |
| **Disposals** | **-** | **(398)** | **(236)** | **(20,634)** | **-** | **(239)** | **(502)** | **(22,009)** |
| **Change in site restoration provision** | **-** | **-** | **-** | **-** | **(7,968)** | **-** | **-** | **(7,968)** |
| **Translation differences** | **-** | **(5,444)** | **223** | **(28,490)** | **-** | **-** | **(2,242)** | **(35,953)** |
| **At 31 December 2021** | **408** | **562,037** | **57,798** | **6,681,199** | **43,019** | **9,110** | **473,098** | **7,826,669** |
| **Accumulated depreciation and impairment** | | | | | | | | |
| At 1 January 2020 | - | 121,032 | 39,091 | 1,822,127 | - | 4,381 | 31,738 | 2,018,369 |
| Charge for the year | - | 12,809 | 4,417 | 168,063 | - | 726 | - | 186,015 |
| Transfers | - | - | (631) | (168) | - | - | - | (799) |
| Reclassification | - | (380) | - | (56,142) | - | - | - | (56,522) |
| Impairment charge | - | - | - | - | - | - | 1,138,859 | 1,138,859 |
| Disposals | - | - | - | (195) | - | - | - | (195) |
| Adjustment | - | (762) | (1,037) | (25,813) | - | - | - | (27,612) |
| Translation differences | - | 1,377 | 409 | 13,246 | - | - | - | 15,032 |
| At 31 December 2020 | - | 134,076 | 42,249 | 1,921,118 | - | 5,107 | 1,170,597 | 3,273,147 |
| **At 1 January 2021** | **-** | **134,076** | **42,249** | **1,921,118** | **-** | **5,107** | **1,170,597** | **3,273,147** |
| **Charge for the year** | **-** | **14,425** | **3,992** | **202,975** | **1,735** | **398** | **-** | **223,525** |
| **Transfers** | **-** | **2,296** | **775** | **1,134,638** | **-** | **818** | **(1,138,527)** | **-** |
| **Impairment charge / (reversal)** | **-** | **(5,525)** | **(356)** | **49,082** | **-** | **-** | **-** | **43,201** |
| **Disposals** | **-** | **(362)** | **(203)** | **(16,735)** | **-** | **-** | **-** | **(17,300)** |
| **Translation differences** | **-** | **(1,101)** | **(80)** | **(13,390)** | **-** | **-** | **-** | **(14,571)** |
| **At 31 December 2021** | **-** | **143,809** | **46,377** | **3,277,688** | **1,735** | **6,323** | **32,070** | **3,508,002** |
| **Net Book Value** | | | | | | | | |
| **31-Dec-21** | **408** | **418,228** | **11,421** | **3,403,511** | **41,284** | **2,787** | **441,028** | **4,318,667** |
| 31-Dec-20 | 408 | 253,377 | 13,528 | 2,100,806 | 19,711 | 1,668 | 1,839,127 | 4,228,625 |

# Notes to the consolidated financial statements
# for the year ended 31 December 2021 (continued)

## 6. Property, plant and equipment (continued)

(i) The Group changed the presentation of certain assets from property, plant and equipment to oil and gas assets for OOCL. The prior year comparatives have been amended to follow the same presentation (note 7).

(ii) During the year ended 31 December 2021, the projects readiness for OQ Plastics LLC and OQ LPG were achieved. Accordingly, an amount of RO 2,472.9 million and RO 295.7 million was transferred from capital work-in-progress into respective classes of property, plant, and equipment for OQ Plastic and OQ LPG, respectively. Net transfer of RO 1.3 million represents transfer into intangible assets from capital work-in-progress.

**(iii) Impairment**

Break up of impairment charge / (reversal) for the year:

| | **2021** | 2020 |
|---|---|---|
| | **RO'000** | RO'000 |
| OQ RPI (a) | **79,914** | 1,138,859 |
| OARC (b) | **(37,493)** | - |
| Abraj (c) | **635** | - |
| OOMCO | **145** | - |
| **Net impairment charge** | **43,201** | 1,138,859 |

(a) Impairment assessment of OQ RPI

During the current year, the Group entity, OQ RPI has carried out an impairment analysis at CGU level of OQ Aromatics LLC (Aromatics), OQ Plastics LLC (Plastics) and OQ Refineries LLC (Refineries) plant and equipment due the instability in the commodities, products and financial markets, following the COVID pandemic, the Oil price war and the associated unprecedented world economic crisis.

For the purpose of impairment analysis, the Group used the base case model and the following key assumptions were used in the base case model:

*Valuation technique*

Discounted cash flows: The valuation model considers the present value of net cash flows to be generated from the respective Cash Generating Units (CGUs), considering the expected production rate, demand, maximum capacity of plants, and shutdown period.

The Group constantly monitors the latest government legislation in relation to climate related matters. At the current time, no legislation has been passed that will impact the Group. The Group will adjust the key assumptions used in value-in-use calculations and sensitivity to account for the changes in assumptions should a change be required

## 6. Property, plant and equipment (continued)

(a) Impairment assessment of OQ RPI (continued)

*Projection period and discount rate*

Value in use cash flows have been discounted by applying a post-tax discount rate of 8.11% (2020: 8.09%) for the period from FY22 to the end of the useful life of the underlying assets. The future cash flows are based projections considering the forecasted margins/spreads derived from primary market advisors' forward projections, updated at the latest available date. These were compared, for analytical purposes, with prices resulting from the application of the same methodology during the preparation of a 5-year business plan of Aromatics, Plastics and Refineries, extrapolated until the end of the useful lives of the underlying assets.

*Inflation rates*

The value in use considers an inflation rate of 2.50% (2020: 2.00%-3.00%) over the life of the underlying assets being assessed.

The impairment analysis has resulted in an impairment of RO nil (2020: RO 1,138 million (USD 2,957 million)) in Plastic, RO 80 million (USD 208 million) in Aromatics (2020: nil) and RO nil (2020: RO nil) in Refineries.

*Sensitivity analysis*

For the Group entities subjected to impairment analysis the sensitivity analysis is as follows:

The Plastics VIU will match the carrying amount of assets if:

- Discount rate is 9.02% (2020: 1.98%), keeping all other variables stable
- Inflation is 6.00% (2020: 17.18%), keeping all other variables stable
- EBITDA decreases by 5.55% (2020: 80.36%), keeping all other variables stable

The Aromatics VIU will match the carrying amount of assets if:

- Discount rate is 5.26% (2020: 8.91%), keeping all other variables stable
- Inflation is 9.25% (2020: -0.91%), keeping all other variables stable
- EBITDA increases by 24.74% (2020: (5.81%)), keeping all other variables stable

The Refineries VIU will match the carrying amount of assets if:

- Discount rate is 10.48% (2020: 18.67%), keeping all other variables stable
- Inflation is -26.00% (2020: -15.37%), keeping all other variables stable
- EBITDA decreases by 13.56% (2020: -37.47%), keeping all other variables stable

# Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

## 6. Property, plant and equipment (continued)

b) Impairment asset for OARC

*Rolling mill*

During 2015, the Rolling mill plant faced technical issues relating to operation of the plant and there was also a significant deterioration in market conditions. The management decided to conduct an impairment test as required by IAS 36. As at 31 December 2015, OARC had assessed the recoverable amount of OARC Rolling Mill (CGU) and determined that carrying amount of these assets were more than recoverable amount; and accordingly recorded an amount of US$ 317.35 million (RO 122.21 million) as impairment losses.

The recoverable amount of the Rolling mill CGU was assessed by reference to the value in use calculation which uses cash flow projections based on financial forecasts covering a five year period and a discount rate of 15.4% per annum. Cash flow projections beyond the five year period were considered at the plant working at its full installed capacity of production. The value in use calculation is highly sensitive to the cash flow projections and the cost of capital. The achievement of projections is dependent on OARC's ability to secure lenders support and successful resolution of technical issues relevant to the plant for the rolling mill plant.

Management had appointed an external consultant to prepare a detailed stabilization plan for the Rolling mill CGU to reduce its operating losses and ultimately find a technical partner for the project. OARC started implementing the plan, however management believes that currently it is premature to consider the efficiencies which will be generated from the implementation of the plan and, there is no indication to assess the reversal of impairment recognised in the previous years.

During 2021, OARC has reassessed the recoverable amount of Rolling Mill (CGU) and determined that the carrying amount of these assets are less than its recoverable amount by RO 37.5 million and accordingly recorded an impairment reversal for the current year.

The recoverable amount of the CGU is assessed based on the same criteria as used to impair the assets in 2015 with the only exception of a weighted average cost of capital of 11.11% per annum instead of discount rate of 15.4%.

c) Impairment asset for Abraj

During the year 2021, Abraj carried out impairment testing of all of its cash generating units (CGU) using value in use method. Major parameters used for impairment testing are as follows:

- Future cash inflows and outflows for a period of ten years from the continuing use of the CGU and its ultimate disposal were determined.
- Capital Asset Pricing Model (CAPM) was used to determine the pre-tax discount rate of 7.65%.
- Both the cash flows and the discounting rates used were on pre-tax basis.

# Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

## 6. Property, plant and equipment (continued)

c) Impairment asset for Abraj (continued)

- Year-on-year revenue forecast and the discounting rates used were without giving effect of general inflation. An inflation of 1% to 3% has been assumed on the year-on-year operating and manpower cost forecast.

Based upon the above parameters, Abraj has increased the previous impairment balance by RO 0.6 million.

(iv) Capital work-in-progress pertains to the following subsidiaries net of impairment:

| | **2021** | 2020 |
|---|---|---|
| | **RO'000** | RO'000 |
| OQ Refineries and Petroleum Industries LLC | **67,185** | 1,287,338 |
| Oman Oil facilities development Company LLC | **3,316** | 274,439 |
| OQ Methanol(SFZ) LLC | **176,544** | 140,923 |
| Oman Tank Terminal Company LLC | **128,052** | 80,171 |
| OOC Holding Europe BV | **32,512** | 29,538 |
| OQ Exploration and Production LLC | **27,290** | 11,162 |
| Oman Oil Marketing Company SAOG | **2,898** | 13,195 |
| Takamul Investment Company SAOC | **3,231** | 2,361 |
| | **441,028** | 1,839,127 |

(v) At 31 December 2021, property, plant and equipment with a carrying amount of RO 4,255.5 million (2020: RO 4,241.42 million) were mortgaged as security for bank borrowings (refer note 27).

(vi) During the year, the Group has recognised finance cost of RO 58.0 million (2020: RO 83.8 million) in the cost of the capital-work-in-progress of qualifying assets.

(vii) The depreciation and amortization charges for the year are as follows:

| | **2021** | 2020 |
|---|---|---|
| | **RO'000** | RO'000 |
| *Total depreciation and amortization charge for the year is as follows:* | | |
| Property, plant and equipment | **223,525** | 186,015 |
| Intangible assets (note 9) | **21,283** | 22,834 |
| Oil and gas producing assets (note 7) | **308,160** | 258,806 |
| Right-of-use assets (note 8) | **34,254** | 33,110 |
| | **587,222** | 500,765 |
| *Analysed as follows:* | | |
| Cost of sales (note 34) | **549,676** | 450,279 |
| Administrative expenses (38) | **34,343** | 47,821 |
| Capitalised in the cost of capital work in progress | **3,203** | 2,665 |
| | **587,222** | 500,765 |

# Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

## 7. Oil and gas production and development assets

The details of the Group's share of oil exploration and production and development assets are as follow:

| | OQEP (Mukhaizna Oil field, Abu Tubul, Malarim Block 9 etc.) (i) RO'000 | Dunga oil field (ii) RO'000 | Total RO'000 |
|---|---|---|---|
| **Cost** | | | |
| At 1 January 2020 | 2,723,245 | 39,749 | 2,762,994 |
| Additions | 280,229 | 2,072 | 282,301 |
| Change in decommissioning provision | (8,177) | - | (8,177) |
| Transfers (iii) | 1,766 | 71,670 | 73,436 |
| **At 1 January 2021** | 2,997,063 | 113,491 | 3,110,554 |
| **Additions** | **278,824** | **5,745** | **284,569** |
| **Change in decommissioning provision** | **(33,067)** | **(1,608)** | **(34,675)** |
| **At 31 December 2021** | **3,242,820** | **117,628** | **3,360,448** |
| **Accumulated depreciation and impairment** | | | |
| At 1 January 2020 | 1,521,848 | 27,202 | 1,549,050 |
| Charge for the year | 256,453 | 2,353 | 258,806 |
| Transfer (iii) | 2,448 | 56,522 | 58,970 |
| Impairment (iv) | 152,534 | - | 152,534 |
| At 1 January 2021 | 1,933,283 | 86,077 | 2,019,360 |
| **Charge for the year** | **305,188** | **2,972** | **308,160** |
| **Impairment reversal (iv)** | **(163,095)** | **(34,635)** | **(197,730)** |
| **At 31 December 2021** | **2,075,376** | **54,414** | **2,129,790** |
| **Net book value** | | | |
| **At 31 December 2021** | **1,167,444** | **63,214** | **1,230,658** |
| At 31 December 2020 | 1,063,780 | 27,414 | 1,091,194 |

# Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

## 7. Oil and gas production and development assets (continued)

(i) Note 2 gives details of the Group's participating interest in different oil and gas exploration and production sharing agreements in Oman. Oil and gas production and development assets include RO 103.041 million in respect of the fair value recognised on transfer of 45% interest in Block 9 from the Government of Oman (the 'State') at nil consideration. The fair value was determined based on considerations paid by two non-related parties to the State for renewal of their interest in Block 9 (Level 3). As the Group is ultimately owned by the Ministry of Finance of the Sultanate of Oman, the related fair value adjustments arising from the transfer was recorded in the statement of changes in equity.

(ii) The Group has a 20% interest in the exploration rights and license for exploring for oil in an oilfield concession located in Dunga, Kazakhstan. OOCL, a 100% subsidiary of the Group, has entered into a joint operating agreement with Partex (Kazakhstan) Limited and Maersk Oil, wherein Maersk Oil is the operator of the project.

(iii) The Group changed the presentation of certain assets from property, plant and equipment to oil and gas assets for OOCL. The prior year comparatives have been amended to follow the same presentation (note 6).

(iv) Impairment

| | **2021** | 2020 |
|---|---|---|
| | **RO'000** | RO'000 |
| Block 53 | **-** | 62,001 |
| Block 9 | **-** | (1,891) |
| Block 60 | **(163,095)** | 92,424 |
| Dunga | **(34,635)** | - |
| **Net impairment (reversal) / charge (note 39)** | **(197,730)** | 152,534 |

During the year, the Group's management carried out impairment analysis for assets where indicators of impairment, or reversal of impairment, are present. Impairment reversals and charges were mainly due to the fluctuations in the expected future commodity prices and development plans at the reporting dates.

The recoverable amount for oil and gas assets is based on their fair value less costs of disposal ('FVLCD') or Value in Use ('VIU'). Where a market transaction reference case is not available, VIU is determined using appropriate discounted cash flow valuation models, incorporating market-based assumptions. The key assumptions for the oil and gas assets VIU calculations are outlined below together with the approach management has taken in determining the value to ascribe to each. The valuation models are life of asset models and therefore no extrapolation assumptions have been necessary or applied. The VIU measurements were categorized as Level 3 fair values based on the inputs to the valuation models.

# Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

## 7. Oil and gas production and development assets (continued)

(iv) Impairment (continued)

The calculation of VIU for oil and gas assets is based upon the following key assumptions:

- Reserves;
- Inflation rates;
- Commodity prices; and
- Discount rates.

*Reserves*

Reserves form the basis of the production profiles within the discounted cash flow models. Cash flows were projected for each field based on the development plans approved by senior management and reasonable assumptions that an external party would apply in appraising the assets which, in some cases, may be broader in scope than Proved and Probable reserves.

Reserves are verified once in every three years by third party independent reserves valuation experts as per the Group's management policy. During the interim period, the management adjusts the verified reserves for the actual production during the period.

*Inflation rates*

Estimates are obtained from published indices for the countries from which products and services are originated, as well as data relating to specific commodities. Forecast figures are used if data is publicly available. The inflation rate used for 2021 was 2.30% (2020: 2.00%).

*Commodity prices*

To estimate future oil prices, the Group used Crude Oil Price forward curves and the relevant inflation rate.

Quality differentials were applied on estimated Oman Crude prices to arrive at the estimated Mukhaizna realized oil prices.

The gas price for Block 60, Block 9 and Block 61 are fixed on the basis of the EPSA signed with Ministry of Energy and Minerals (MEM) and the underlying calculations and terms are considered.

| | **2021** | **2022** | **2023** | **2024** | **2025** | **2026** |
|---|---|---|---|---|---|---|
| **Oil price / bbl. (USD) 31 December 2021** | **N/A** | **63** | **64** | **67** | **68** | **69** |
| Oil price / bbl. (USD) 31 December 2020 | 45 | 49 | 49 | 50 | 50 | N/A |

# Notes to the consolidated financial statements
# for the year ended 31 December 2021 (continued)

## 7. Oil and gas production and development assets (continued)

(iv) Impairment (continued)

*Discount rates*

Discount rates used reflect the estimated weighted average cost of capital rates specific to the CGU's from market participant's perspective. The cash flows were discounted using a post-tax discount rate of 7.37% (2020: 6.67%).

*Sensitivity analysis*

For the assets subjected to impairment analysis the sensitivity analysis is as follows:

Block 9's VIU will match the carrying amount of assets if:

- Discount rate is 30.56% (2020: 14.5%), keeping all other variables stable
- Oil price assumptions decreases by 34% (2020: 10% decrease), keeping all other variables stable including gas prices

Block 53's VIU will match the carrying amount of assets if:

- Discount rate is 8.09% (2020: Nil), keeping all other variables stable
- Oil price assumptions decreases by 5% (2020: 330% increase), keeping all other variables stable

Block 60's VIU will match the carrying amount of assets if:

- Discount rate is 74.80% (2020: Nil), keeping all other variables stable
- Oil price assumptions decreases by 39% (2020: 12% increase), keeping all other variables stable including gas prices

Block 61's VIU will match the carrying amount of assets if:

- Discount rate is 31.39%, keeping all other variables stable
- Oil price assumptions decreases by 17%(2020: 159% decrease), keeping all other variables stable including gas prices

Dunga's VIU will match the carrying amount of assets if:

- Discount rate is 27.79% (2020: 55.9%), keeping all other variables stable
- Oil price assumptions decreases by 12% (2020: 8% increase), keeping all other variables stable.

The Group constantly monitors the latest government legislation in relation to climate related matters. At the current time, no legislation has been passed that will impact the Group. The Group will adjust the key assumptions used in value-in-use calculations and sensitivity to changes in assumptions should a change be required

# Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

## 8. Right-of-use assets

The Group leases mainly comprise leasehold lands, plant and machinery, equipment and vehicles. Information about leases for which the Company is a lessee is presented below.

Set out below are the carrying amounts of right-of-use assets recognised and movement during the year:

| | Land and buildings RO'000 | Plant and equipment RO'000 | Drilling and rigs RO'000 | Vehicles RO'000 | Total RO'000 |
|---|---|---|---|---|---|
| As at 1 January 2020 | 103,003 | 75,966 | 1,580 | 4,074 | 184,623 |
| Additions | 16,860 | 5,704 | 4,258 | 4,841 | 31,663 |
| Exchange difference | (136) | (15) | (540) | (9) | (700) |
| Dilution of subsidiary | (1,853) | - | - | - | (1,853) |
| Depreciation expense | (9,986) | (17,738) | (3,832) | (1,554) | (33,110) |
| Disposals / termination | (1,233) | (1,767) | (878) | (1,484) | (5,362) |
| At 31 December 2020 | 106,655 | 62,150 | 588 | 5,868 | 175,261 |
| Additions | **24,785** | **4,638** | **348** | **1,133** | **30,904** |
| Termination | **(43)** | **(241)** | **-** | **-** | **(284)** |
| Depreciation expense | **(18,523)** | **(12,735)** | **(316)** | **(2,680)** | **(34,254)** |
| Reclassifications | **-** | **-** | **(588)** | **588** | **-** |
| Exchange difference | **(317)** | **(207)** | **-** | **(13)** | **(537)** |
| **As at 31 December 2021** | **112,557** | **53,605** | **32** | **4,896** | **171,090** |

**Amount recognised in consolidated statement of profit and loss account**

| | **2021 RO'000** | 2020 RO'000 |
|---|---|---|
| Depreciation on right-of-use assets | **(34,254)** | (33,036) |
| Interest on lease liabilities | **(10,980)** | (6,310) |
| Variable lease payments not included in the measurement of lease liabilities | **(1,051)** | (892) |
| Income from sub-leasing right-of-use assets | **935** | 1,017 |
| Expenses relating to short-term leases | **(67,667)** | (37,742) |
| Expenses relating to low-value assets, excl. short-term leases of low-value assets | **(23)** | (880) |

**Amounts recognized in statement of cash flows**

| | | |
|---|---|---|
| Total cash outflow for leases | **(41,188)** | (46,867) |

# Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

## 9. Intangible assets

| | ERP and software | Subsoil rights | Technology, customer relationship, trademarks, patents, and other intangible assets | Exploration assets - OQEP | Exploration assets - Caspian off shore | Total |
|---|---|---|---|---|---|---|
| | RO'000 | RO'000 | RO'000 | RO'000 | RO'000 | RO'000 |
| | (i) | (ii) | (iii) | | (iv) | |
| **Cost** | | | | | | |
| At 1 January 2020 | 13,754 | 1,411 | 263,117 | 9,965 | 75,172 | 363,419 |
| Reclassification | 4,773 | - | (18,236) | - | - | (13,463) |
| Additions | 1,280 | - | 5,749 | 5,344 | 1,060 | 13,433 |
| Translation difference | - | - | 9,843 | - | - | 9,843 |
| **At 1 January 2021** | **19,807** | **1,411** | **260,473** | **15,309** | **76,232** | **373,232** |
| **Additions** | **3,143** | **-** | **3,118** | **-** | **-** | **6,261** |
| **Transfer** | **-** | **-** | **1,343** | **-** | **-** | **1,343** |
| **Written off (v)** | **-** | **-** | **(13)** | **(2,574)** | **-** | **(2,587)** |
| **Adjustment (vi)** | **-** | **-** | **-** | **(1,684)** | **-** | **(1,684)** |
| **Translation difference** | **(701)** | **-** | **(19,202)** | **-** | **-** | **(19,903)** |
| **At 31 December 2021** | **22,249** | **1,411** | **245,719** | **11,051** | **76,232** | **356,662** |
| **Accumulated amortization** | | | | | | |
| At 1 January 2020 | 12,671 | 1,048 | 121,429 | - | 75,172 | 210,320 |
| Charge for the year | 1,418 | 112 | 20,244 | - | 1,060 | 22,834 |
| Reclassification | 3,231 | - | (16,694) | - | - | (13,463) |
| Impairment | - | - | 40,903 | - | - | 40,903 |
| **At 1 January 2021** | **17,320** | **1,160** | **165,882** | **-** | **76,232** | **260,594** |
| **Charge for the year** | **1,498** | **-** | **19,785** | | | **21,283** |
| **Translation differences** | **(373)** | **-** | **(13,956)** | **-** | **-** | **(14,329)** |
| **At 31 December 2021** | **18,445** | **1,160** | **171,711** | **-** | **76,232** | **267,548** |
| **Net book value** | | | | | | |
| **At 31 December 2021** | **3,804** | **251** | **74,008** | **11,051** | **-** | **89,114** |
| At 31 December 2020 | 2,487 | 251 | 94,591 | 15,309 | - | 112,638 |

(i) The Group has incurred expenditure to upgrade existing ERP software. The intangible assets are amortised over 3 years.

(ii) Subsoil rights relate to Dunga (OOCL) and Pearl (OPCL) oil fields.

# Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

## 9. Intangible assets (continued)

(iii) During 2013, Majan Energy B.V., a wholly owned subsidiary of the Parent Company acquired 100% shareholding in OQ Chemicals Group.

Technology, customer relationship, trademarks, patents and other intangible assets primarily represent intangible assets acquired through acquisition of OQ Chemicals Group which includes Patents of RO 2.0 million (2020: RO 2.0 million), customer relationship of RO 12.0 million (2020: RO 19.6 million), technology RO 43.6 million (2020: RO 56.1 million) and software, rights and other similar rights RO 1.7 million (2020: RO 1.4 million). Trademarks with indefinite useful lives are fully impaired.

During the financial year 2020, the Group rebranded its trademark to "OQ Chemicals". With this name change, an impairment trigger was activated. Based on IAS 36 an asset that the company still owns, but no longer uses, shall be impaired against the highest of its value in use and its fair value less cost of disposal . Currently, no negative impact on the cash flows of OQ Chemicals Group attributable to the name change has been established. However, the trademark "OXEA" name is no longer used to generate income. The income generator now is the "OQ" name.

As a result of the analysis, management has recognised an impairment charge of RO 40.9 million (Euro 87.7 million) in the year ended 31 December 2020.

(iv) Located in the North Caspian Sea, the Caspian Offshore project is an exploration and production sharing agreement between the Group, Kazakhstan's National Oil Company, KazMunaiGaz, and Shell International E&P. Signed in December 2005, with 20% ownership by Oman Pearls Company Limited, a 100% subsidiary of the Group, 25% by KazMunaiGaz and 55% by Shell International E&P. The production sharing agreement covers an 895sq km exploration license containing a group of exploration prospects known as the "Pearls". During 2017 and 2019 the assets pertaining to this project have been fully impaired.

As at 31 December 2020 the relinquishment of the Pearls contact area was completed. The PSA termination agreement related to the relinquishment was signed with an effective date of 31 December 2020.

(v) The Board of Directors of OQEP approved the withdrawal from Block 30 through circulation resolution 10/2021. OQEP reached an initial agreement that OQ will leave the Block 30 without being required to pay the remainder of 2021 work program and budget and the minimum work commitment. This will require OQ to leave the Block 3O EPSA, terminate Block 30 Joint Operation Agreement and to assign its participating interest to other Joint Operation Partner. OQ may subsequently elect to participate in the development by 2024 via the Government back-in right of 30%. Based on the Board resolution and initial agreement interest held under Block 30 were written off.

(vi) Adjustments represents excess accrued costs reversed during the year.

# Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

## 10. Goodwill

| Cost | OQ Chemicals RO'000 | OOMCO RO'000 | Total RO'000 |
|---|---|---|---|
| | (i) | (ii) | |
| At 1 January 2020 | 320,890 | 3,683 | 324,573 |
| Translation difference | (35,021) | - | (35,021) |
| At 31 December 2020 | **285,869** | **3,683** | **289,552** |
| Translation difference | **(22,919)** | **-** | **(22,919)** |
| **At 31 December 2021** | **262,950** | **3,683** | **266,633** |
| | | | |
| **Impairment and translation differences** | | | |
| At 1 January 2020 | 312,245 | - | 312,245 |
| Translation differences | (35,863) | - | (35,863) |
| **At 31 December 2020** | **276,382** | **-** | **276,382** |
| **Translation differences** | **(22,158)** | **-** | **(22,158)** |
| **At 31 December 2021** | **254,224** | **-** | **254,224** |
| **Net book value** | | | |
| **At 31 December 2021** | **8,726** | **3,683** | **12,409** |
| At 31 December 2020 | 9,487 | 3,683 | 13,170 |

**(i) OQ Chemicals**

During 2013, the Parent acquired 100% shareholding stake in OQ Chemicals for a total consideration of RO 378 million (Euro 714 million) through its 100% subsidiary, Majan Energy BV from Advent International. The Group, during 2013 had performed a purchase price allocation exercise relating to its OQ Chemicals acquisition and accordingly recorded goodwill and certain intangible assets amounting to RO 311.5 million and RO 264.5 million, respectively. The Group carried out an impairment analysis of its CGU in OQ Chemicals, whose long-term projected cash flows and operating margin had decreased due to multiple reasons including general market and industry downturn. Accordingly, goodwill arising out of acquisition of OQ Chemicals has been fully impaired during 2013 and 2014.

The balance goodwill of RO 8.7 million (2020: RO 9.48 million) represents the goodwill which arose on acquisition of OQ Chemicals International GmbH by OQ Chemicals GmbH in 2014. For impairment testing the goodwill of the OQ Chemicals Gmbh is allocated to one cash generating unit (CGU), which is defined on the basis of the region Europe and Asia.

The annual impairment testing took place in the fourth quarter of the year. The recoverable amount has been determined based on a value in use calculation using cash flow projections from financial budgets approved by management and covering a five-year period.

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# Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

## 10. Goodwill (continued)

### (i) OQ Chemicals (continued)

For the time period after the fifth year, a terminal value was calculated using a forward projection from the last detailed planning year as a perpetual annuity.

Forecasting is built on past experience, current performance and management's expectations on the future development of individual parameters such as raw material and future selling prices as well as sales volumes and costs.

Market assumptions regarding economic development and market growth were made on the basis of external macroeconomic and industry-related conditions and factors.

The value in use is calculated by discounting the cash flows using a weighted cost of capital factor. The weighted average cost of capital rate after tax required for impairment testing is determined using the capital asset pricing model. It includes a risk-free rate, a market risk premium as well as the spread for credit risk usual in the industry, derived on the basis of a peer group. The calculation also takes into account the capital structure and the business risks specific to the chemical industry as well as the average tax rate of the cash-generating unit. The value in use is mainly driven by the terminal value which is particularly sensitive to changes on the terminal value growth rate and discount rate.

The value in use is calculated by discounting the cash flows using a discount rate of 8.29% (2020: 8.32%) and long term growth of 1% (2020: 1%).

The impairment test resulted in no impairment loss on goodwill in 2021.

Sensitivity analysis revealed that an impairment trigger might occur on goodwill if the future EBITDA is at least 49.8% less than expected, or WACC is at least 19.6% or higher.

(ii) Goodwill arises on account of the Parent Company acquiring 49% investment in OOMCO measured at fair value based on quoted price (level 1) which is in excess of carrying value. A decrease of 65% in fair value would result in impairment of goodwill.

# Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

## 11. Investment in associates

The Group has the following investments in associates:

| Company name | Country of incorporation | Principal activities | Notes | % Holding % | | Carrying value | |
|---|---|---|---|---|---|---|---|
| | | | | **2021** | 2020 | **2021 RO'000** | 2020 RO'000 |
| GSEPS Company Limited (GSEPS) | Korea | Power generation | i. | **30** | 30 | **100,430** | 94,995 |
| Gulf Energy Maritime PJSC (GEM) | UAE | Investment | ii. | **30.53** | 30.53 | **-** | - |
| Oiltanking Odjfell Terminals & Co. LLC (OOTCO) | Oman | Tank terminal management and storage facilities | | **25** | 25 | **13,343** | 12,776 |
| Orient Power (Pvt) Ltd (OPC) | Pakistan | Power generation | iii | **42.8** | 42.8 | **14,593** | 14,457 |
| Germany Pipeline Development Company GmbH | Germany | Pipeline development | | **30** | 30 | **2,193** | 2,383 |
| Haas Petroleum Group | East Africa | Trading in petroleum products | iv | **40** | 40 | **14,948** | 12,723 |
| Muscat Gases Company SAOG | Oman | Industrial and cooking gases | v | **32.66** | 41.85 | **1,578** | 2,650 |
| Lubechem International Industry LLC | Oman | Grease, lubricants & chemical manufacturing and recycling | v | **-** | 40 | **-** | 144 |
| Amin Renewable Energy Company SAOC | Oman | Operating of solar power plant | vi | **30** | 30 | **1,951** | 505 |
| Musandum Power Company SAOG | Oman | Power generation | | **42** | 42 | **4,564** | 4,235 |
| Air Liquide Sohar Industrial Gases LLC | Oman | Production and sale of industrial gases | vii | **30** | 30 | **2,560** | 2,140 |
| Naseem Bahr Al Arab LLC | Oman | Alternative energies | viii | **42** | - | **-** | - |
| | | | | | | **156,160** | 147,008 |

# Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

## 11. Investment in associates (continued)

**31-Dec-21** — **Summarized financial information of associates**

| Company name | Non-current assets | Current assets | Non-current liabilities | Current liabilities | Revenue | Profit / (loss) for the year | Other comprehensive income | Total comprehensive income | Group's share of results | Dividend received |
|---|---|---|---|---|---|---|---|---|---|---|
| | RO'000 | RO'000 | RO'000 | RO'000 | RO'000 | RO'000 | RO'000 | RO'000 | RO'000 | RO'000 |
| GSEPS | 212,741 | 592,463 | 165,928 | 319,164 | 399,614 | 47,719 | 525 | 48,244 | 14,675 | 2,655 |
| OOTCO | 123,959 | 5,276 | 71,598 | 4,265 | 24,317 | 4,967 | 1,208 | 6,175 | 1,265 | 1,000 |
| OPC | 19,891 | 37,801 | 23,597 | - | 35,411 | 3,206 | - | 3,206 | 1,389 | - |
| Haas Petroleum Group | 57,279 | 92,441 | 15,667 | 100,974 | 268,296 | 2,871 | 536 | 3,408 | 1,150 | - |
| Other individually immaterial | | | | | 28,661 | 4,449 | 3,966 | 8,415 | 701 | 1,189 |
| | 413,870 | 727,981 | 276,790 | 424,403 | 756,299 | 63,212 | 6,235 | 69,448 | 19,180 | 4,844 |

**31-Dec-20** — **Summarized financial information of associates**

| Company name | Non-current assets | Current assets | Non-current liabilities | Current liabilities | Revenue | Profit / (loss) for the year | Other comprehensive income | Total comprehensive income | Group's share of results | Dividend received |
|---|---|---|---|---|---|---|---|---|---|---|
| | RO'000 | RO'000 | RO'000 | RO'000 | RO'000 | RO'000 | RO'000 | RO'000 | RO'000 | RO'000 |
| GSEPS | 653,719 | 193,873 | 433,167 | 107,325 | 265,858 | 23,882 | - | 23,882 | 6,537 | 4,508 |
| OOTCO | 111,452 | 5,935 | 54,306 | 11,976 | 24,268 | 26,322 | (2,277) | 24,045 | 2,094 | 1,250 |
| OPC | 23,304 | 34,851 | - | 23,813 | 16,550 | 4,357 | - | 4,357 | 1,994 | 1,068 |
| Haas Petroleum Group | 52,993 | 50,320 | 16,709 | 56,711 | 265,933 | 1,210 | 2,686 | 3,896 | (881) | - |
| Disposed investment | - | - | - | - | - | - | - | - | (14,346) | - |
| Other individually immaterial | - | - | - | - | 23,180 | 4,234 | - | 4,234 | 3,108 | 1,542 |
| | 841,468 | 284,979 | 504,182 | 199,825 | 595,789 | 60,005 | 409 | 60,414 | (1,494) | 8,368 |

# Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

## 11. Investment in associates (continued)

| | RO'000 GSEPS | RO'000 OOTCO | RO'000 OPC | RO'000 Haas Petroleum Group |
|---|---|---|---|---|
| **31 December 2021** | | | | |
| Equity attributable to controlling shareholders | **320,112** | **53,372** | **34,095** | **33,078** |
| Equity at Group's ownership | **30%** | **25%** | **42.8%** | **40%** |
| Equity at Group's ownership | **96,034** | **13,343** | **14,593** | **13,231** |
| Impairment (ix)s | **-** | **-** | **-** | **(3,851)** |
| Goodwill on acquisition | **4,396** | **-** | **-** | **-** |
| Valuation differences on acquisition | **-** | **-** | **-** | **5,568** |
| | **100,430** | **13,343** | **14,593** | **14,948** |
| **31 December 2020** | | | | |
| Equity attributable to controlling shareholders | 307,100 | 51,105 | 34,342 | 29,893 |
| Equity at Group's ownership | 30.0% | 25.0% | 42.8% | 40.0% |
| Equity at Group's ownership | 92,130 | 12,776 | 14,698 | 11,957 |
| Impairment | - | - | - | (3,886) |
| Goodwill on acquisition | 2,864 | - | - | - |
| Valuation differences on acquisition | | | | |
| Other adjustment | - | - | (251) | 5,855 |
| | 94,994 | 12,776 | 14,457 | 12,723 |

The movement in carrying value of investment in associates is as follows:

| | 2021 RO'000 | 2020 RO'000 |
|---|---|---|
| **At 1 January** | **147,008** | 271,514 |
| Divestment during the year (v) | **(144)** | (47,537) |
| Investment during the year (iv) | **2,191** | - |
| Reclassification to disposal group (v) | **(452)** | (64,133) |
| Share of results | **19,180** | (1,494) |
| Dividends received | **(4,844)** | (8,368) |
| Accrued expenses (viii) | **380** | - |
| Foreign currency translation | **(8,504)** | 3,463 |
| Provision for impairment on associates (v) | **(76)** | (3,886) |
| Share of other comprehensive income of associates/(loss) (v & ix) | **1,421** | (2,551) |
| **At 31 December** | **156,160** | 147,008 |

# Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

## 11. Investment in associates (continued)

(i) For GSEPS, in accordance with the Share Purchase and Sale Agreement, the shares acquired by the Parent cannot be transferred or sold without the prior consent of the other shareholders.

(ii) Investment in GEM is fully impaired and it is the intention of the management not to invest any further in GEM. The associate is incurring continuous losses and its net assets are negative and the Group has fully impaired its investment in earlier years.

(iii) The shares acquired are pledged to a commercial bank in Pakistan against facilities availed by OPC. In accordance with the Share Purchase and Sale Agreement, the shares acquired by the Parent cannot be transferred or sold without the prior consent of the other shareholders.

(iv) OQT purchased a non-controlling 40% equity stake in the Hass Petroleum Group on 5 December 2017. The investment is held via a holding company, "AAH (BVI) Limited", which is incorporated in the British Virgin Islands. The principal place of business of Haas Petroleum Group is in East Africa. Haas Petroleum Group purchases petroleum products and distributes and sells them to its businesses and retail customers throughout East Africa and the Horn of Africa. Included in the carrying amount is a goodwill amounting to RO 6.31 million (2020: RO 6.31 million). Post-acquisition purchase consideration of AAH (BVI) Limited was adjusted downwards during the year ended 31 December 2020.

(v) TIC acquired 13.04% of the share capital of Muscat Gases Company SAOG ("MGC"), listed on Muscat Securities Market, in 2010 and further acquired 19.62% of the share capital in 2012.

OOMCO, a subsidiary, also acquired 9.18% of the share capital of MGC in 2012. During the year, the Board of Directors of OOMCO approved to sell the investment in the associate. Accorrdingly, the investment was classified as held for sale in accordance with IFRS 5-"Non-current assets held for sale" note 16. The investment was recorded at fair value and accordingly, an impairment of RO 0.07 million.

Further, OOMCO also sold it's shareholding in Lubechem International LLC.

(vi) One of the Group companies, OOFDC owns 30% interest in Amin Renewable energy. The addition during the year represent, shareholder loan converted into share capital.

(vii) On 28 May 2005, OQ Refineries and Petroleum Industries Company LLC; a wholly owned subsidiary of OQ SAOC, purchased 29.9% of Air Liquide Sohar Industrial Gases LLC.

(viii) As a part of the Group strategic priorities, one of the Group entities, OQ AE has invested 42% in Naseem Bahr Al Arab LLC. The Group has recognised accrued expenses to cover the share of loss over and above the investment value.

(ix) Impairment testing of investment in associates was carried out as required under IAS 28 and IAS 36 and the results showed an impairment charge of RO 0.07 million for the year (2020: RO 3.9 million). The 2020 charge relates to the impairment of OQT's investment in Hass Petroleum Group.

# Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

## 12. Interest in joint ventures

| Company name* | Principal activities | Notes | % holding % 2021 | 2020 | Carrying value 2021 | 2020 |
|---|---|---|---|---|---|---|
| | | | | | **RO'000** | RO'000 |
| Oman India Fertilizer Company SAOC (OMIFCO) | Manufacturing of fertilizer products | | **50** | 50 | **151,060** | 90,820 |
| Sohar Aluminum Company LLC (SAC) | Aluminum smelting | *i* | **40** | 40 | **93,659** | 127,659 |
| Duqm Refinery and Petrochemical Industries Company LLC (OQ8) | Processing crude oil | *ii* | **50** | 50 | **99,745** | 48,877 |
| Centralised Utilities Company LLC (CUC) | Water and power | *iii* | **51** | 51 | **2,574** | 10,215 |
| REFRACO Middle East LLC | Refectory maintenance services | | **40** | 40 | - | - |
| Hyport Coordination Company LLC | Alternative energy plants | *iv* | **50** | - | **5** | - |
| Omanoil Matrix Marine Services LLC | Marketing of petroleum products | *v* | **-** | 50 | **-** | 70 |
| Al Batinah International School LLC | Educational institute | *vi* | **50** | 50 | **-** | 533 |
| | | | | | **347,043** | 278,174 |

*All the of the above investees are incorporated in Sultanate of Oman.

# Notes to the consolidated financial statements
# for the year ended 31 December 2021 (continued)

## 12. Interest in joint ventures (continued)

*Summarised financial information of Joint Ventures:*

| | RO'000<br>OMIFCO | RO'000<br>SAC | RO'000<br>OQ 8 | RO'000<br>Other individually not material |
|---|---|---|---|---|
| **31-Dec-21** | | | | |
| Non-current assets | **134,203** | **436,582** | **1,969,180** | |
| Current assets | **252,573** | **167,504** | **57,011** | |
| Non-current liabilities | **17,597** | **294,855** | **1,454,963** | |
| Current liabilities | **67,060** | **75,083** | **371,739** | |
| Revenue | **379,074** | **346,767** | **-** | **4,583** |
| Profit / (loss) for the year | **220,421** | **81,337** | **(138,390)** | **(7,164)** |
| Other comprehensive income | **-** | **(432)** | **10,028** | **(16,306)** |
| Total comprehensive income | **220,421** | **80,905** | **(128,362)** | **(23,470)** |
| | | | | |
| Cash and cash equivalents | **69,271** | **17,075** | **53,666** | |
| Current financial liabilities | **12,677** | **-** | **65,563** | |
| Non-current financial liabilities | **1,584** | **227,764** | **1,454,963** | |
| Depreciation and amortization | **(11,727)** | **(45,587)** | **883** | |
| Interest income | **3,068** | **63** | **42** | |
| Interest expense | **-** | **(11,379)** | **(5)** | |
| Total income tax income/expense | **(38,722)** | **(14,430)** | **-** | |
| | | | | |
| Group's share of results | **110,026** | **32,535** | **(69,195)** | **(3,891)** |
| Dividend received | **49,800** | **36,199** | **-** | **-** |

# Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

## 12. Interest in joint ventures (continued)

*Summarised financial information of Joint Ventures (continued):*

| | RO'000 OMIFCO | RO'000 SAC | RO'000 OQ 8 | RO'000 Other individually not material |
|---|---|---|---|---|
| **31-Dec-20** | | | | |
| Non-current assets | 143,704 | 471,375 | 1,633,235 | |
| Current assets | 87,144 | 119,187 | 13,714 | |
| Non-current liabilities | 20,239 | 216,354 | 1,279,866 | |
| Current liabilities | 28,969 | 51,227 | 269,330 | |
| Revenue | 174,990 | 246,125 | - | 2,003 |
| Profit / (loss) for the year | 48,730 | 22,605 | (479,745) | (402) |
| Other comprehensive income | - | (411) | - | - |
| Total comprehensive income | 48,730 | 22,194 | (479,745) | 1,601 |
| | | | | |
| Cash and cash equivalents | 12,986 | 12,284 | 6,907 | |
| Current financial liabilities | 6,966 | 9,589 | - | |
| Non-current financial liabilities | 3,171 | - | - | |
| Depreciation and amortisation | (11,807) | (43,754) | - | |
| Interest income | 898 | 86 | 97 | |
| Interest expense | (1,520) | (8,125) | - | |
| Total income tax income/(expense) | (8,740) | (5,087) | - | |
| | | | | |
| Group's share of results | 24,365 | 9,042 | (239,872) | (1,755) |
| Dividend received | 12,744 | - | - | - |

# Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

## 12. Interest in joint ventures (continued)

Reconciliation of net assets to the carrying value of investments for material joint venture entities are as follows:

| | RO'000 OMIFCO | RO'000 SAC | RO'000 OQ 8 |
|---|---|---|---|
| **31 December 2021** | | | |
| Equity attributable to controlling shareholders | **302,119** | **234,148** | **199,489** |
| Equity at Group's ownership | **50%** | **40%** | **50%** |
| Equity at Group's ownership | **151,060** | **93,659** | **99,745** |
| Other adjustment | **-** | **-** | **-** |
| | **151,060** | **93,659** | **99,745** |
| 31 December 2020 | | | |
| Equity attributable to controlling shareholders | 181,640 | 322,981 | 97,753 |
| Equity at Group's ownership | 50% | 40% | 50% |
| Equity at Group's ownership | 90,820 | 129,192 | 48,877 |
| Other adjustment | - | (1,533) | - |
| | 90,820 | 127,659 | 48,877 |

The movement in carrying value of investment in joint ventures is as follows:

| | **2021 RO'000** | 2020 RO'000 |
|---|---|---|
| **At 1 January** | **278,174** | 439,610 |
| Investments during the year (i & ii) | **83,011** | 59,392 |
| Dilution of subsidiary (iii) | **-** | 7,313 |
| Dividends received | **(85,999)** | (12,744) |
| Share of results (note 36) | **69,475** | (208,781) |
| Share of changes in other comprehensive loss, net of tax | **(1,581)** | 3,539 |
| Divestment during the year (v) | **(70)** | - |
| Accrued expenses recognised (iv & vi) | **642** | - |
| Additions due changes in fair value of loan (iii) | **3,391** | - |
| Reclassification into assets held for sale (16a) | **-** | (10,155) |
| **At 31 December** | **347,043** | 278,174 |

# Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

## 12. Interest in joint ventures (continued)

(i) As per the Shareholders' agreement, the Group exercises joint control over Sohar Aluminum Company LLC (SAC). Subordinated loan granted by the Parent Company amounting to RO 32 million which was considered as net investment in SAC as at 31 December 2020, was repaid during the year by SAC after meeting the terms of Common Terms Agreement. Common Terms Agreement effective on 31 May 2016, restricted SAC from shareholders' distribution until 31 May 2021, or until the relevant Debt Service Account was funded with the required balance for the balloon repayment of SAC's borrowings.

(ii) The Parent Company holds 50% stake in Duqm Refinery and Petrochemical Industries Company LLC. During the year ended 31 December 2021, the Parent has increased its investment in OQ8 by granting a subordinated loan of RO 115.0 million (2020: RO 59.3 million). During the year ended 31 December 2021, Duqm Refinery and Petrochemical Industries Company LLC has recognized an impairment loss of RO112.1 million (2020: RO 464.0 million).

(iii) In June 2020 CUC, the wholly owned subsidiary of OOFDC, acquired the remaining 48.9% holding in DPC. The holding was acquired from OOFDC and GIH Limited of 3.9% and 45% respectively. With this acquisition CUC wholly owns DPC.

Subsequent to the above transaction, OOFDC divested 48% of its holding in CUC to GIH Limited. Accordingly, the investment in CUC has been reclassified as an investment in joint venture based on the joint venture agreement between GIH Limited and OOFDC. Also OOFDC has provided an interest free loan to CUC, which is accounted for under fair value. The fair value changes on loans provide to CUC are for additions in investments.

(iv) As a part of the Group strategic priorities, one of the Group entities, OQ AE has entered into two joint arrangements holding 50%. The Group has recognised an amount of RO 0.5 million as accrued expenses to cover the share of loss over and above the investment value.

(v) The investment in joint venture is held by OOMCO. The joint venture ceased it's operation in 2016 and commenced liquidation proceedings. During the year, the liquidation proceedings have been completed.

(vi) In 2015, the Group entity OQ Refineries LLC (ORL) and Sohar Aluminum LLC (SAL) signed a joint venture agreement in ABIS with an equity share ownership of 50% each and an initial investment of RO 1.4 million (USD 3.7 million) each. The objective of this investment is to provide education standard, linked with the OQ RPI community scholarship programme, with fees comparable to the Sultanate school and to provide international standard education to the employees. The Group has recognised an amount of RO 0.2 million as accrued expenses to cover the share of loss over and above the investment value. Further, the Group has provided certain loans to ABIS which are disclosed in note 31.

# Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

## 13. Concession receivables

| | **2021** | 2020 |
|---|---|---|
| | **RO'000** | RO'000 |
| At 1 January | **798,764** | 631,028 |
| Acquisition during the year | **8,007** | - |
| Transferred from contract assets (note 15) | **54,770** | 193,491 |
| Income during the year | **56,997** | 56,057 |
| Payments received during the year | **(89,009)** | (81,812) |
| **At 31 December** | **829,529** | 798,764 |
| **Current / non-current** | | |
| Non-current portion | **799,126** | 772,298 |
| Current portion | **30,403** | 26,466 |
| | **829,529** | 798,764 |

Concession receivables have an 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 Group have assessed that ECL is insignificant, and hence has not recorded any loss allowances on these balances. (2020: nil).

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

*Concession Arrangements*

With effect from 1 January 2018, a new revenue and tariff mechanism had been implemented for OQ GN 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"), OQ GN was required to amend the 2000 Concession Agreement rather than to restate the concession as had been originally anticipated, which led to

## 13. Concession receivables (continued)

*Concession arrangements (continued)*

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 Government of the Sultanate of Oman, acting through the Ministry of Energy and Minerals ("MEM" - formerly known as Ministry of Oil and Gas) and the Ministry of Finance (the "Government" or "GOSO"), has entered into the amended concession agreement (the "Amended Concession Agreement") with OQ GN (acting as an "Operator") whereby it grants exclusively to OQ GN 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 Amended Concession Agreement is 50 years. At the end of the term of the Amended Concession Agreement, the Infrastructure including assets other than Gas Transportation System assets will be transferred to the Government.

The following documents form part of revised 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.

*Transportation Framework Agreement ("TFA")*

TFA entered into between the OQ GN (as gas transporter) and the MEM (as the Shipper). The purpose of TFA is to establish the contractual framework between the OQ GN and the shippers making the Transportation Code binding.

## 13. Concession receivables (continued)

*Transportation Code*

The Transportation Code contains the terms for the transportation services provided for by the Company and the shipper. Transportation Code includes: Description of services provided by the TSO; Obligation on shipper to pay for services provided; Capacity booking regime, capacity charges; Nominations and balancing regime; Capacity expansion regime; Metering and gas quality; Invoicing and payment and Dispute resolution.

*Previous concession agreement*

The previous concession agreement (the “Previous Concession Agreement”) with Government of the Sultanate of Oman was for the period of 27 years stating from 22 August 2000. Under the Previous Concession Agreement, OQ GN 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, OQ GN was operating as an Agency of the Government.

## 14. Lease receivables

The lease income recognized in these consolidated financial statements relates to the Supplementary Tariff Agreement (STA) between the Group and the Government of the Sultanate of Oman (the Govt). The Group has concluded that the STA is an arrangement which contains a lease and has accounted for the investment in the Plant and revenue from the State accordingly. Under the STA the Group constructed, and now operates, the Musandam Gas Plant (the Plant/MGP), located in the Musandam governate of Sultanate of Oman. The Govt directs the Group to make the processing capacity of the Plant available to third parties. The term of the STA is 20 years from the date of first gas processing, which occurred in early 2016, and at the end of the term the assets of the Plant revert to the Govt. The Group retains substantially no risk in the underlying asset.

The lease payments to be made to the Group from the Govt under the revised STA which became effective from 1 Jan 2017, comprise of a number of elements, each payable monthly:

- A Capacity Charge of USD 790 million, to allow the Group to recover costs of construction over a 20-year period;

- An Annual Processing Costs (APC) charge, to allow the Group to recover operating costs up to a contractual cap and recognized in profit or loss (note 5). A credit is given for any amounts recovered from third parties;

- A Fixed Remuneration Charge, to be paid over 20 years in such a manner to yield an initial internal rate of return to the Group of 7%; and

- Income tax to be paid by the Group.

# Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

## 14. Lease receivables (continued)

The lease income is recognized in the statement of profit and loss with an effective interest rate of 9.08%.

| | **2021** | 2020 |
|---|---|---|
| | **RO'000** | RO'000 |
| **Lease income** | | |
| Finance income on the net investment in lease | **24,228** | 24,996 |

The net investment in the lease constitutes the cost of construction of the underlying assets.

| | **2021** | 2020 |
|---|---|---|
| | **RO'000** | RO'000 |
| **Net investment in lease** | | |
| Opening | **259,348** | 267,188 |
| Repayments | **(9,081)** | (7,840) |
| Closing | **250,267** | 259,348 |
| | | |
| **Presented as** | | |
| Current asset | **9,900** | 9,157 |
| Non-current asset | **240,367** | 250,191 |
| | **250,267** | 259,348 |
| | | |
| **Finance lease receivable** | | |
| 2021 | **-** | 33,384 |
| 2022 | **33,309** | 33,279 |
| 2023 | **33,247** | 33,212 |
| 2024 | **33,221** | 33,204 |
| 2025 | **33,205** | 33,188 |
| 2026 | **33,205** | N/A |
| Remaining | **300,716** | 333,938 |
| | **466,903** | 500,205 |
| Less: interest element | **(216,636)** | (240,857) |
| **Net investment in lease** | **250,267** | 259,348 |

# Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

## 15. Contract assets

| | 2021 RO'000 Due from MEM | 2021 RO'000 Others | 2021 RO'000 Total | 2020 RO'000 Due from MEM | 2020 RO'000 Others | 2020 RO'000 Total |
|---|---|---|---|---|---|---|
| **At 1 January** | **144,460** | **1,738** | **146,198** | 280,673 | 9,595 | 290,268 |
| Transferred to concession receivables (note 13) | **(54,770)** | **-** | **(54,770)** | (193,491) | - | (193,491) |
| Additions during the year | **54,977** | **988** | **55,965** | 56,274 | - | 56,274 |
| Finance income during the year | **10,182** | **-** | **10,182** | 16,779 | - | 16,779 |
| Invoiced and transferred to related party | **-** | **(1,136)** | **(1,136)** | - | (7,857) | (7,857) |
| Received during the year | **(9,416)** | **-** | **(9,416)** | (15,775) | - | (15,775) |
| **At 31 December** | **145,433** | **1,590** | **147,023** | 144,460 | 1,738 | 146,198 |

(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 rules, the Company receives an allowed rate of return on the work in progress infrastructure asset. Accordingly, contract assets represent 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 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.

(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.

(d) 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).

Due from others includes 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.

# Notes to the consolidated financial statements
# for the year ended 31 December 2021 (continued)

## 16a. Assets held for sale

| | 2021 RO'000 | 2020 RO'000 |
|---|---|---|
| Muscat Gases Company SAOG | **452** | - |
| Takatuf Oman LLC (Takatuf) | - | 12,284 |
| Bharat Oman Refineries Limited (BORL) | - | 28,637 |
| Oman Shipping Company SAOC (OSC) | - | 35,497 |
| | **452** | 76,418 |

The board of directors of OOMCO approved to sell the investment in Muscat Gas Company SAOG and accordingly the investment was classified as held for sale (note 11v).

The sale of Takatuf and OSC was completed on 1 January 2021 at considerations equal to the carrying values as at 31 December 2020. The sale of BORL was completed on 30 June 2021 against the total sale consideration of RO 126.2 million (USD: 327.7 million). The Group recognized gain on disposal and reversal of impairment of RO 45.01 million and RO 22.0 million, respectively.

As at 31 December 2021 & 2020, the disposal group were stated at carrying value which was less than the fair value less cost to sell of the disposal group.

## 16b. Investments at fair value through profit and loss

Management assessed that the Group has no significant influence over these companies, hence these investments have been classified as fair value through profit and loss investments. Management has not exercised its irrevocable option to designate these investments at FVOCI on the initial application of IFRS 9.

| | 2021 RO'000 | 2020 RO'000 |
|---|---|---|
| Quoted investments | **173,792** | 255,897 |
| Unquoted investments | **57,809** | 57,882 |
| | **231,601** | 313,779 |
| Impairment provision (note v) | **(9,500)** | (9,500) |
| | **222,101** | 304,279 |

The impairment provisions related to unquoted investments (iv) and (v).

| **Quoted investments** | | |
|---|---|---|
| MOL PLC (i) | **173,792** | 166,364 |
| Redes Energéticas Nacionais (ii) | **-** | 89,533 |
| | **173,792** | 255,897 |

# Notes to the consolidated financial statements
# for the year ended 31 December 2021 (continued)

## 16b. Investments at fair value through profit and loss (continued)

**Quoted investments (continued)**

(i) In 2008, the Parent Company established OOHL as a 100% subsidiary, registered in the Cayman Islands. OOHL has 100% holding interest in OOBL, which further holds 7% shares of MOL PLC, a company listed in Hungary, designated as an investment at fair value through profit or loss. The purchase price per share was HUF 1,577 and the market price per share as at 31 December 2021 was HUF 2,520 (2020: HUF 2,190). The investment was disposed off subsequent to the year end at a purchase consideration approximating the carrying value as at 31 December 2021.

(ii) During 2012, Mazoon BV, a 100% subsidiary, acquired 15% shares in Redes Energéticas Nacionais, SGPS, S. A (REN). During the year ended 31 December 2021, the investment in REN was disposed of at a consideration of RO 82.4 million.

**Unquoted investments**

(iii) During 2012, the Parent Company invested RO 48.138 million under a Shareholder's Agreement between the Parent Company, and Vale International SA and Vale Oman Pelletizing Company LLC ("VOPC") dated 29 May 2010 (the "Shareholder's Agreement").

The fair value of the investment is computed based on inputs not observable in the market using discounted cash flow modelling.

*Significant unobservable inputs*

- Risk adjusted discount rate of 10% (2020: 10%)
- Average growth in annual production by 1% (2020: 1%)

*Inter-relationship between key unobservable inputs and the fair value measurement*

The estimated fair value would increase (decrease) if:

- The risk adjusted discount rate was lower (higher)
- The average growth in annual production was higher (lower)

(iv) During 2013, the Parent Company acquired a 16.48% shareholding in Perpetual Global Technologies Limited (PGTL), a company registered in Mauritius for a total consideration of RO 5.20 million.

During 2013, the Group recorded an impairment loss towards its investment of RO 5.20 million on account of significant or prolonged decline in the value of investment. The Company further invested RO 0.43 million in 2015. Due to continued losses, management has fully impaired the investment in 2016 considering the fair value of PGTL to be nil and recognised an impairment loss of RO 5.7 million in previous years.

## 16b. Investments at fair value through profit and loss (continued)

(v) During 2012, the Parent Company's board approved the acquisition of up to 25% of the issued share capital in Black Rock Metals Inc. subject to a maximum investment of CAD 90 million (RO 34.92 million). Under the agreement the Parent Company subscribed for 6.76% share capital for an amount of CAD 10 million (RO 3.88 million). During 2020 this investment was fully impaired due to significant delay in project construction.

## 17. Term deposits

| | **2021** | 2020 |
|---|---|---|
| | **RO'000** | RO'000 |
| Short-term-deposits | **216,606** | 203,331 |

Deposits less than one year are denominated in US Dollars and Rial Omani and are held with commercial banks. They carry interest at effective annual rates ranging between 0.05% to 5.00% (2020: 0.12% to 5.00%), with maturities ranging from one to twelve months from the reporting date. Interest on deposits accrues on a monthly basis.

Term 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 Group estimates the loss allowance on balances with banks at the end of the reporting period at an amount equal to 12 month ECL. Taking into account the historical default experience and the current credit ratings of the bank, the management of the Group has assessed that there is no significant expected credit loss.

## 18. Other non-current assets

| | **2021** | 2020 |
|---|---|---|
| | **RO'000** | RO'000 |
| Staff benefits & staff housing loans | **2,013** | 2,100 |
| Deferred expenditure | **2,766** | 1,369 |
| Other receivables and advances | **449** | 9,987 |
| | **5,228** | 13,456 |

## 19. Inventories

| | | |
|---|---|---|
| Finished goods | **210,746** | 119,143 |
| Oil and lubricants | **170,326** | 172,909 |
| Raw materials and work-in-progress | **214,289** | 104,353 |
| Stores and spares | **183,629** | 156,561 |
| | **778,990** | 552,966 |
| Allowance for slow-moving and obsolescence inventories | **(3,706)** | (6,516) |
| | **775,284** | 546,450 |

# Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

## 19. Inventories (continued)

Movement in allowance for slow-moving and obsolescence:

| | 2021 RO'000 | 2020 RO'000 |
|---|---|---|
| At 1 January | **6,516** | 2,058 |
| Provision written off | **-** | (137) |
| Net (reversal) / charge during the year | **(2,810)** | 4,595 |
| **At 31 December** | **3,706** | 6,516 |

Net charge / (reversal) include reversal of RO 3.1 million (2020: Reversal of RO 4.5 million) charged to cost of sales. The inventories are wrote down to their net realisable value.

Inventories amounting to RO 180.0 million (2020: RO 93.3 million) have been pledged against loans and borrowings (note 27).

Inventories amounting to RO 161.2 million (2020: RO 115.5 million) are held at fair value less costs to sell.

Fair value of inventory is a level 2 fair value measurement (note 44) using observable market prices obtained from reference exchange traded reference indices or market data providers adjusted for location and quality differentials. There are no significant unobservable inputs in the fair value measurement of such inventories.

## 20. Trade and other receivables

| | 2021 RO'000 | 2020 RO'000 |
|---|---|---|
| Trade receivables | **835,057** | 460,283 |
| Less: allowance for expected credit losses | **(13,533)** | (13,771) |
| | **821,524** | 446,512 |
| Other receivables | **295,142** | 208,333 |
| Advances to suppliers | **46,834** | 76,535 |
| Advances to employees | **642** | 1,955 |
| Prepaid expenses | **14,024** | 13,517 |
| | **1,178,166** | 746,852 |

Substantially all receivables of Oman Oil Holding Europe BV amounting to RO 68.0 million (2020: 38.4 million) are either assigned and transferred for security purposes or pledged.

The year-on-year increase in trade receivables was driven by an increase in sales volumes, coupled with a significant increase in the price of oil, refined products and other energy commodities. Other receivables include accrued revenue of RO 174.6 million (2020: RO 39.6 million).

# Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

## 21. Derivatives

| | Derivatives assets | | Derivatives liabilities | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| | **RO'000** | RO'000 | **RO'000** | RO'000 |
| Derivatives held for trading | **85,445** | 73,714 | **37,826** | 45,414 |
| Currency swaps | **11** | | **483** | - |
| Cash flow hedges | **35,647** | - | **42,354** | 84,570 |
| | **121,103** | 73,714 | **80,663** | 129,984 |
| Less: current portion | **(85,562)** | (73,714) | **(56,252)** | (68,772) |
| Non-current portion | **35,541** | - | **24,411** | 61,212 |

The Group uses interest rate swap contracts to manage exposure to interest rate risk resulting from borrowings. These hedges are designated as cash flow hedges.

The Group also engages in hedging activities through the use of currency forward contracts in relation to firm commitments under procurement contracts and transactions for foreign currency divestment proceeds. These hedges are designated as fair value hedges.

Further, the Group uses derivative financial instruments ("derivatives") in order to manage exposure to fluctuations in commodity prices arising from its physical commodity business.

Trading activities are undertaken sometimes using a range of contract types in combination to create incremental gains by arbitraging prices between markets, locations and time periods.

Within the ordinary course of business the Group, routinely enters into sale and purchase transactions for commodities. These transactions are within the scope of IFRS 9 due to the trading nature of the Group.

As a result, these physical contracts are treated as derivatives in accordance with IFRS 9. These contracts include pricing terms that are based on a variety of commodities and indices. They are recognised in the Statements of financial position at fair value with movements in fair value recognised in the Consolidated Statements of profit or loss.

The Group also uses various commodity based derivative instruments to manage some of the risks arising from its normal operating activities that give rise to commodity price exposures. Such instruments include financial forwards, futures and swaps. These are recognised in the Statements of financial position at fair value with movements in fair value recognised in the Consolidated Statements of comprehensive income.

The Group's physical and financial commodity contracts, other those which do not meet the criteria under IFRS 9, are classified as held for trading.

# Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

## 21. Derivatives (continued)

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 floating interest rate of these interest rates swaps was 0.5901%-3.3620% (2020: 0. 5901%-3.3620%).

| *RO'000* | Less than 6 months | 6 to 12 months | More than 1 year | Total |
|---|---|---|---|---|
| 31 December 2021 | **464,880** | **27,640** | **2,092,198** | **2,584,718** |
| 31 December 2020 | (86,170) | 153,754 | 2,452,551 | 2,520,135 |

The notional amounts of outstanding commodity and currency swap contracts are as follows:

| | **2021 RO'000** | 2020 RO'000 |
|---|---|---|
| Commodity swap contracts | **4,251,888** | 2,571,295 |
| Currency swap contracts | **48,908** | - |

More details on derivatives and how they are used to hedge various risks are disclosed in note 44. Movement in fair value of cash flow hedges is disclosed in note 26.

## 22. Cash and cash equivalents

| | | |
|---|---|---|
| Bank balances (current and call accounts) | **837,905** | 460,480 |
| Cash balance | **138** | 289 |
| | **838,043** | 460,769 |

Cash and cash equivalents included in the consolidated statement of cash flows include bank balances, cash and call deposits with a maturity of three months or less from the date of acquisition. Call deposits carry annual interest at rates ranging between 0.01% to 3.51% per annum (2020: 0.12% to 3.50% per annum).

## 23. Share capital

| | **Authorised** | | **Issued and paid up** | |
|---|---|---|---|---|
| | **2021 RO'000** | 2020 RO'000 | **2021 RO'000** | 2020 RO'000 |
| Ordinary shares of RO 1 each | **5,000,000** | 5,000,000 | **3,428,436** | 3,428,436 |

During 2021, the Company has not allotted any additional shares (2020: additional shares 113.142 million at RO 1 each to shareholder).

# Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

## 24. Statutory reserve

Article 132 of the Commercial Companies Law of 2019 requires that 10% of a company's net profit to be transferred to a non-distributable legal reserve until the amount of the legal reserve becomes equal to one-third of the Parent Company's fully-paid share capital. Accordingly, during 31 December 2021 RO 75.4 million (2020: nil) of the Parent Company's annual profit was transferred to the legal reserve. The reserve is not available for distribution.

## 25. Other reserve

Other reserve mainly relates to the following:

- Fair valuation gain amounting to RO 103 million (USD 267 million) on transfer of Block 9 to the Group entity by the Sultanate of Oman for nil consideration in 2016.

- The Parent Company applied predecessor accounting using the net carrying value resulting in recording the excess of consideration paid over the net carrying value of assets acquired amounting to RO 90.4 million, as an adjustment in consolidated statement of changes in equity under "other reserves".

## 26. Hedge and fair value reserves

Movement in reserve during the year is as follows:

| | Hedging reserve RO'000 | Share of other comprehensive income of associates and joint ventures RO'000 | Total RO'000 |
|---|---|---|---|
| At 1 January 2020 | (43,406) | (2,559) | (45,965) |
| Fair values movement in hedges | (50,482) | - | (50,482) |
| Share of OCI of joint ventures and associates | - | 988 | 988 |
| Dilution of subsidiary | (3,919) | - | (3,919) |
| **At 31 December 2021** | **(97,807)** | **(1,571)** | **(99,378)** |
| Fair values movement in hedges | **77,685** | **-** | **77,685** |
| Share of OCI of joint ventures and associates | **-** | **(160)** | **(160)** |
| Reclassification | **(2,629)** | **2,629** | **-** |
| On disposal of investments | **-** | **(1,535)** | **(1,535)** |
| **At 31 December 2021** | **(22,751)** | **(637)** | **(23,388)** |

Hedging reserve includes negative fair value reserve on currency swap amounting to RO 0.5 million (2020: RO 0.3 million negative).

# Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

## 27. Loans and borrowings

The following Group entities have availed loans and borrowings which are detailed below:

| | **2021** | 2020 |
|---|---|---|
| | **RO'000** | RO'000 |
| Parent Company (i) | **641,340** | 312,270 |
| OQEP (ii) | **426,713** | 469,003 |
| Oman Oil Holding Europe B.V. (iii) | **376,292** | 397,474 |
| OQ Trading Limited (iv) | **225,295** | 53,602 |
| OQ Methanol LLC (v) | **232,174** | 204,066 |
| Takamul Investment Company SAOC (vi) | **111,158** | 99,668 |
| OQ Gas Network SAOC (vii) | **279,344** | 383,501 |
| OQ RPI (viii) | **2,636,970** | 2,886,660 |
| Oman Oil Facilities Development Company LLC (ix) | **223,714** | 207,954 |
| Oman Tank Terminal Company LLC (x) | **106,621** | 50,449 |
| | **5,259,621** | 5,064,647 |
| Less: current portion | **(1,011,009)** | (704,880) |
| Non-current portion | **4,248,612** | 4,359,767 |

As at 31 December 2021, carrying value of term loan includes un-amortised deferred finance cost amounting to RO 100.4 million (2020: RO 108.15 million).

### (i) Parent Company

| | | |
|---|---|---|
| Revolving credit facility (a) | - | 173,295 |
| Term loan facilities (b) | **355,364** | 138,975 |
| Senior Unsecured Notes (c) | **285,976** | - |
| | **641,340** | 312,270 |

### a. Revolving credit facility

As at the reporting date, the Revolving Credit Facility ("RCF") consisted of two facilities as follows:

- Facility A: During 2017, the Parent Company entered into a RCF agreement amounting to RO 442.9 million (USD 1,150 million) for a period of 5 years maturing in 2022 at LIBOR plus applicable margin (depending on Oman Sovereign rating) interest per annum; and

- Facility B: During 2018, the Parent Company signed a supplementary RCF agreement amounting to RO 519.9 million (USD 1,350 million) for a period of 5 years maturing in 2023 at LIBOR plus applicable margin (depending on Oman Sovereign rating) interest per annum.

- Furthermore, the Parent Company has to pay utilisation fee based on the utilisation of facility amount.

## 27. Loans and borrowings (continued)

### (i) Parent Company (continued)

### a. Revolving credit facility (continued)

- The Parent Company has to pay commitment fees on the applicable margin on the unutilised portion of the facility amount and payment would be made on quarterly basis.

The RCF facilities are denominated in US Dollar.

As at the reporting date, the Parent Company has not withdrawn any amount under the RCF facility (2020: RO 173.3 million).

**Covenants:**

The RCF facilities contain the following financial covenants:

- To maintain a minimum tangible net worth of the Parent Company and its subsidiaries; or
- The Government of the Sultanate of Oman shall retain the direct or indirect legal ownership of at least 100% of the issued share capital of the Company; or
- At least one of Standard & Poor or Moody's shall rate the Sultanate of Oman.

Otherwise, the outstanding amounts under RCF will become repayable on demand, if requested by the lenders. The Parent Company has complied with these covenants throughout the reporting period.

### b. Term loan facilities

| | **2021** | 2020 |
|---|---|---|
| | **RO '000** | RO '000 |
| Term loan I Tranche A | **9,625** | 9,625 |
| Term loan I Tranche B | **209,109** | 69,318 |
| Term loan II | **35,000** | 35,000 |
| Term loan III | **50,063** | 25,032 |
| Term loan IV | **57,765** | - |
| | **361,562** | 138,975 |
| Less: deferred financing costs relating to term loan facility | **(6,198)** | - |
| | **355,364** | 138,975 |

# Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

## 27. Loans and borrowings (continued)

### (i) Parent Company (continued)

### b. Term loan facilities (continued)

**Term Loan I**

On 28 July 2020, the Parent Company entered into a five-year unsecured syndicated term loan facility, which has two tranches:

- Tranche A: a five-year RO 110.5 million (USD 286.9 million) facility with a floating rate of interest set by reference to the Central Bank of Oman's weighted average interest rate for RO deposits of more than one year plus applicable margin. The facility is denominated in Omani Rials; and
- Tranche B: a five-year RO 233.0 million (USD 605 million) facility with a floating rate of interest set by reference to U.S. dollar LIBOR plus applicable margin. The facility is denominated in US dollars.

Covenant:

This term loan contains a financial covenant to maintain a minimum tangible net worth of the Parent Company and its subsidiaries.

Repayment:

Tranche A is repayable in 5 semi-annual instalments of RO 16.6 million starting from January 2023 with a final instalment of RO 27.5 million payable in July 2025

Tranche B is repayable in 5 semi-annual instalments of RO 35.0 million (USD 90.9 million) starting from January 2023 with a final instalment of RO 58 million (USD 150.5 million) payable in July 2025.

**Term Loan II**

On 27 September 2020, the Parent Company entered into a five-year unsecured RO 35 million (USD 91 million) Islamic facility. Under the facility, the Parent Company pays semi-annual profit which varies and is set by reference to the Central Bank of Oman's weighted average interest rate for RO deposits of more than one year plus applicable margin The facility is denominated in Omani Rials.

Covenant:

This term loan contains a financial covenant to maintain a minimum tangible net worth of the Parent Company and its subsidiaries.

Repayment:

The term loan is repayable in 5 semi-annual instalments of RO 5.25 million starting from June 2023 with a final instalment of RO 8.75 million payable in December 2025.

# Notes to the consolidated financial statements
# for the year ended 31 December 2021 (continued)

## 27. Loans and borrowings (continued)

### (i) Parent Company (continued)

### b. Term loan facilities (continued)

**Term Loan III**

On 8 November 2020, the Parent Company entered into an additional unsecured Islamic facility of USD 130 million with a five-year tenor. Under the facility, the Parent Company pays a floating rate of interest set by reference to U.S. dollar LIBOR plus applicable margin. The facility is denominated in US dollars.

Covenant:

This term loan is repayable contains a financial covenant to maintain a minimum tangible net worth of the Parent Company and its subsidiaries.

Repayment:

The term loan is repayable in 5 semi-annual instalments of USD 19.5 million starting from June 2023 with a final instalment of USD 32.5 million payable in December 2025.

**Term Loan IV**

On 24 February 2021, the Parent Company entered into a credit facility of USD 150 million with a two-year tenor. Under the facility, the Parent Company pays a floating rate of interest set by reference to U.S. dollar LIBOR plus applicable margin. The facility is denominated in US dollars.

Covenant:

This term loan is repayable contains a financial covenant to maintain a minimum tangible net worth of the Parent Company and its subsidiaries.

Repayment:

The term loan is repayable in a single instalment at the end of the maturity period in February 2023.

### c. Senior Un-secured Notes

On 6 May 2021, the Parent Company issued USD Senior Unsecured Notes aggregating RO 288.8 million (USD: 750 million) with a maturity date of 7 years paid at the end of the maturity date with a coupon rate of 5.125%. The notes were also issued and sold in accordance with Rule 144A/Regulation S under the U.S. Securities Act of 1933, as amended. Interest is payable semi-annually in arrears on 6 May and 6 November. The notes are listed on the London Stock Exchange's Regulated Market and the proceeds were for general corporate purposes. Transaction costs of RO 2.8 million are amortized using the effective interest method and are reflected as finance costs.

# Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

## 27. Loans and borrowings (continued)

### (ii) Long term borrowings of OQEP

| | 2021 RO'000 | 2020 RO'000 |
|---|---|---|
| OQEP (a) | **323,739** | 380,864 |
| Abraj Energy Services SAOC (b) | **102,974** | 88,139 |
| | **426,713** | 469,003 |
| Classified as: | | |
| - Current portion and short term borrowings | **163,445** | 71,515 |
| - Non-current portion | **263,268** | 397,488 |
| | **426,713** | 469,003 |

a) OQEP

| | Effective interest rate | Maturity | 2021 RO'000 | 2020 RO'000 |
|---|---|---|---|---|
| PXF facility | 3 Month LIBOR + Margin | September 2021 – September 2024 | **325,854** | 385,100 |

| | 2021 | 2020 |
|---|---|---|
| Term loan | **325,854** | 385,100 |
| Less: un-amortised financing costs | **(2,115)** | (4,236) |
| Current portion | **(118,492)** | (59,256) |
| Non-current portion | **205,247** | 321,608 |

In December 20217, OQEP obtained PXF facility from certain financial institutions of USD 1 billion (the PXF Facility). As per original facility agreement, the advance was to be settled in 13 equal quarterly instalments starting from 30 September 2019 to 13 September 2022. During 2019, OQ EP restructured the facility and extended the term of facility by 2 years. Accordingly, the repayment of the advance will be settled in 13 equal installments starting from 30 September 2021 to 30 September 2024. The facility carries interest at 3 month LIBOR + applicable margin. Interest charges and principal repayments are settled through the delivery of crude oil over the period of the arrangement.

OQ EP also has entered into a Forward Sales Agreement and other ancillary contracts with OQEP PXF 1 B.V. (the Buyer) to physically deliver all of the Group's oil liquid entitlements from Block 60, Block 9, Block 61 and Block 53 to the Buyer. Under the agreement the Buyer will retain cash received from the ultimate sale of oil to fund its debt service obligations and administrative expenses, with the balance being paid to OQ EP conditional on meeting certain banks covenants. Where the benefits of such retentions are expected to ultimately flow to the Group they are presented as restricted cash (Note 22).

# Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

## 27. Loans and borrowings (continued)

### (ii) Long term borrowings of OQEP (continued)

(b) Abraj Energy Services SAOC (continued)

| | Maturity | **2021** **RO'000** | 2020 RO'000 |
|---|---|---|---|
| Term loan I | May 2021 | **-** | 3,033 |
| Term loan II | Nov 2025 | **17,622** | 19,580 |
| Term loan III | December 2025 | **25,956** | 28,840 |
| Term loan IV | December 2025 | **8,529** | 9,722 |
| Term loan V | December 2029 | **35,923** | 26,964 |
| Term loan VI | December 2029 | **14,944** | - |
| | | **102,974** | 88,139 |
| Current portion | | **(15,330)** | (12,269) |
| | | **87,644** | 75,870 |

**Term loan I**

The term loan was denominated in US Dollars and 60% of the term loan was repayable in 13 consecutive half-yearly instalments of US $ 0.9 million (RO 0.3 million) each. The final instalment of US $ 7.9 million (RO 3.0 million), representing 40% of term loan, was fully repaid in May 2021. Interest on the term loan was payable at 3 months LIBOR plus fixed margin.

**Term loan II**

The term loan is denominated in Omani Rials. During 2021, the closing balance as of 31 December 2020 was restructured. The term loan is repaid in 20 quarterly installments. The repayments are as per following:

10 % of term loan balance paid in 2021
15 % of term loan balance paid in 2022
20 % of term loan balance paid in 2023
25 % of term loan balance paid in 2024
30 % of term loan balance paid in 2025

The final is repayable in November 2025. Interest on the term loan is payable at the Central Bank of Oman's weighted average interest rate for RO deposits plus applicable margin.

# Notes to the consolidated financial statements
# for the year ended 31 December 2021 (continued)

## 27. Loans and borrowings (continued)

### (ii) Long term borrowings of OQEP (continued)

(b) Abraj Energy Services SAOC (continued)

**Term loan III**

The term loan is denominated in Omani Rials. During the year the closing balance as of 31 December 2020 was restructured. The term loan is repaid in 20 quarterly installments. The repayments are as per following:

10 % of term loan balance paid in 2021
15 % of term loan balance paid in 2022
20 % of term loan balance paid in 2023
25 % of term loan balance paid in 2024
30 % of term loan balance paid in 2025

The final is repayable in December 2025. Interest on the term loan is payable at Central Bank of Oman 3 month Treasury Bill Rate plus a margin, and is subject to reset on annual review basis.

**Term loan IV**

The term loan is denominated in Omani Rials and 60% of the term loan is repayable in 27 quarterly instalments of RO 0.26 million each. The 28th final instalment of RO 4.6 million, representing 40% of term loan, is repayable in year 2025. Interest on the term loan is payable on quarterly basis and the interest rates are reset on annual review basis.

**Term loan V**

The term loan is denominated in US Dollars. Principal term loan repayment are in eight years as 32 equal quarterly instalments. First repayment commenced on three months after the availability period (30. September 2021). The final maturity of the Facility will be 31 December 2029. Interest on the term loan is payable at 3 months LIBOR plus fixed margin.

**Term loan VI**

In 2021, the Company has availed the term loan which is denominated in USD to finance the new projects for the purchase of two Rigs and other company assets. The full drawdown will be completed by March 2022. The repayments will commence In September 2022. The final maturity of the loan will be in December 2029. Interest on the term loan is payable at 3 months LIBOR plus fixed margin.

Securities for the loans are as follows:
- Assignment of revenues for the assets financed through that commercial bank.
- Negative lien over the assets financed through that commercial bank.

# Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

## 27. Loans and borrowings (continued)

### (iii) Oman Oil Holding Europe B.V.

OOC Holding Europe BV has the following facilities:

| Facilities | **2021 RO'000** | 2020 RO'000 | **Interest rate** |
|---|---|---|---|
| Term loan – First Lien B-1 (Euro) | **205,712** | 223,188 | Refer note below |
| Term loan – First Lien B-2 (USD) | **169,976** | 172,048 | Refer note below |
| Other loans | **604** | 2,238 | 1.0% - 4.85% |
| | **376,292** | 397,474 | |

In October 2017, OQ Chemicals Corporation, Houston (TX)/USA, and OQ Chemicals Holding Drei GmbH, Monheim am Rhein/Germany, established a Senior Facilities Agreement comprising:

(i) term loans of €475.0 million (RO 206.5 million) and US$500.0 million (RO 192.5 million) with a maturity in October 2024 and quarterly mandatory repayments (for the US$ tranche only) of 0.25% of the principal, and;

(ii) a Revolving Credit Facility of €137.5 million (RO 59.8 million) with a maturity in October 2023. In line with the credit agreements, OQ Chemicals made mandatory term loan repayments in an amount against the US$ tranche of US$5.0 million (RO 2.2 million) in 2020. The remaining un-utilised amounts at 31 December 2021 are €475.0 million (RO 206.5 million) and US$445.0 million (RO 171.4 million). The interest rates of the Term Loans are based on EURIBOR/USD-LIBOR (each subject to a floor of 0%) plus a margin. The margins are reduced according to a margin grid if the leverage ratios have reached a defined level.

OQ Chemicals International Holding GmbH, Monheim am Rhein/Germany, and certain of its subsidiaries (collectively the "Guarantors") guarantee the full and prompt payment of the obligations of the Borrowers and the other Guarantors. All obligations under the Credit Agreement and the Guarantee are secured by a first priority security interest in favor of the Administrative Agent for the benefit of the Lenders. The collateral includes pledges over the equity interests in the Borrowers and certain of the Guarantors. The Borrowers and Guarantors in Germany have pledged substantially all of their capital stock, bank accounts, intellectual property, receivables and moveable assets. The Borrowers and Guarantors in the United States have pledged substantially all of their assets except real estate. All of the collateral is subject to certain exclusions as set forth in further detail in the Credit Agreement.

Furthermore, OQ Advanced Derivatives Nanjing Ltd. has access to local Working Capital facilities of CNY163.0 million (RO 9.9 million), of which CNY10.0 million (RO 0.6 million) were drawn at 31 December 2021 which are in all cases due for repayment one year after issuance but can be renewed.

# Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

## 27. Loans and borrowings (continued)

### (iii) Oman Oil Holding Europe B.V. (continued)

Additionally, OQ Chemicals GmbH, Monheim am Rhein/Germany and OQ Services, LLC, Houston (TX)/USA maintain an Asset Backed Commercial Paper (ABCP) Program with Landesbank BadenWürttemberg, which provides a facility for the sale of trade receivables. As customer collections are permanently being paid into bank accounts of the Sellers under the ABCP-program, the accounts at year-end show liabilities of € 2.3 million (2020: €3.4 million) {RO 1 million (2020: RO 1.5 million)}and US$ 14.5 million (2020: US$ 6.5 million) { RO 5.6 million (RO 2.5 million)} against the Purchaser resulting mostly from collections that have not yet been passed onward.

### (iv) OQ Trading LLC (OQT)

At 31 December 2021, OQT had loans and overdrafts of RO 225.3 million (USD 585 m) [2020: RO 53.6m (USD 139.2m)] drawn from its facilities, presented as loans and overdrafts in the consolidated statement of financial position.

OQT trading activities are primarily financed through:

- via a syndicated RO 225.3 million (2020: RO 53.6 million) {USD 585 million (2020: USD 139 million)} secured uncommitted Borrowing Base Facility (BBF) from 8 international investment grade commodity trade finance banks, which has a 12-month term ending June 2022. The facility carries charges and interest at prevailing competitive commercial market rates. The BBF is secured by a charge on specific assets of OQT primarily comprised of trade accounts receivables, inventories, bank balances and cash of OQT. Applicable financial covenants for the BBF include a requirement for a minimum tangible net worth and current ratio of OQT. OQT was compliant with these covenants as at 31 December 2021; and

- Numerous uncommitted bilateral working capital credit facilities from a diversified pool of banks totaling RO 402 million (2020: RO 245.7 million) {(USD 1,043m (2020: USD 638m)}. The facilities carry charges and interest at prevailing competitive commercial market rates. The bilateral facilities are typically secured by the underlying physical commodity transaction, primarily comprised of trade accounts receivables, inventories, bank balances or cash. Applicable financial covenants for each bilateral working capital facility include a requirement for a minimum tangible net worth and current ratio of the OQT. OQT was compliant with all covenants as at 31 December 2021.

Additional utilisations under the Group’s facilities in the form of contingent commitments such as letters of credit are disclosed in Note 43.

# Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

## 27. Loans and borrowings (continued)

### (v) OQ Methanol (SFZ) L.L.C

| | **2021** | 2020 |
|---|---|---|
| | **RO'000** | RO'000 |
| Syndicated facilities | **236,161** | 208,255 |
| Less: Un-amortised deferred finance cost | **(3,987)** | (4,189) |
| | **232,174** | 204,066 |
| Less: Current portion | **(21,307)** | (12,929) |
| | **210,867** | 191,137 |

OQ Methanol has syndicated long-term loan facility ("syndicate facility") in the aggregate amount of RO 280.3 million (USD 728 million) under a facility agreement dated 13 July 2017. As at 31 December 2021, RO 266.8 million (USD 692.8 million) (2020: RO 208.2 million (USD 538.0 million)) has been drawn down under the facility. The facility is repayable in eighteen semi-annual instalments, in amounts ranging from RO 7.40 million (USD 19.22 million) to RO 43.03 million (USD 111.75 million). Repayment commenced from December 2020. The facility bears interest at US LIBOR rates plus applicable margins depending upon outstanding facilities and status of the project in relation to completion.

The syndicated loan facility is secured by comprehensive legal and commercial mortgages on all the assets of OQ Methanol. The facility contains certain general and project undertakings pertaining to, amongst other things, compliance with laws, negative pledges, disposals, loans or credit, dividends, share redemption and subordinated shareholder loan, financial indebtedness, merger, change of business and acquisitions. The facility was obtained to refinance the old term loan facility, repayment of loans provided by the Shareholders and to fund Ammonia Project Costs.

### (vi) Takamul Investment Company LLC

| | **2021** | 2020 |
|---|---|---|
| | **RO'000** | RO'000 |
| *OARC* | | |
| Term loans | **97,314** | 98,676 |
| Overdraft | **13,559** | 795 |
| *SPC* | | |
| Overdraft and loans | **285** | 197 |
| | **111,158** | 99,668 |
| Less: current portion of term loan | **(15,738)** | (2,353) |
| | **95,420** | 97,315 |

# Notes to the consolidated financial statements
# for the year ended 31 December 2021 (continued)

## 27. Loans and borrowings (continued)

### (vi) Takamul Investment Company SAOC (continued)

***Oman Aluminium Rolling Company LLC (OARC)***

Term loans - *Facilities and restructuring*

In 2011, OARC obtained syndicated term loan facilities from commercial banks in Oman for an amount of RO 74.3 million [US Dollar Base Facility and Omani Rial Base Facility]. Further, in 2011 OARC obtained working capital facilities denominated in US Dollar amounting to RO 25 million and Omani Rial denominated facilities amounting to RO 3 million.

As at 31 December 2021, OAR is incompliance to all applicable covenants for stated finance facilities.

*Interest*

The term loan facilities bear variable and fixed interest rates as follows:

- US Dollar denominated facility and standby facility bears variable interest rate at US$ LIBOR on the effective date plus applicable margin (2020: US$ LIBOR on the effective date plus applicable margin) and mandatory costs, if any.

- Omani Rial denominated facility bears fixed interest rate at a rate of 4.5% (2020: 4.5%) per annum.

*Repayment schedule*

The loans are repayable in 20 semi-annual installments commencing from the first repayment date of 30 June 2021.

*Commitment and other fees*

Under the terms of the credit facilities, OARC is required to pay commitment fees, arrangement fee, security agent fee and facility agent fee. These are considered as costs of borrowings.

# Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

## 27. Loans and borrowings (continued)

### (vi) Takamul Investment Company SAOC (continued)

***Oman Aluminium Rolling Company LLC (OARC) (continued)***

*Term loans - Security*

OARC has created a commercial mortgage on all the assets and also assigned its rights on all the insurance proceeds related to project assets in favour of the lenders as a security against the borrowings.

*Overdraft*

OARC had an overdraft outstanding as of 31 December 2021 of RO 13.6 million (2020 - RO 0.8 million) carrying interest at 4.5% per annum.

The company has created a commercial mortgage on all the assets and also assigned its rights on all the insurance proceeds related to project assets in favour of the lenders as a security against the borrowings.

***Sohar Paper Cores LLC (SPC)***

The borrowings comprise overdraft and loans against trust receipts obtained from a local commercial bank at commercial rates. The interest rates are subject to re-negotiation with bank during the renewal of the credit facilities, which generally takes place on an annual basis. Borrowings are secured by the commercial mortgage over the company's assets, assignment of insurance over the assets financed and corporate guarantee of the parent company. The facilities agreement contains certain restrictive covenants which, if violated could permit the bank to cancel or reduce the facilities granted. As at 31 December 2021, SPC was not in breach of such covenants.

### (vii) OQ Gas Networks SAOC

OQ Gas Networks SAOC (OQ GN) had obtained the following syndicated term loan facilities:

| | **2021** | 2020 |
|---|---|---|
| | **RO** | RO |
| Term loan-I | **-** | 85,052 |
| Term loan-II | **281,958** | 301,768 |
| | **281,958** | 386,820 |
| Less: unamortized transaction cost | **(2,614)** | (3,319) |
| At 31 December | **279,344** | 383,501 |
| Less: Current | **(29,144)** | (104,862) |
| | **250,200** | 278,639 |

# Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

## 27. Loans and borrowings (continued)

### (vii) OQ Gas Networks SAOC (continued)

**Term loan I**

During the year 2018, OQ GN 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, OQ GN repaid this facility upto RO 304 million from the proceeds of Term loan II. In September 2020, out of the outstanding term loan facility of RO 119 million, OQ GN 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, OQ GN repaid the remainder of RO 85 million under this facility.

**Term loan II**

On 24 February 2020, OQ GN 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. OQ GN is not subject to any financial ratio covenant in relation to this facility.

### (viii) OQ RPI

| | 2021 | 2020 |
|---|---|---|
| | RO'000 | RO'000 |
| Term loan I | **804,367** | 865,954 |
| Term loan II | **218,400** | 273,000 |
| Term loan III | **60,332** | 67,874 |
| Term loan IV | **1,318,058** | 1,412,969 |
| Term loan V | **21,000** | 21,000 |
| Term loan VI | **156,173** | 163,104 |
| Working capital loan facilities | **134,207** | 173,295 |
| | **2,712,537** | 2,977,196 |
| Less: deferred financing costs relating to term loan facilities | **(75,567)** | (90,536) |
| | **2,636,970** | 2,886,660 |
| Less: current portion | **(537,431)** | (435,448) |
| | **2,099,539** | 2,451,212 |

# Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

## 27. Loans and borrowings (continued)

### (viii) OQ RPI (continued)

**Term loan I**

On 30 April 2014, Refineries entered into a long-term facility agreement with various commercial banks and export credit agencies amounting to USD 2,850 Million. The loan is denominated in US dollars. On 30 June 2014, the new term loan was utilized partly to repay in full the previous outstanding term loans of ORPC and Oman Polypropylene LLC (OPP) and the remaining USD 1,819 million was availed for financing the Sohar Refinery Improvement Project (SRIP).

| | | 2021<br>RO 000's | 2020<br>RO 000's |
|---|---|---|---|
| Commercial Facilities | New TL-SRIP | **566,586** | 609,967 |
| K-EXIM Facilities | DLT-ECA-K E Cov-SRIP | **169,341** | 182,306 |
| SACE Covered Facility | DLT-ECA-SACE-SRIP | **16,933** | 18,229 |
| K-Sure Covered Facility | DLT-ECA-K Sure-SRIP | **51,507** | 55,452 |
| | | **804,367** | 865,954 |

On 30 April 2014, Refineries entered into a long term facility agreement with various commercial banks and export credit agencies amounting to USD 2,850 Million. The loan is denominated in US dollars. On 30 June 2014, the new term loan was utilized partly to repay in full the previous outstanding term loans of ORPC and OPP and the remaining USD 1,819 million was availed for financing the Sohar Refinery Improvement Project (SRIP).

*Interest on term loans*

The loan carries interest at LIBOR plus applicable margin.

For the K-EXIM Facilities the margin is fixed.

Interest is payable quarterly. If Refineries fails to pay any due balances as per the facility agreements, then interest will be accrued on the overdue amount at 2% above the rate.

# Notes to the consolidated financial statements
# for the year ended 31 December 2021 (continued)

## 27. Loans and borrowings (continued)

### (viii) OQ RPI (continued)

**Term loan I (continued)**

*Repayments*

The loans are repayable in semi-annual instalments started from May 2018. The maturity profile of the term loan is as follows:

| | 2021 | 2020 |
|---|---|---|
| | RO 000's | RO 000's |
| Less than 1 year | **137,396** | 94,169 |
| From 1 to 2 years | **108,875** | 104,815 |
| From 2 to 5 years | **364,272** | 337,053 |
| Over 5 years | **193,824** | 329,917 |
| | **804,367** | 865,954 |

*Fair value*

The term loan facilities carry an interest rate which varies with market rates, and therefore the fair value of the loan approximates its carrying value.

*Support*

The loan is supported by standby equity via an equity subscription, share retention and subordination agreement signed by the shareholders.

*Covenant*

OQ Refineries has to maintain a minimum debt service coverage ratio of 1.35:1 if it intends to distribute dividends.

# Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

## 27. Loans and borrowings (continued)

### (viii) OQ RPI (continued)

**Term loan II**

On 18 May 2015, OQ RPI entered into a corporate loan agreement for the amount RO 350.0 million, denominated in Omani Rial, to meet its working capital needs and support its subsidiaries.

*Interest*

The Company pays semi-annual interest which varies and is set by reference to the Central Bank of Oman's weighted average interest rate for RO deposits of more than 3 year plus a fixed margin.

*Repayments*

The loan is repayable in semi-annual instalments ranging from RO 3.5 million (USD 9.1 million) to RO 27.3 million (USD 70.9 million) starting from June 2018 and the maturity profile of the term loan is as follows:

| | **2020** | 2020 |
|---|---|---|
| | **RO'000** | RO'000 |
| Less than 1 year | **54,600** | 54,600 |
| From 1 to 5 years | **163,800** | 218,400 |
| | **218,400** | 273,000 |

*Covenants*

During the year, OQ RPI was in compliance with the minimum required debt service coverage ratio of 1.2:1 and maximum required total borrowing to total debt ratio of 3:1.

**Term loan III**

On 16 December 2014, OQ Logistic entered into a long term loan facility agreement for USD 235 million (RO 90.5 million) with a commercial bank with the purpose to support the MSPP project.The loan is denominated in US Dollars.

*Interest*

The Loan carries interest at LIBOR plus applicable margin.

*Repayments*

The repayment of loan is in 24 equal semi-annual instalments of USD 9.79 million starting from 19 June 2018.

*Loan covenants*

During the year, OQ Logistic was in compliance with the minimum required debt service coverage ratio of 1.2:1 and maximum debt to equity ratio of 70:30.

## Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

### 27. Loans and borrowings (continued)

**(viii) OQ RPI (continued)**

**Term loan IV**

On 3 March 2016, OQ Plastic has entered into long term facility agreements with various commercial banks and export credit agencies amounting to RO 1,463 million (USD 3,800 million) for financing the construction of Liwa Plastics Industrial Complex project. The loan is denominated in US dollars.

| | **2021** | 2020 |
|---|---|---|
| | **RO'000** | RO'000 |
| Commercial Facility | **477,776** | 521,086 |
| Atradius Covered Facility | **206,893** | 219,598 |
| K-Sure Covered Facility | **105,918** | 112,422 |
| SACE Covered Facility | **296,570** | 314,782 |
| UKEF Covered Facility | **55,430** | 58,834 |
| K-EXIM Facilities Direct | **88,971** | 94,435 |
| K- Exim Covered Facility | **38,130** | 40,472 |
| Euler Hermes Facility | **48,370** | 51,340 |
| | **1,318,058** | 1,412,969 |

*Interest on term loans*

During 2018 the interest rate of SACE facility was revised to fixed rate of 3.29% effective from 15 June 2018 and all other loan carries interest at LIBOR plus applicable margin.

For the Commercial Facility, the margins be fixed and increased gradually.

Interest is payable semi-annually. If OQ Plastic fails to pay any due balances as per the facility agreements, then interest will be accrued on the overdue amount at 2% above the rate.

# Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

## 27. Loans and borrowings (continued)

### (viii) OQ RPI (continued)

**Term loan IV (continued)**

Repayments

The loans are repayable in semi-annual instalments starting from 15 June 2020. The principle repayment of the term loan is as follows:

| | **2021** | 2020 |
|---|---|---|
| | **RO** | RO |
| Less than 1 year | **102,112** | 94,911 |
| 1 to 5 years | **523,277** | 195,830 |
| More than 5 years | **692,669** | 1,122,228 |
| | **1,318,058** | 1,412,969 |

*Covenant*

OQ Plastic has to maintain a minimum debt service coverage ratio of 1.35:1 if it intends to distribute dividends and also a maximum debt to equity ratio of 65:35. For the purposes of calculating debt to equity ratio, equity includes shareholder loan and excludes accumulated losses and other reserves.

Security

The loan is supported by standby equity via an equity subscription, share retention and subordination agreement signed by the shareholders.

**Term loan V**

On 10 April 2017, OQ RPI entered into an Islamic Facility "Wakala Investment" agreement for an amount of RO 21.0 million (USD 54.5 million) in order to develop a petroleum coke storage facility within Sohar Refinery complex. The loan is denominated in Omani Rials.

*Expected profit rate*

OQ RPI profit rate was initially set at 5.5% per annum to for the first one year and reset annually thereafter as per expected profit rate reset mechanism. The profit rate was revised to 6.25% As of December 2019. The profit will be paid on a quarterly basis starting from the 3rd year.

# Notes to the consolidated financial statements
# for the year ended 31 December 2021 (continued)

## 27. Loans and borrowings (continued)

### (viii) OQ RPI (continued)

**Term loan V (continued)**

*Repayment*

The loan will be repaid over 3 annual instalments as below:

| | |
|---|---|
| · End of 5th year (2022) | RO 4 million |
| · End of 6th year (2023) | RO 6 million |
| · End of 7th year (2024) | RO 11 million |

Profit component will be accrued during the availability period of 2 years and will be due for settlement at the end of the first quarter of the 3rd year. After availability period, profit to be serviced on quarterly basis.

**Term loan VI**

On 2 August 2018, OQ Aromatics entered into a long-term loan facility agreement with a commercial bank for the amount RO 173.3 million (USD 450 million) in order to refinance the old Aromatics loan. The loan is denominated in US dollars.

*Interest*

This carries interest at a variable rate of USD LIBOR plus applicable margin per annum for the first 30 months and USD LIBOR plus applicable margin per annum thereafter.

*Repayments*

The loan is repayable in 7 semi-annual instalments ranging from USD 4.365 million to USD 9 million commencing from October 2018 with the final instalment of USD 405.54 million due in February 2022.

*Security*

The loan is secured by debt service undertaking given by Ministry of Finance.

# Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

## 27. Loans and borrowings (continued)

### (viii) OQ RPI (continued)

**Working Capital loan facilities**

OQ Refineries has working capital facility agreement with a commercial bank as per agreement dated 28 February 2019 valid for 24 months. During the year, the facility was renewed till April 2022.

*Interest*

Interest is payable at LIBOR plus agreed applicable margin.

*Repayment*

The loan is repayable in April 2022.

*Financial covenants*

The renewed facility is not subject to any covenant.

### (ix) Oman Oil Facilities Development Company LLC

| ***OQLPG*** | **2021** | 2020 |
|---|---|---|
| | **RO'000** | RO'000 |
| At 1 January | **211,928** | 194,050 |
| Loan obtained during the year | **27,727** | 20,024 |
| Repayments during the year | **(12,242)** | (2,146) |
| **At 31 December** | **227,413** | 211,928 |
| Unamortised transaction cost | **(3,699)** | (3,974) |
| **31 December** | **223,714** | 207,954 |

**Syndicated facility**

OQ LPG has syndicated long-term loan facilities ("syndicate facility") from the consortium of the financial institutions in the aggregate maximum amount of RO 246.4 million under a facilities agreement dated 17 May 2017 ("the Facilities Agreement"). At 31 December 2021 RO 241.8 million (USD 627.9 million) (2020: RO 214.0 million (USD 555.9 million)) has been drawn.

**Facilities repayments**

The aggregate amount of the term loan facility and standby term loan facility is repayable in 24 semi-annual installments. Repayment under the term loan facility commenced from 31 December 2020.

# Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

## 27. Loans and borrowings (continued)

### (ix) Oman Oil Facilities Development Company LLC (continued)

***OQLPG (continued)***

**Interest**

The syndicated facility bears interest at US LIBOR rates plus margins ranging from 3.15% to 3.45%. (2020: US LIBOR rates plus margins ranging from 3.15% to 3.45%).

**Security**

The syndicated loan facilities are secured by comprehensive legal and commercial mortgages on all the assets of OQ LPG. The NGSA waterfall mechanism ensures priority rights of lenders on revenue. The Government further secures the lenders right if the Group entity is unable to meet the obligations whereby full liability transferred to the Government.

**Covenants**

The syndicated facility agreement contains certain general and project covenants pertaining to, amongst other things, project finance ratios, liquidation and merger, entering into material new agreements, negative pledges, change of business, loans and guarantees. The syndicated loan facility was obtained to finance the total construction cost of the LPG plant, which is to be shared between the bank creditors and the Company's shareholders in the ratio of 77.5% and 22.5%, respectively.

### (x) Oman Tank Terminal Company LLC

The Group entity has signed a facilities agreement dated 8 April 2020 ("the Facilities Agreement"), expiring 10 years from the date of the agreement, to draw upon financing to construct and develop the Crude Handling Facilities. The aggregate maximum amount of RO 134.8 million (USD 350 million) is made available under the facilities agreement. At 31 December 2021 RO 106.6 million (USD 279.75 million) (2020: RO 50.4 million (USD 127.8 million)) has been drawn.

**Facilities repayments**

The loan is repayable in 14 semi-annual instalments and a balloon payment on the termination date. The repayment commences from earlier of April 2023 or 12 months from the commercial operation date of Duqm Refinery and Petrochemical Industries Company LLC.

**Interest**

The term loan bears interest at US LIBOR rates plus applicable margin.

**Covenants**

The bank will only be obliged to make a loan available to the Borrower if the Debt to Equity Ratio is and will not be more than 76:24. The Company can only pay dividends if its debt service cover ratio is equal to or more than 1:1. There are no covenant breaches during the year.

# Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

## 28. Lease liabilities

| | 2021 RO'000 | 2020 RO'000 |
|---|---|---|
| Gross lease liability related to right-of-use assets | **271,787** | 278,806 |
| Future finance charges on finance leases | **(89,456)** | (98,162) |
| **Present value of lease liabilities** | **182,331** | 180,644 |
| | | |
| **As at 1 January** | **180,644** | 188,235 |
| Addition during the year | **29,763** | 33,664 |
| Interest charged | **10,980** | 6,310 |
| Rent concessions | **(204)** | - |
| Termination | **(297)** | - |
| Translation differences | **2,633** | (698) |
| Payment of lease liabilities | **(41,188)** | (46,867) |
| **As at 31 December** | **182,331** | 180,644 |
| | | |
| *Analyzed as:* | | |
| Current | **27,177** | 30,819 |
| Non-current | **155,154** | 149,825 |
| | **182,331** | 180,644 |

Maturity analysis of lease liabilities is disclosed in note 44.

## 29. Employees' end-of-service benefits

| | | |
|---|---|---|
| At 1 January | **77,604** | 70,354 |
| Accrued during the year | **4,251** | 14,296 |
| Net actuarial (gain) and loss | **(6,510)** | 2,935 |
| Translation differences | **(944)** | (2,936) |
| End-of-service benefits paid | **(19,454)** | (7,045) |
| **At 31 December** | **54,947** | 77,604 |

Group companies provide retirement benefits for most of their employees, either directly or by contributing to independently administered funds. The manner in which these benefits are provided varies according to the legal, fiscal and economic conditions of each country. The benefits are generally based on the employees' remuneration and years of service. The obligations relate both to existing retirees' pensions and to pension entitlements of future retirees. Group companies provide retirement benefits under defined contribution and/or defined benefit plans.

# Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

## 29. Employees' end-of-service benefits (continued)

With effective from 1 January 2021, based on the harmonization initiative of OIA and the Group, the Group 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.

### *i) Oman Oil Holding Europe B.V*

The defined benefit obligations are basically regulated by "Ordnung der betrieblichen Zusatzversorgung". Benefit payments depend on the pensionable income. The monthly payment is between 11.5% and 15% of that part of the pensionable income that exceeds the income threshold in the German statutory pension insurance. Condition precedent to receive the benefit payments is leaving the company at the age of 63 (normal case) or at the age of 60 (early retirement). In addition, the pension scheme also provides benefits in the case of incapacity and for surviving dependents.

The adjustment of the regular benefit payments is made in accordance with § 16 of the German Company Pension Act (Betriebsrentengesetz). These defined benefit plans expose OOHE to actuarial risks, such as longevity risk, currency risk and interest rate risk.

**Multi-employer plan**

For German employees, a basic level of benefits is provided by the legally independent funded plan, Pensionskasse der Mitarbeiter der Hoechst-Gruppe WaG, which is financed by contribution of employees and the Group and by the return on plan assets. This plan is a multi-employer plan in a form of a defined benefit plan, but is accounted for as a defined contribution plan. The reason for this accounting practice is that the plan exposes the participating companies to actuarial risks associated with the current and former employees of other companies. There is no consistent and reliable basis for allocating the obligation, plan assets and cost to individual enterprises participating in the plan. Therefore, the plan is recorded as defined contribution plan in accordance with IAS 19.34.

Based upon the statutory actuarial valuations of 2021, the pension obligations of the legally independent funded plan are fully funded. For 2022, it is expected that the pension fund's liabilities are fully funded by plan assets. In the case where this multi-employer plan faces a situation where the pension plan liabilities exceed plan assets, this can be remedied by either increasing the employer's contribution to the pension plan or by reducing the benefits which are paid to entitled parties. In the event that pension plan benefits are reduced, it has to be verified whether this will trigger a requirement for additional funding by the employer. This decision is at the discretion of the board of the pension fund, which comprises representatives of the participating companies and employee representatives.

# Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

## 29. Employees' end-of-service benefits (continued)

**Defined benefit plans**

All other retirement benefit plans are defined benefit plans, which are unfunded, i.e., financed by provisions. The actuarial valuations using the projected unit credit method per IAS 19 were undertaken using the following assumptions:

i) *Oman Oil Holding Europe B.V (continued)*

| | **2021** | 2020 |
|---|---|---|
| Discount rate | **1.25%** | 0.60% |
| Projected salary increase | **2.50%** | 2.50% |
| Projected pension increase | **1.75%** | 1.75% |

Assumptions regarding future mortality are based on published statistics and mortality tables. Age and gender specific fluctuation likelihoods were taken into account. The status of unfunded defined pension benefit obligations were computed as follows based on the above parameters:

| | **2021** | 2020 |
|---|---|---|
| Defined benefit obligation as of January 1 | **36,483** | 35,410 |
| Benefits paid | **(563)** | (496) |
| Current service cost | **1,163** | 1,026 |
| Interest cost | **224** | 286 |
| Past service cost | **454** | 258 |
| Net actuarial (gain) / loss | **(4,638)** | 2,935 |
| - changes in financial assumptions | **(4,567)** | 2,498 |
| - experience adjustment | **(71)** | 437 |
| Translation differences | **(208)** | (2,936) |
| **Defined benefit obligation as of December 31** | **32,915** | 36,483 |

The weighted-average duration of the defined benefit obligation is 19 years.

The cost for the defined benefit pension plans are comprised as follows:

| | | |
|---|---|---|
| Current service cost | **1,163** | 1,026 |
| Interest cost | **224** | 286 |
| Past service cost | **454** | 258 |
| **Pension expense** | **1,841** | 1,570 |

# Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

## 29. Employees' end-of-service benefits (continued)

### i) *Oman Oil Holding Europe B.V (continued)*

Expected payments from pension obligations existing at 31 December 2021 are as follows:

| | 2022 | 2023 | 2024 | 2025 | 2026 | 2027-2030 |
|---|---|---|---|---|---|---|
| Pension obligations | 772 | 873 | 960 | 1,012 | 1,063 | 5,512 |

*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 000's | |
|---|---|---|
| Defined benefit obligation as at 31 December 2021 | | **32,915** |
| | Increase | Decrease |
| Discount rate (0.50% points) | **31,370** | **37,786** |
| Projected salary (0.50% points) | **34,541** | **34,164** |
| Projected pension (0.50% points) | **36,984** | **31,989** |

### *ii) Oman based group companies*

The Group entities operating in Oman also provide end-of-service benefits to its expatriate employees. End-of-service benefits are in accordance with the terms of employment of the Group'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. As at 31 December 2021, the amount of obligation 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:

| | **2021** |
|---|---|
| Discount rate | **5.5%** |
| Future salary increase | **3%** |
| Retirement age in years | **60** |

Maturity profit of the obligation is as follows:

| | |
|---|---|
| Less than 1 year | **2,084** |
| More than 1 year | **7,902** |
| | **9,986** |

# Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

## 29. Employees' end-of-service benefits (continued)

ii) *Oman based group companies*

Movement in the present value of obligation is as follow:

| | 2021 RO'000 |
|---|---|
| At 1 January | **12,358** |
| Service cost | **1,374** |
| Benefits paid | **(1,874)** |
| Actuarial gains on obligation | **(1,872)** |
| At 31 December | **9,986** |

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

| | |
|---|---|
| Service cost | **1,374** |

The amount recognised in the consolidated statement of other comprehensive income

| | |
|---|---|
| Actuarial gain – experience adjustment | **1,872** |

*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 000's | |
|---|---|---|
| | Increase | Decrease |
| Discount rate (0.50% points) | **(282)** | **296** |
| Projected salary (0.50% points) | **302** | **(290)** |

## 30. Provisions

| | Site restoration RO'000 | Provision for rich gas RO'000 | Total RO'000 |
|---|---|---|---|
| At 1 January 2020 | 113,392 | - | 113,392 |
| Additions / (reversals) – net | 13,186 | - | 13,186 |
| Unwinding of discount | 8,272 | - | 8,272 |
| At 31 December 2020 | 134,850 | - | 134,850 |
| Additions / (reversals) – net | **(42,643)** | **12,027** | **(30,616)** |
| Unwinding of discount | **7,581** | **(5,184)** | **2,397** |
| **At 31 December 2021** | **99,788** | **6,843** | **106,631** |

# Notes to the consolidated financial statements
# for the year ended 31 December 2021 (continued)

## 30. Provision for site restoration and abandonment cost (continued)

### *i) Site restoration*

The Group makes full provision for the future cost of site restoration and abandonment oil and gas assets by discounting the future expected cash flows at a pre-tax rate that reflect current market assessment of the time value of money and the risk specific to the liability. The site restoration and abandonment provision represent the present value of site restoration and abandonment costs relating to oil and gas assets, which are expected to be incurred up to the point when the producing oil and gas assets are expected to cease operations. These provisions have been created either based on the Group's internal estimates or through independent external consultants.

Assumptions based on the current economic environment have been made, which management believes are a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual decommissioning costs will ultimately depend upon future market prices for the necessary decommissioning works required that will reflect market conditions at the relevant time.

Furthermore, the timing of decommissioning is likely to depend on when the fields cease to produce at economically viable rates. This, in turn, will depend upon future oil and gas prices, which are inherently uncertain. The discount rate used in the calculation of the provision as at 31 December 2021 were in range from 7.37% to 8.11% (2020: 6.67% to 8.09%). The change in discount rate resulted in decrease of provision of RO 42.6 million as at 31 December 2021. The outflow of resources from the settlement of provision are expected to occur between 2027 to 2043.

### *ii) Provision for rich gas*

This represents accrued expenses in relation to the rich gas supplied for OQ LPG plant. The amount of provision is recognised based on the future projections of OQ LPG. The discount rate used in the calculation of provision as at 31 December 2021 was 8.11%. The outflow of resources from the settlement of provision are expected to occur from 2028.

# Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

## 31. Related party transactions and balances

Related parties represent associated companies, shareholder, directors and key management personnel of the Group, and companies over which they are able to exert significant influence. Pricing policies and terms of these transactions are approved by the Group's Management.

The aggregate value of transaction with related parties is as follows:

| | **2021** | 2020 |
|---|---|---|
| | **RO '000** | RO '000 |
| *Purchases of goods and services* | | |
| - OIA and its' affiliates | **3,279,219** | 2,325,055 |
| - Associates and joint ventures | **119,174** | 56,687 |
| - Other common control entities | **282,574** | 191,043 |
| | | |
| *Sale of goods and services* | | |
| - OIA and its' affiliates | **152,778** | 162,477 |
| - Associates and joint ventures | **120,298** | 9,516 |
| - Other common control entities | **14,826** | 7,023 |
| | | |
| *Interest expense* | | |
| - Other common control entities | **219** | 271 |
| | | |
| Board sitting fee | **80** | 149 |
| Directors' remuneration | **429** | 440 |

The remuneration of key management of the group during the year was as follows:

| | | |
|---|---|---|
| Short-term benefits | **6,237** | 6,688 |
| Employees' end of service benefits | **786** | 347 |

As a result of Group's realignment of its operating strategies, the Integration Leadership Team (ILT) was constituted at the start of the group integration process, which consists of representatives of all group Business Lines and Functions. The members of ILT were considered as key management personnel for the purpose of this note.

# Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

## 31. Related party transactions and balances (continued)

| | 2021 RO'000 | 2020 RO'000 |
|---|---|---|
| *Amount due from related parties – non-current* | | |
| Associates and joint ventures (i & ii)) | **85,394** | 118,466 |
| Allowance for credit loss (ii) | **(6,639)** | (1,430) |
| | **78,755** | 117,036 |
| *Amount due from related parties –current* | | |
| OIA and its' affiliates (iii) | **132,883** | 44,402 |
| Associates and joint ventures | **20,723** | 13,310 |
| Others | **-** | 1,310 |
| | **153,606** | 59,022 |
| *Amount due to related parties – current* | | |
| OIA and its' affiliates | **457,437** | 261,437 |
| Associates and joint venture | **24,396** | 21,241 |
| Other common control entities | **535** | 1,871 |
| | **482,368** | 284,549 |
| *Amount due to related parties – non-current* | | |
| OIA and its' affiliates | **9,242** | 9,242 |
| Associates and joint ventures | **-** | 4,198 |
| | **9,242** | 13,440 |

(i) The amount of loan paid to SAC amounting to RO 46.9 million as at 31 December 2020, was repaid during the year.

(ii) This includes loan to ABIS amounting to RO 6.6 million (2020: RO 6.6 million). The loan represents the following:

- Interest bearing loan from OQ Plastic LLC of RO 4.1 million;
- Interest free loan from OQ Plastic LLC of RO 1.0; and
- Interest bearing loan of RO 1.4 million from OQ Refineries LLC.

Furthermore, as at 31 December 2021, the Group has accrued interest income of RO 0.6 million from the above loans which is recognised under other receivables. The total amount of loan and interest accrued thereon amounting to RO 7.1 million, was impaired as at 31 December 2021 resulting an impairment loss of RO 5.8 million for the year.

(iii) This includes an amount of RO 47.8 due from OIA in respect of transfer of Takatuf and OSC (note 16a).

Amounts due from related parties are unsecured and do not have a fixed repayment schedule except wherever mentioned. The management does not expect repayments in the next twelve months. Accordingly, these amounts are classified as non-current.

# Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

## 32. Other liabilities – non-current

| | 2021 | 2020 |
|---|---|---|
| | **RO'000** | RO'000 |
| Deferred payment obligation | **1,540** | 3,012 |
| Deferred income | **14,067** | 2,116 |
| Payable to the joint operator (i) | **23,252** | 15,508 |
| Other payables | **4,465** | 4,857 |
| | **43,324** | 25,493 |

i. During 2014, the Group entity OQ RPI and Compañía Logística de Hidrocarburos CLH, S.A. ("CLH") set up a joint operation company, OQ Logistics LLC (OLC) with a equity share ownership of 60% and 40%, respectively.

OQ Logistics LLC purpose was to, at its cost and expense, design, develop, finance (including any third party financing), construct and implement, acquire or have, on its behalf, designed, developed, constructed and implemented the Muscat Sohar Pipeline Project ("MSPP").

The contractual arrangement provides OQ RPI and CLH rights to control OQ Logistics LLC as the decisions about the relevant activities require unanimous resolutions to be passed at a duly convened meeting of the board of directors. CLH will provide staff members who shall locate in Oman for the operation of the OQ Logistics LLC.

Accordingly considering the requirements of IFRS 11, it has been concluded that the joint arrangement between OQ RPI and CLH is a joint operation. In accordance with IFRS 11 the joint operator recognises its:

- assets, including its share of any assets held jointly
- liabilities, including its share of any liabilities incurred jointly

Shareholders' agreement specifies minimum period of stay of CLH within the share capital of OLC as 5 years post commissioning of the MSPP project which happened in March 2018. This will open an "option period" of six months during April to September 2023 where either OQ RPI can activate a call option or CLH can activate a put option.

At the moment of execution of the call option, OQ RPI will pay to CLH an amount in cash that ensures that the equity invested by CLH compared to the annual dividends received by CLH provides a profitability of 15% (per annum). Similarly, in the event of CLH exercising a put option, OQ RPI will guarantee a profitability of 12% (per annum) return to CLH on its equity invested in OLC.

# Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

## 32. Other liabilities – non-current (continued)

In accordance with the contractual agreement, OQ RPI and CLH collectively have rights to it's respective net assets of OLC. Considering the nature of the logistic assets they can only be used by OQ RPI as it the sole refinery in Sultanate of Oman and in accordance with the Government mandate the marketing companies can procure oil only from OQ RPI.

Therefore OQ RPI has the rights to substantially all of the economic benefits of the assets of the joint arrangement. OQ RPI will pay rentals to OLC for using logistics assets. The rental paid by OQ RPI to OLC would be the only source of cash flows for the OLC, which will be utilized by OLC to pay its operating expenses and bank debt. In accordance with IFRS 11, OQ RPI shall recognise all assets and liabilities to the extent of its holding including the funds provided by CLH which would also need to be presented as liabilities of OQ RPI.

Summarised financial information of the Group's share of assets and liabilities which have been included in consolidated statement of financial position are set out below:

| | **2021** | 2020 |
|---|---|---|
| | **RO'000** | RO'000 |
| Non-current assets | **112,617** | 117,405 |
| Current assets | **12,896** | 10,746 |
| Current liabilities | **(57,473)** | (12,007) |
| Non-current liabilities | **(10,279)** | (63,507) |
| | **57,761** | 52,637 |
| CLH Share in OQ Logistics LLC (40%) | **(23,104)** | (22,839) |
| Investment by OQ RPI in OQ Logistics LLC (60%) | **34,657** | 29,798 |

It is possible but not probable that CLH will activate their put option in OLC. The possible commitment arising from the future activation of the put option, based on the profitability of OLC from inception till December 2021, gives rise to a contingent liability up to RO 35.1 million (USD 91.2 million) on option exercise date.

## 33. Trade and other payables

| | **2021** | 2020 |
|---|---|---|
| | **RO'000** | RO'000 |
| Trade payables | **494,851** | **571,929** |
| Accrued expenses | **426,620** | **332,036** |
| Other payable | **295,752** | **204,515** |
| | **1,217,223** | **1,108,480** |

Trade payables include an amount of RO 3.8 million (2020: RO 3.1 million) due to related parties under common control.

# Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

## 34. Revenue

The Group derives its revenue from contracts with customers for the transfer of goods and services over time and at a point in time in the following major product lines.

| | 2021<br>RO'000 | 2020<br>RO'000 |
|---|---|---|
| ***Products transferred at a point in time*** | | |
| Sale of petroleum products | **6,949,091** | 4,091,132 |
| Others | **1,328,018** | 928,553 |
| ***Products and services transferred over a period of time*** | | |
| Services | **312,343** | 302,157 |
| Others | **178,564** | 71,947 |
| | **8,768,016** | 5,393,789 |

**Cost of sales**

| | | |
|---|---|---|
| Cost of materials | **6,926,211** | 4,318,325 |
| Salaries and wages (note 38.1) | **144,690** | 129,937 |
| Depreciation charged (Note 6) | **549,676** | 450,279 |
| Other overheads | **251,118** | 243,630 |
| | **7,871,695** | 5,142,171 |

Increase in revenue was driven by an increase in sales volumes, coupled with a significant increase in the price of oil, refined products and other energy commodities. Information about the geographical location of the revenue is disclosed in note 47. Revenue generated from certain assets are assigned to the borrowers against the facilities extend by the borrowers (note 27).

## 35. Investment income / (loss)

| | | |
|---|---|---|
| Dividend income on investments | **19,186** | 11,730 |
| Net gain / (loss) on disposal of investments* | **41,169** | (10,166) |
| Changes in fair value of investments | **7,169** | (66,445) |
| | **67,524** | (64,881) |

*Current year gain on disposal of represents gain from BORL and REN as disclosed in note 16a and 16b, respectively (2020: Quingdao Lidong Chemical, Quingdao Lixing Logistics and CUC).

# Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

## 36. Share of result of equity accounted investments

| | 2021 RO'000 | 2020 RO'000 |
|---|---|---|
| Share of results of associates (note 11) | **19,180** | (1,494) |
| Share of results of joint ventures (note 12) | **69,475** | (208,781) |
| | **88,655** | (210,275) |

## 37. Other income / expenses - net

| | | |
|---|---|---|
| Lease income (note 14) | **24,228** | 24,996 |
| Income from services provided to OQ8 | **18,888** | 9,321 |
| Gain on disposal of fixed assets | **45** | - |
| Other operating income | **15,236** | 12,798 |
| | **58,397** | 47,115 |

## 38. Administrative expenses

| | | |
|---|---|---|
| Staff related expenses (38.1) | **136,233** | 103,898 |
| Depreciation and amortization (Note 6) | **34,343** | 47,821 |
| Professional fees | **14,113** | 25,595 |
| Exploration expenditure, including write offs | **765** | 3,116 |
| Selling and distribution expenses | **30,278** | 15,495 |
| Traveling expenses | **2,739** | 2,500 |
| Corporate social responsibility (CSR) expenses | **7,571** | 4,091 |
| Research and development | **3,914** | 3,393 |
| IT expenses | **20,319** | 6,810 |
| Insurance costs | **10,880** | 8,653 |
| Repair and maintenance | **12,598** | 8,426 |
| Other administration expenses | **45,430** | 25,656 |
| | **319,183** | 255,454 |

38.1 Staff related expenses of the Group included in administrative expenses and cost of sales comprise the following:

| | | |
|---|---|---|
| Wages and salaries | **233,689** | 195,365 |
| Performance bonus | **29,774** | 4,968 |
| End of service benefits | **4,251** | 14,296 |
| Other | **13,209** | 13,209 |
| | **280,923** | 227,838 |

# Notes to the consolidated financial statements
# for the year ended 31 December 2021 (continued)

## 39. Impairment losses - (released) / charged - net

| | 2021 RO'000 | 2020 RO'000 |
|---|---|---|
| Net impairment of property, plant and equipment (Note 6) | **43,201** | 1,138,859 |
| Net (release) / charge of impairment relating to Oil and gas production and development assets (Note 7) | **(197,731)** | 152,534 |
| Exploration assets written off (Note 9) | **2,587** | - |
| Impairment of intangible assets (Note 9) | **-** | 40,903 |
| Impairment of investment in associates (Note 11) | **76** | 3,886 |
| Reversal of impairment on held for sale assets (Note 16a) | **(22,006)** | - |
| Impairment of fair value through profit and loss investments (Note 16b) | **-** | 3,880 |
| Impairment of inventory (Note 19) | **249** | 134 |
| Allowance for expected credit loss | **776** | 3,801 |
| Allowance for credit loss on loan to joint venture (note 31) | **5,741** | - |
| Impairment charge/ (release) of other assets | **30** | 6 |
| | **(167,077)** | 1,344,003 |

## 40. Net finance cost

| | 2021 | 2020 |
|---|---|---|
| *Finance income* | | |
| Interest income | **13,991** | 16,664 |
| | | |
| *Finance cost* | | |
| Interest expense on borrowings | **156,765** | 122,671 |
| Unwinding of discount on site restoration provision | **2,397** | 8,272 |
| Interest on lease liabilities | **6,296** | 6,311 |
| Other finance charges | **1,968** | 4,440 |
| | **167,426** | 141,694 |
| | | |
| *Foreign exchange losses – net* | | |
| Realised exchange loss | **(1,816)** | (1,225) |
| Unrealised exchange loss | **(9,585)** | (1,374) |
| | **(11,401)** | (2,599) |
| | | |
| **Net finance cost** | **164,836** | 127,629 |

## 41. Income tax

Taxation in respect of the Group's taxable entities represents the aggregate of the Omani and foreign income taxes applicable to the Parent Company and subsidiary companies in accordance with the relevant fiscal regulations. The tax rate applicable to the Group companies operating in the Sultanate of Oman is 15% (2020: 15%). The tax authorities in the Sultanate of Oman follow the legal entity concept. There is no concept of group taxation in Oman. Accordingly, each legal entity is taxable separately.

For the purpose of determining the taxable result for the year, the accounting results of the individual Group entities have 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.

Management believes that additional taxes, if any, assessed in respect of the open tax years of the Parent Company and its subsidiaries would not be material to the Group's financial position at 31 December 2021 or to its results for the year then ended.

| | **2021** | 2020 |
|---|---|---|
| | **RO'000** | RO'000 |
| **Current liabilities** | | |
| Current year | **27,295** | 13,321 |
| Prior year | **1,846** | 1,315 |
| | **29,141** | 14,636 |
| **Profit or loss** | | |
| *Current tax expense* | | |
| Current year | **36,343** | 12,281 |
| Prior year | **(623)** | 1,882 |
| | **35,720** | 14,163 |
| *Deferred expense / (income)* | | |
| Current year | **55,586** | (728) |
| Prior year | **985** | - |
| | **56,571** | (728) |
| **Tax expense for the year** | **92,291** | 13,435 |
| **Movement in net deferred tax (liability) / asset** | | |
| At 1 January | **(113,581)** | (110,045) |
| Movement during the year (statement of profit or loss) | **(56,571)** | 728 |
| Movement during the year (statement of other comprehensive income) | **813** | (4,264) |
| | **(169,339)** | (113,581) |

# Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

## 41. Income tax (continued)

The deferred tax (liabilities) / assets are attributable to the following:

| | **At 1 January 2021 RO'000** | **Movement RO'000** | **At 31 December 2021 RO'000** |
|---|---|---|---|
| Investment in associates | **13,322** | **(9,900)** | **3,422** |
| Provisions | **18,628** | **267** | **18,895** |
| Un-realised exchange differences on loans to related parties | **2,224** | **(845)** | **1,379** |
| Tax losses of subsidiaries | **66,126** | **(47,730)** | **18,396** |
| Property, plant and equipment | **(214,977)** | **328** | **(214,649)** |
| Others | **1,096** | **2,122** | **3,218** |
| | **(113,581)** | **(55,758)** | **(169,339)** |

| | At 1 January 2020 RO'000 | Movement RO'000 | At 31 December 2020 RO'000 |
|---|---|---|---|
| Investment in associates | 13,322 | - | 13,322 |
| Provisions | 32,435 | (13,807) | 18,628 |
| Un-realised exchange differences on loans to related parties | - | 2,224 | 2,224 |
| Tax losses of subsidiaries | 49,588 | 16,538 | 66,126 |
| Property, plant and equipment | (221,634) | 6,657 | (214,977) |
| Others | 16,244 | (15,148) | 1,096 |
| | (110,045) | (3,536) | (113,581) |

This is presented in the consolidated statement of financial position as follows:

| | **2021 RO'000** | 2020 RO'000 |
|---|---|---|
| Deferred tax assets | **29,756** | 36,602 |
| Deferred tax liabilities | **(199,095)** | (150,183) |
| | **(169,339** | (113,581) |

The group has not recognised deferred tax assets on carried forward tax losses, impairment of property, plant and equipment and fair value changes in derivatives financials instruments in the amount of RO 379.2 million (2020: RO 416.19 million). Un-recognised deferred tax asset of RO 361.8 million (2020: RO 404.19 million) have no expiry date. Un-recognised deferred tax asset of RO 17.5 million (2020: RO 12.0 million) and RO 1.3 million (2020: 0.9) have carried forward of 5 years and 6 years, respectively.

# Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

## 41. Income tax (continued)

| | **2021** **RO'000** | 2020 RO'000 |
|---|---|---|
| (Loss)/ profit before tax | **793,955** | (1,703,065) |
| Income tax on Parent and subsidiaries in Oman at 15% | **119,093** | (256,972) |
| Effect of tax in foreign jurisdictions | **(10,523)** | (5,409) |
| Overseas withholding tax credit not available due to excess rates | **3,728** | - |
| Tax exempt revenue | **(152,942)** | (22,719) |
| Under provision in earlier years | **1,789** | 5,371 |
| Un-recognised deferred tax asset | **76,593** | 260,467 |
| Previously un-recognized deferred tax asset | **(6,980)** | - |
| Non-deductible expenses | **61,533** | 32,698 |
| **Tax expense for the year** | **92,291** | 13,436 |

*Parent Company*

The tax authorities have recently completed assessment for tax years 2015 to 2017 in which certain adjustments have been made. The Company has not accepted these adjustments made to the taxable income and therefore, the Company has submitted an objection on 7th February 2021 against these adjustments. The Company's Tax assessment for the years 2018 and 2019 are pending and have not yet been finalized. The management is of the opinion that any additional taxes assessed for the open tax years, if any, would not be material to the Company's financial position as at 31 December 2021.

*Subsidiaries*

The tax assessments of subsidiaries are at different stages of completion. Management does not expect any additional tax liabilities to be incurred relating to the open tax years.

For the Netherlands' subsidiaries, the deferred taxes as of the reporting date were calculated with a tax rate of 25% (2020: 25%).

Domestic tax rate for subsidiaries registered in United Arab Emirates is Nil.

*Tax rate on Mukhaizna and Block 9 concession*

Revenue from certain Exploration Production Sharing Agreements (EPSAs) are taxed at the rate specified in the relevant EPSA, and paid to the Government through their share of profit oil, hence excluded from the Group's income tax expenses. The tax rate on profit oil and gas from Block 53, Block 9 and Block 61 is 55% (2020: is 55%).

# Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

## 42. Earnings per share

Earnings per share is calculated by dividing the net profit for the year attributable to the shareholders of the Parent Company by the weighted average number of shares in issue during the year as follows:

| | **2021** | 2020 |
|---|---|---|
| Profit / (loss) attributable to shareholders (RO'000) | **700,085** | (1,717,588) |
| Weighted average number of shares for basic and diluted EPS | **3,428,629,083** | 3,428,629,083 |
| **Basic and diluted earnings / (loss) per share (RO)** | **0.204** | (0.501) |

## 43. Contingencies and commitments

The following contingent liabilities have not been provided for in the consolidated financial statements, as it is not anticipated that any material liabilities will arise from these contingencies:

| | **2021** | 2020 |
|---|---|---|
| | **RO'000** | RO'000 |
| Letter of credit | **147,107** | 66,962 |
| Performance guarantees and bonds | **1,193,306** | 1,235,340 |
| | **1,340,413** | 1,302,302 |
| Capital and expenditure commitments | **979,653** | 906,908 |

Following are the contingent liabilities specific to each Group entity:

**Parent Company**

In September 2007, the Parent Company executed and delivered a payment guarantee on behalf of OQT in favour of the Government of the Sultanate of Oman (the Government), pursuant to which the Parent Company guarantees on a several basis 51% of any amounts due and payable by OQT to the Government pursuant to crude supply contract entered into from time to time by OQT with the Ministry of Oil and Gas.

The Parent Company has provided a guarantee in favour of Musandam Power Company (MPC), in order to release the pre-IPO DSRA balance to the sponsors (OOC and LGI), Bank Muscat required an undertaking from each of OOC and LGI to return its pro rata portion of the released funds in the event there is a call on DSRA being funded from MPC cash flows.

## 43. Contingencies and commitments (continued)

**Parent Company (continued)**

Further, the Parent Company has issued letters of support to certain components, for which the Parent Company would provide necessary financial support to enable them to continue to operate as going concerns and to discharge their liabilities to other parties, as they fall due. The support letters are effective for period of 12 months from the date of the financial statements.

**OOCL**

*Capital commitments*

The capital commitment for Dunga project as per Dunga's annual work program and approved budget in 2021 is RO 8.5 million (2020: RO 10.3 million).

*Contingent liabilities*

OOCL is a party to various legal proceedings related to business operations, such as property damage claims and employee claims. OOCL does not believe that pending or threatened claim of these types, individually or in aggregate, are likely to have any material adverse effect on the OOCL Branch's financial position or results of operations.

**OQ RPI**

The possible commitment arising from the future activation of the put option by CLH, based on the profitability of OLC from inception till December 2021, gives rise to a contingent liability up to RO 35.07 million (USD 91.16 million) on option exercise date (Note 32).

*Nitrogen supply agreements*

OQ RPI Group was having two agreements with ALSIG to supply nitrogen to its plants. During the year 2020 the agreements have been unified under one agreement to all its plants including Aromatics, PP, Refinery and SRIP. Under the Agreement, OQ RPI undertake to purchase from ALSIG all its nitrogen requirements from the first cubic meter of nitrogen required by all its plants up to the NCQs set forth in the agreement. Quantity to be purchase maximum at 9,720 normal metric cube per hour.

*Contingent liabilities*

The OQ RPI Group have ongoing trial for various labor cases filed. The management is of the view that no material losses will arise in respect of the legal claim at the date of these consolidated financial statements.

## 44. Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

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

Management has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has entrusted the Management with the responsibility of development and monitoring the Group's risk management policies and procedures and its compliance with them.

The Group Internal Audit oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board.

**Credit risk**

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers and investment securities.

# Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

## 44. Financial risk management (continued)

### Credit risk (continued)

As at 31 December 2021, the Group'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 Group due to failure to discharge an obligation by the counterparties arises from the carrying amount of the respective recognised financial assets as stated below:

| Break down of financial assets | Classification | 2021 RO'000 | 2020 RO'000 |
|---|---|---|---|
| Due from related parties | Amortised cost | **232,361** | 176,058 |
| Trade and other receivables | Amortised cost | **1,178,171** | 746,852 |
| Concession receivables | Amortised cost | **829,529** | 798,764 |
| Lease receivables | Amortised cost | **250,267** | 259,348 |
| Contract assets | Amortised cost | **147,023** | 146,198 |
| Cash and cash equivalents | Amortised cost | **838,043** | 460,769 |
| Term deposits | Amortised cost | **216,606** | 203,331 |
| Investments - at fair value through profit and loss | FVTPL | **222,101** | 304,279 |
| Derivatives | FVOCI | **121,103** | 73,714 |
| Other non-current assets | Amortised cost | **5,228** | 13,456 |
| | | **4,040,432** | 3,182,769 |

Contract assets and concession receivables are all arising from transactions within the Sultanate of Oman.

| | 2021 RO'000 | 2020 RO'000 |
|---|---|---|
| **Details of trade receivables by geographic region** | | |
| Sultanate of Oman | **307,442** | 187,487 |
| Other GCC | **333,439** | 166,457 |
| Other Asian countries | **56,499** | 28,935 |
| Europe and US | **137,677** | 77,404 |
| | **835,057** | 460,283 |
| **Details of trade receivables by type of customer** | | |
| Retail customers | **5,415** | 4,219 |
| Wholesale customers | **829,642** | 456,064 |
| | **835,057** | 460,283 |

# Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

## 44. Financial risk management (continued)

### Credit risk (continued)

The ageing trade receivables at the reporting date was:

| | 2021 | | | | | 2020 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Weighted average loss rate % | Receivables RO'000 | Impairment RO'000 | Net carrying amount RO'000 | Credit impaired | Weighted average loss rate % | Receivables RO'000 | Impairment RO'000 | Net carrying amount RO'000 | Credit impaired |
| Not Past due | 1.15% | 774,324 | 7,926 | 766,398 | No | 0.20% | 397,471 | 793 | 396,678 | No |
| Past due 1-90 days | 0.45% | 49,297 | 223 | 49,074 | No | 1.0% | 21,751 | 228 | 21,523 | No |
| Past due 91-360 days | 18.90% | 7,462 | 1,410 | 6,052 | No | 7.9% | 16,550 | 1,302 | 15,248 | No |
| More than one year | 100% | 3,974 | 3,974 | - | Yes | 47% | 24,511 | 11,448 | 13,063 | Yes |
| | | 835,057 | 13,533 | 821,524 | | | 460,283 | 13,771 | 446,512 | |

Movement in allowance for expected credit loss is as follows:

| | 2021 RO'000 | 2020 RO'000 |
|---|---|---|
| At 1 January | **13,771** | 8,897 |
| (Reversal) /provided during the year | **(195)** | 4,790 |
| Currency translation adjustment | **(43)** | 84 |
| **At 31 December** | **13,533** | 13,771 |

In determining the recoverability of trade receivables the Group considers any change in the credit quality of trade receivable from the date the credit was initially granted up to the end of the reporting period.

The Group limits its credit risk with regard to bank deposits by only dealing with reputable banks. Credit risk is limited to the carrying values of financial assets in the consolidated statement of financial position. As at 31 December 2021, no impairment allowance is recognised on bank balances as it is not material (2020: Nil).

# Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

## 44. Financial risk management (continued)

### Credit risk (continued)

As at 31 December 2021 the status of past due balances of financial assets are as follows:

| 31 December 2021 | Carrying amount | Not due | Upto 90 days | Upto 360 days | Over 365 days | Total |
|---|---|---|---|---|---|---|
| | RO'000 | RO'000 | RO'000 | RO'000 | RO'000 | RO'000 |
| **Gross carrying amount:** | | | | | | |
| **Due from related parties** | **232,361** | **202,753** | **16,901** | **1,849** | **10,858** | **232,361** |
| **Trade and other receivables** | **1,178,171** | **1,117,438** | **49,297** | **7,462** | **3,974** | **1,178,171** |
| **Concession receivables** | **829,529** | **829,529** | - | - | - | **829,529** |
| **Lease receivables** | **250,267** | **250,267** | - | - | - | **250,267** |
| **Contract assets** | **147,023** | **147,023** | - | - | - | **147,023** |
| **Cash and cash equivalents** | **838,043** | **838,043** | - | - | - | **838,043** |
| **Term deposits** | **216,606** | **216,606** | - | - | - | **216,606** |
| **Investments** | **222,101** | **222,101** | - | - | - | **222,101** |
| **Derivatives** | **121,103** | **121,103** | - | - | - | **121,103** |
| **Other non-current assets** | **5,228** | **5,228** | - | - | - | **5,228** |
| | **4,040,432** | **3,950,091** | **66,198** | **9,311** | **14,832** | **4,040,432** |
| **31 December 2020** | | | | | | |
| **Gross carrying amount:** | | | | | | |
| Due from related parties | 176,058 | 176,058 | - | - | - | 176,058 |
| Trade and other receivables | 746,852 | 688,521 | 21,751 | 16,550 | 20,030 | 746,852 |
| Concession receivables | 798,764 | 798,764 | - | - | - | 798,764 |
| Lease receivables | 259,348 | 259,348 | - | - | - | 259,348 |
| Contract assets | 146,198 | 146,198 | - | - | - | 146,198 |
| Cash and cash equivalents | 460,769 | 460,769 | - | - | - | 460,769 |
| Term deposits | 203,331 | 203,331 | - | - | - | 203,331 |
| Investments | 304,279 | 304,279 | - | - | - | 304,279 |
| Commodity contracts | 73,714 | 73,714 | - | - | - | 73,714 |
| Other non-current assets | 13,456 | 13,456 | - | - | - | 13,456 |
| | 3,182,769 | 3,124,438 | 21,751 | 16,550 | 20,030 | 3,182,769 |

The Group has applied the general approach in IFRS 9 to measure the loss allowance at lifetime ECL on it's financial assets. The expected credit losses on these items by using a PD rating approach model where internal ratings is developed which are mapped to determination of probability of default, based on the external credit rating agencies such as Moody's. Where the external rating of a financial instrument is not available, the Group reviews the ability of the counterparty by reviewing their financial statements and other publicly available information and consider a proxy rating benchmarking sovereign external rating of the country where customers resides. The expected credit losses as at 31 December 2021 and 2020 is not accounted as the amount is not significant except for trade receivables.

# Notes to the consolidated financial statements
# for the year ended 31 December 2021 (continued)

## 44. Financial risk management (continued)

### Liquidity risk

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

The Group limits its liquidity risk by ensuring bank facilities and shareholders' advances are available, where required. Liquidity requirements are monitored on a regular basis and management ensures that sufficient liquid funds are available to meet any commitments as they arise.

All financial liabilities are carried at amortised cost except for certain derivative financial liability, which are carried at fair value through other comprehensive income and derivatives held for trading accounted through profit or loss. Details of maturities of financial liabilities and excluding the impact of netting agreements, are as follows:

| | | Contractual cash flows | | | | |
|---|---|---|---|---|---|---|
| **31-Dec-21** | **Carrying amount** | **Total** | **6 months or less** | **6 to 12 months** | **1 to 5 years** | **More than 5 years** |
| | **RO'000** | **RO'000** | **RO'000** | **RO'000** | **RO'000** | **RO'000** |
| Loans and borrowings | **5,259,621** | **6,073,850** | **889,710** | **312,955** | **3,031,784** | **1,839,401** |
| Lease liabilities | **182,331** | **271,787** | **16,945** | **17,628** | **82,192** | **155,022** |
| Other liabilities | **43,324** | **43,324** | **-** | **-** | **43,324** | **-** |
| Due to related parties | **491,610** | **491,610** | **482,368** | **-** | **9,242** | **-** |
| Trade and other payables | **1,217,223** | **1,217,223** | **1,217,223** | **-** | **-** | **-** |
| Commodity contracts | **37,826** | **2,084,223** | **1,162,865** | **915,481** | **5,877** | **-** |
| Interest rate hedges | **42,837** | **38,706** | **(322)** | **263** | **38,765** | **-** |
| | **7,274,772** | **10,220,723** | **3,768,789** | **1,246,327** | **3,211,184** | **1,994,423** |
| 31-Dec-20 | | | | | | |
| Loans and borrowings | 5,064,647 | 5,993,376 | 252,940 | 629,490 | 3,259,620 | 1,851,326 |
| Lease liabilities | 180,644 | 361,284 | 30,817 | 30,819 | 242,159 | 57,489 |
| Other liabilities | 25,493 | 25,493 | - | - | 25,493 | - |
| Due to related parties | 297,990 | 297,989 | 284,549 | - | 13,440 | - |
| Trade and other payables | 1,108,280 | 1,108,280 | 1,108,280 | - | - | - |
| Commodity contracts | 45,414 | 2,571,295 | 1,580,650 | 990,645 | - | - |
| Interest rate hedges | 129,984 | 126,812 | 60,094 | 12,367 | 48,321 | 6,030 |
| | 6,852,452 | 10,484,529 | 3,317,330 | 1,663,321 | 3,589,033 | 1,914,845 |

## 44. Financial risk management (continued)

### Market risk

Market risk is the risk that changes in market prices, such as commodity prices, equity prices, foreign exchange rates and interest rates will affect the Group'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.

### 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 Group has exposures to IBORs on its financial instruments that will be replaced or reformed as part of these market-wide initiatives. The Group's main IBOR exposure at 31 December 2021 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 Group will implement appropriate fallback provisions for all US dollar LIBOR indexed exposures after June 2023.

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.

#### Non-derivative financial assets

The Group does not have any non-derivative financial asset exposed to IBOR as at 31 December 2020 or 31 December 2021

#### Non-derivative financial liabilities

The Group's IBOR exposures to non-derivative financial liabilities as at 31 December 2020 were loans indexed to US dollar LIBOR. The Group 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.

# Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

## 44. Financial risk management (continued)

**Managing interest rate reform and associated risks (continued)**

**Derivatives**

The Group 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 Group'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 Group 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 Group's hedged items and hedging instruments as at the reporting date are indexed to USD LIBOR. The Group 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 Group 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 Group monitors the progress of transition from IBORs 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 Group 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 4,852.2 million (31 December 2020: RO 4,772.5 million) are yet to transition to an alternative benchmark rate and include an appropriate fallback clause.

# Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

## 44. Financial risk management (continued)

**Market risk (continued)**

### i. Commodity price risk

The Group's revenues and cash flows are sensitive to the underlying price of a number of commodities, including crude oil, refined oil products, petrochemicals, LNG and dry bulk (and related spreads) which are dependent on a number of factors and on global supply and demand. The Group is exposed to a relatively low level of commodity price risk because the timing and volumes of purchase and sale contracts are matched wherever possible. Risks relating to open physical positions are managed through commodity futures and cleared swaps wherever such contracts are available.

At the reporting date, the Group has open commodity futures and swap contracts to manage its exposure to expected fluctuations in the prices of crude oil and other oil products. The Group has provided deposits as margin requirements for these contracts.

The Group uses Value-at-Risk ("VaR") to measure, monitor and review its exposure to short-term market risk. VaR is an estimate of the potential loss on a given position or portfolio of positions over a specific holding period, based on normal market conditions and within a given statistical confidence interval.

The Board of Directors of respective companies have/has approved VaR limits through trading mandates granted and regularly reviews the limits and monitors performance against these limits. It is recognised that VaR cannot be relied upon solely to predict the size of potential losses and additional techniques are employed to monitor market risk.

Based upon VaR, taking into account approved limits and other risk management techniques, the Group's senior management will determine the need to adjust the Group's market risk profile. The 95% trading VaR during the year was:

| **Group** | **2021** | | 2020 | |
|---|---|---|---|---|
| | **Average** | **Year End** | Average | Year End |
| | **RO'000** | **RO'000** | RO'000 | RO'000 |
| Trading VaR | **749** | **962** | 881 | 580 |

These VaR values are within the limits approved by the Board of Directors of underlying subsidiaries.

# Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

## 44. Financial risk management (continued)

### Market risk (continued)

### ii. Equity price risk

The Group's listed and non-listed equity investments are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group has maintained the portfolio of investments. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Board of Directors.

*Sensitivity analysis – equity price risk – quoted investments*

The following table demonstrates the sensitivity of the Company's equity to a 5% change in the price of its quoted equity holdings, assuming all other variables in particular foreign currency rates remain constant.

| | **2021** | 2020 |
|---|---|---|
| | **RO'000** | RO'000 |
| Effect on equity | **8,690** | 12,795 |
| Effect on profit or loss | **8,690** | 12,795 |

### iii. Currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a foreign currency) and the Group's net investments in foreign subsidiaries.

The Group financial instruments are consisting of various currencies and the exposure to various currencies based on notional amounts is as detailed below*:*

| | **31 December 21** | | 31 December 2020 | |
|---|---|---|---|---|
| | **Euro** | **HUF** | Euro | HUF |
| | **'000** | **'000** | '000 | '000 |
| Investments at fair value through profit and loss | **51** | **147,496,000** | 202,551 | 128,181,47<br>1 |
| Cash and bank | **57,258** | **-** | 112,082 | - |
| Trade and Other receivables | **205,520** | **-** | 228,738 | - |
| Other payables | **(493,974)** | **-** | (727,007) | - |
| **Gross / net exposure** | **(231,145)** | **147,496,000** | (183,636) | 128,181,471 |

# Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

## 44. Financial risk management (continued)

### Market risk (continued)

### iii. Currency risk (continued)

| | **31 December 2021** | | 31 December 2020 | |
|---|---|---|---|---|
| | **Average rate** | **Spot rate** | Average rate | Spot rate |
| Foreign currency | | | | |
| Euro | **0.4535** | **0.4344** | 0.4517 | 0.4726 |
| HUF | **0.0013** | **0.0012** | 0.0013 | 0.0013 |

As the Rial Omani is pegged to US Dollars, management perceive the related currency risk to be minimal.

A 10% strengthening of the RO against the following currencies at 31 December would have impacted equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

| | **Equity** | | **Profit and loss account** | |
|---|---|---|---|---|
| | **2021** | | **2021** | |
| | **Strengthening RO'000** | **Weakening RO'000** | **Strengthening RO'000** | **Weakening RO'000** |
| Euro | **(30,620)** | **30,620** | **(708)** | **708** |
| HUF | **14,750** | **(14,750)** | **1,453** | **(1,453)** |
| | **(15,870)** | **15,870** | **745** | **(745)** |

| | Equity | | Profit and loss account | |
|---|---|---|---|---|
| | 2020 | | 2020 | |
| | Strengthening RO'000 | Weakening RO'000 | Strengthening RO'000 | Weakening RO'000 |
| Euro | (7,990) | 7,990 | (1,706) | 1,706 |
| HUF | 16,636 | (16,636) | (5,431) | 5,431 |
| | 8,646 | (8,646) | (7,137) | 7,137 |

The Group is exposed to translation risk from it Chinese Yuan denominated foreign currency operations in its subsidiary company, OQ Trading (Shanghai) Ltd, which is mitigated through hedging strategy utilizing forward exchange contracts.

# Notes to the consolidated financial statements
# for the year ended 31 December 2021 (continued)

## 44. Financial risk management (continued)

**Market risk (continued)**

**iv. Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

The Group adopts a policy of ensuring that between 50 and 70% of its interest rate risk exposure is at a fixed rate. This is achieved partly by entering into fixed-rate instruments and partly by borrowing at a floating rate and using interest rate swaps as hedges of the variability in cash flows attributable to movements in interest rates.

The Group determines the existence of an economic relationship between the hedging instrument and hedged item based on the reference interest rates, tenors, repricing dates and maturities and the notional or par amounts. If a hedging relationship is directly affected by uncertainty arising from IBOR reform, then the Group assumes for this purpose that the benchmark interest rate is not altered as a result of interest rate benchmark reform.

The Group assesses whether the derivative designated in each hedging relationship is expected to be effective in offsetting changes in cash flows of the hedged item using the hypothetical derivative method.

In these hedge relationships, the main sources of ineffectiveness are:
— the effect of the counterparty's and the Group's own credit risk on the fair value of the swaps, which is not reflected in the change in the fair value of the hedged cash flows attributable to the change in interest rates; and
— differences in repricing dates between the swaps and the borrowings.

Hedging relationships that are impacted by IBOR reform may experience ineffectiveness because of a timing mismatch between the hedged item and the hedging instrument regarding IBOR transition. For further details, see 'Managing interest rate benchmark reform and associated risks' above.

*Fair value sensitivity analysis for fixed rate instruments*

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group has not designated any derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

A change of 1% in interest rates at the reporting date would have increased / (decreased) profit and loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

# Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

## 44. Financial risk management (continued)

### Market risk (continued)

### iv. Interest rate risk (continued)

*Cash flow sensitivity analysis for variable rate instruments*

| | Profit and loss | |
|---|---|---|
| | **100bps increase** | **100 bps decrease** |
| | **RO'000** | **RO'000** |
| **2021** | | |
| Interest bearing liabilities | **2,561** | **(2,561)** |
| 2020 | | |
| Interest bearing liabilities | 2,750 | (2,750) |
| Financial assets | (42) | 42 |
| | 2,708 | (2,708) |

The Group may face increased borrowing costs on some of its Group borrowings, should lenders invoke their rights under standard market disruption clauses (where applicable), if the cost to lenders of obtaining matching deposits exceeds LIBOR for the relevant currency and interest period.

At the reporting date the interest rate profile of the Group's variable interest-bearing financial instrument was:

| | Carrying amount | |
|---|---|---|
| | **2021** | 2020 |
| | **RO'000** | RO'000 |
| **Variable rate instruments** | | |
| Financial assets | **-** | 41,578 |
| Financial liabilities | | |
| -Variable financial liabilities | **2,267,536** | 4,770,647 |
| -Variable financial liabilities – Project financing | **(107,732)** | (1,883,600) |
| | **2,159,804** | 2,887,047 |

Financial instruments comprise financial assets, financial liabilities and derivatives. Financial assets consist of cash and bank balances, investments, lease receivables, due from related parties and trade and other receivables. Financial liabilities consist of payables, loans and borrowings and accrued expenses. Derivatives consist of interest rate swaps contracts.

# Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

## 44. Financial risk management (continued)

### Market risk (continued)

### iv. Interest rate risk (continued)

The details of the terms and loans of the Group are as follows:

| Type | Currency | Nominal interest rate % | Year of maturity | 2021 Fair value RO'000 | 2021 Carrying amount RO'000 | 2020 Fair value RO'000 | 2020 Carrying amount RO'000 |
|---|---|---|---|---|---|---|---|
| Secured bank loan | USD | Libor + margin | 2029 | **236,161** | **232,174** | 208,255 | 204,066 |
| Secured bank loan | USD / OMR | Libor + margin | 2030 | **97,599** | **97,599** | 99,667 | 99,667 |
| Secured bank loan | OMR | Libor + margin | 2022 | **13,559** | **13,559** | - | - |
| Secured bank loan | USD | Libor + margin | 2020-2028 | **102,658** | **102,658** | 87,479 | 87,479 |
| Secured bank loan | USD | Libor + margin | 2024 | **325,854** | **324,056** | 385,100 | 381,525 |
| OQ Chemicals - First Lien B-1 | Euro | Libor + margin | 2024 | **207,516** | **205,702** | 224,498 | 223,188 |
| OQ Chemicals - First Lien B-2 | USD | Libor + margin | 2024 | **170,808** | **169,976** | 173,295 | 172,048 |
| Secured bank loan | Euro | 1.0% - 4.9% | 2021 | **604** | **604** | 2,239 | 2,239 |
| Secured bank loan | USD | Libor + margin | 2029 | **107,732** | **106,653** | 50,448 | 50,448 |
| Secured borrowing facility | USD | Commercial Rate | 2020 | **225,295** | **225,295** | 53,602 | 53,602 |
| Unsecured bank loan | OMR | Libor + margin | 2021 | **-** | **-** | 84,902 | 84,703 |
| Unsecured bank loan | OMR | Libor + margin | 2027 | **281,959** | **279,344** | 301,918 | 298,798 |
| Unsecured bank loan | USD | Libor + margin | 2022-23 | **-** | **-** | 173,295 | 173,295 |
| Unsecured bank loan | USD | Libor + margin | 2025 | **209,109** | **205,169** | 69,318 | 69,318 |
| Unsecured bank loan | OMR | Libor + margin | 2025 | **9,625** | **9,625** | 9,625 | 9,625 |
| Unsecured Islamic facility loan | USD | Libor + margin | 2025 | **50,063** | **50,063** | 25,032 | 25,032 |
| Unsecured Islamic facility loan | OMR | Libor + margin | 2025 | **35,000** | **35,000** | 35,000 | 35,000 |
| Secured bank loan | OMR | Commercial Rate | 2028 | **57,765** | **55,483** | - | - |
| Senior Un-secured notes | USD | 0.05125 | 2028 | **288,825** | **285,977** | - | - |
| Secured bank loan | USD | Libor + margin | 2027 | **804,367** | **796,764** | 865,954 | 856,981 |
| Unsecured bank loan | OMR | 4% | 2025 | **218,400** | **216,719** | 273,000 | 270,885 |
| Secured bank loan | USD | Libor + margin | 2029 | **60,332** | **59,812** | 67,874 | 67,308 |
| Secured bank loan | USD | Libor + margin | 2031 | **1,318,058** | **1,252,295** | 1,412,969 | 1,334,086 |
| Secured bank loan | OMR | Libor + margin | 2023 | **21,000** | **21,000** | 21,000 | 21,000 |
| Secured bank loan | USD | Libor + margin | 2022 | **156,173** | **156,173** | 163,105 | 163,105 |
| Unsecured Working capital loan | USD | Libor + margin | 2021 | **134,207** | **134,207** | 173,295 | 173,295 |
| Secured syndicated loan facilities | USD | Libor + margin | 2032 | **227,414** | **223,714** | 211,928 | 207,954 |
| | | | | **5,360,083** | **5,259,621** | 5,172,798 | 5,064,647 |

# Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

## 44. Financial risk management (continued)

### Market risk (continued)

#### iv. Interest rate risk (continued)

The fair values of the financial instruments carried at cost are not materially different from their carrying values.

**Fair value hierarchy**

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within 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).

**Fair value hierarchy (continued)**

| | 31 December 2021 | | | 31 December 2020 | | |
|---|---|---|---|---|---|---|
| | RO'000 | RO'000 | RO'000 | RO'000 | RO'000 | RO'000 |
| | Level 1 | Level 2 | Level 3 | Level 1 | Level 2 | Level 3 |
| Investments in equity securities | 173,792 | - | 48,309 | 255,897 | - | 48,382 |
| Inventories (note 19) | - | 161,842 | - | - | 126,415 | - |
| Derivatives held for trading - net (note 21) | - | 47,619 | - | - | 28,300 | - |
| Cash flow and currency swaps - net (note 21) | - | (6,707) | - | - | (84,570) | - |
| | 173,792 | 202,754 | 48,309 | 255,897 | 70,145 | 48,382 |

Movement in level 3 fair value is as follows:

| | 2021 RO'000 | 2020 RO'000 |
|---|---|---|
| Balance as at 1 January | 48,382 | 52,294 |
| Impairment charge for the year | - | (3,873) |
| Fair value changes | (73) | - |
| Changes included in OCI | - | (39) |
| Balance at 31 December | 48,309 | 48,382 |

# Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

## 44. Financial risk management (continued)

Investments at fair value through profit or loss amounting to RO 48.3 million (2020: RO 48.38 million) are carried at fair value which approximates their cost. During the year ended 31 December 2021, there were no transfers between the levels for fair value measurement of the financial instruments held by the Group (2020: None). The assumptions used in the calculation of fair value are disclosed in note 16b.

**Capital management**

The Board seeks to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The Board monitors the Group's liquidity and financial position on a regular basis. The Group periodically reviews its long term financial commitments. There were no changes in the Group's capital management policy during the year. The Group also uses gearing ratio to monitor its capital, which is calculated as debt divided by total capital. The Group includes within debt, interest bearing loans and borrowings. Capital includes equity attributable to the equity holders including retained earnings, revaluation and other reserves.

| | **2021** | 2020 |
|---|---|---|
| | **RO'000** | RO'000 |
| **Interest bearing borrowings** | **5,259,621** | 5,064,647 |
| Share capital | **3,428,436** | 3,428,435 |
| Share capital pending registration | **194** | 194 |
| Accumulated losses | **(156,140)** | (788,834) |
| Statutory reserve | **171,166** | 95,730 |
| Other reserves | **22,069** | (70,897) |
| **Total capital** | **3,465,725** | 2,664,629 |
| Ratio of debt to equity (ratio) | **1.52** | 1.90 |

# Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

## 45. Reconciliation of liabilities arising from financing activities

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

| | **At 1 Jan 2021** | **Financing cash inflows** | **Financing cash outflows** | **Non-cash transactions** | **As at 31 December 2021** |
|---|---|---|---|---|---|
| | **RO'000** | **RO'000** | **RO'000** | **RO'000** | **RO'000** |
| Term loans | **5,064,647** | **860,565** | **(655,310)** | **(10,281)** | **5,259,621** |

| | At 1 Jan 2020 | Financing cash inflows | Financing cash outflows | Non-cash transactions | As at 31 December 2020 |
|---|---|---|---|---|---|
| | RO'000 | RO'000 | RO'000 | RO'000 | RO'000 |
| Term loans | 4,772,527 | 949,314 | (652,400) | (4,794) | 5,064,647 |

## 46. Non-controlling interests

The following table summarizes the information relating to Group Subsidiary that has significant material NCI, before any inter-group eliminations.

*Summarised statement of financial position*

| | **OOMCO** | |
|---|---|---|
| | **2021** | 2020 |
| | **RO'000** | RO'000 |
| NCI Percentage | **49%** | 49% |
| **Current** | | |
| Assets | **89,670** | 65,021 |
| Liabilities | **(72,650)** | (51,642) |
| Total current net assets | **17,020** | 13,379 |
| **Non-current** | | |
| Assets | **82,501** | 81,757 |
| Liabilities | **(21,351)** | (21,543) |
| Total non-current net assets | **61,150** | 60,214 |
| Net assets | **78,170** | 73,593 |

# Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

## 46. Non-controlling interests

*Summarized statement of profit or loss and other comprehensive income*

| | OOMCO | |
|---|---|---|
| | **2021** | 2020 |
| | **RO'000** | RO'000 |
| Revenue | **560,672** | 442,209 |
| Profit before income tax | **5,732** | 1,348 |
| Income tax expense | **(1,156)** | (383) |
| Profit for the year | **4,576** | 965 |
| Other comprehensive income | **-** | - |
| Total comprehensive income for the year | **4,576** | 965 |
| Total comprehensive income allocated to non-controlling interests | **2,331** | 487 |
| Dividends paid to non-controlling interests | **-** | 1,974 |

*Summarised statement of cash flows*

| | OOMCO | |
|---|---|---|
| | **2021** | 2020 |
| | **RO'000** | RO'000 |
| **Cash flows from operating activities** | | |
| Operating activities | **3,383** | 14,439 |
| Investing activities | **(285)** | (12,720) |
| Financing activities | **(3,724)** | (7,873) |
| **Net change in cash and cash equivalents** | **(626)** | (6,154) |
| At 1 January | **13,500** | 19,654 |
| At 31 December | **12,874** | 13,500 |

# Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

## 47. Operating segments

### Basis for segmentation

The Group's organizational structure reflects various activities in which it is engaged. At 31 December 2021 and 2020, the Group had two reportable segments: Upstream and Downstream.

Upstream's activities include oil and natural gas exploration, field development and production; midstream transportation, storage and processing of oil and natural gas.

Downstream's activities include the refining, manufacturing, marketing, transportation, and supply and trading of crude oil, petroleum, petrochemicals products and related services to wholesale and retail customers.

Other businesses and corporate mainly comprises of the Group's alternative energy, marketing, manufacturing and corporate activities worldwide. None of these segments met the quantitative thresholds for reportable segments in 2021 or 2020.

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 4. However, IFRS requires that the measure of profit or loss disclosed for each operating segment is the measure that is provided regularly to the chief operating decision maker for the purposes of performance assessment and resource allocation. For the Group, this measure of performance is profit or loss before tax.

Sales between segments are made at prices substantially in line with market prices, taking into account the volumes involved. Segment revenues and segment results include transactions between business segments.

These transactions and any unrealized profits and losses are eliminated on consolidation, unless unrealized losses provide evidence of an impairment of the asset transferred. Sales to external customers by region are based on the location of the Group subsidiary which made the sale.

### Information about reportable segments and reconciliation

Information related to each reportable segment is set out below. Segment profit (loss) before tax is used to measure performance because management believes that this information is the most relevant in evaluating the results of the respective segments relative to other entities that operate in the same industries. Investments in associates and joint ventures form part of other segment (note 11 and 12).

# Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

## 47. Operating segments (continued)

### Information about reportable segments and reconciliation (continued)

| 2021 RO'000 | Reportable segments | | All other | Consolidation adjustment and | |
|---|---|---|---|---|---|
| | Upstream* | Downstream** | segment | eliminations | Total |
| External revenues | **332,052** | **8,130,802** | **305,162** | **-** | **8,768,016** |
| Inter-segment revenues | **656,347** | **-** | **-** | **(656,347)** | **-** |
| Segment revenue | **988,399** | **8,130,802** | **305,162** | **(656,347)** | **8,768,016** |
| Cost of sales (excludes direct depreciation) | **(259,839)** | **(7,166,025)** | **(297,261)** | **401,106** | **(7,322,019)** |
| Depreciation & amortization | **(309,242)** | **(214,660)** | **(26,444)** | **670** | **(549,676)** |
| Share of profit (loss) of equity accounted investees | **-** | **(69,303)** | **157,958** | **-** | **88,655** |
| Investment income | **-** | **-** | **67,524** | **-** | **67,524** |
| Impairment reversal/(losses) | **159,589** | **(85,727)** | **93,215** | **-** | **167,077** |
| Net other operating income / (expenditure) | **(12,070)** | **(566,003)** | **50,645** | **255,241** | **(272,187)** |
| Interest income | **1,552** | **3,442** | **9,031** | **(34)** | **13,991** |
| Interest expense | **(25,257)** | **(102,638)** | **(39,565)** | **34** | **(167,426)** |
| Profit (loss) before tax | **543,132** | **(70,112)** | **320,265** | **670** | **793,955** |
| Taxation | **(11,538)** | **(57,839)** | **(22,914)** | **-** | **(92,291)** |
| Profit (loss) after tax | **531,594** | **(127,951)** | **297,351** | **670** | **701,664** |
| Segment assets | **2,990,759** | **4,329,903** | **3,850,398** | **-** | **11,171,060** |
| Segment liabilities | **1,152,660** | **4,091,692** | **2,420,234** | **-** | **7,664,586** |
| *2020 RO'000* | | | | | |
| External revenues | 333,383 | 4,851,592 | 208,814 | - | 5,393,789 |
| Inter-segment revenues | 370,796 | - | - | (370,796) | - |
| Segment revenue | 704,179 | 4,851,592 | 208,814 | (370,796) | 5,393,789 |
| Cost of sales (excludes direct depreciation) | (230,733) | (4,569,789) | (185,749) | 294,379 | (4,691,892) |
| Depreciation & amortization | (259,295) | (210,435) | (26,434) | 735 | (495,429) |
| Share of profit (loss) of equity accounted investees | - | (240,775) | 30,500 | - | (210,275) |
| - Impairment losses | (152,434) | (1,187,784) | (3,880) | - | (1,344,098) |
| - Reversal of impairment losses | (4,422) | (227,997) | (74,573) | 76,417 | (230,575) |
| Net other operating expenditure | 4,129 | 5,640 | 9,084 | (2,189) | 16,664 |
| Interest income | (33,348) | (84,859) | (25,675) | 2,189 | (141,693) |
| Interest expense | 28,076 | (1,664,407) | (67,913) | 735 | (1,703,509) |
| Profit (loss) before tax | (575) | (8,828) | (4,032) | - | (13,435) |
| Taxation | 27,501 | (1,673,235) | (71,945) | 735 | (1,716,944) |
| Profit (loss) after tax | 2,123,043 | 3,184,467 | 4,580,799 | - | 9,888,309 |
| Segment assets | 1,178,424 | 5,340,146 | 665,940 | - | 7,184,510 |
| Segment liabilities | 333,383 | 4,851,592 | 208,814 | - | 5,393,789 |

# Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

## 47. Operating segments (continued)

### Geographic information

The upstream and downstream segments are managed on a worldwide basis. The geographic information analyses the Group's revenue and non-current assets by the Group entity's country of domicile. In presenting the geographic information, segment revenue has been based on the geographic location of customers and segment assets were based on the geographic location of the assets.

| | Domestic | | Foreign | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| | **RO'000** | RO'000 | **RO'000** | RO'000 |
| Revenue | **1,676,411** | 1,549,231 | **7,091,605** | 3,844,559 |
| Non-current assets | **6,768,404** | 6,364,833 | **892,533** | 1,017,018 |

The Group's sales to customers of crude oil and oil products were substantially made by the Downstream segment.

The geographic information analyses the Group's revenue is as follows:

| | **2021** | **2020** |
|---|---|---|
| | **RO'000** | RO'000 |
| Europe | **783,527** | 437,563 |
| America | **618,187** | 314,166 |
| APAC (Asia-Pacific) | **4,550,002** | 2,591,621 |
| Middle east | **2,490,613** | 1,933,964 |
| Rest of the world | **325,687** | 116,475 |
| | **8,768,016** | 5,393,789 |

## 48. COVID-19

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 group management Covid-19 strategy is consistent with the last annual financial statements.

# Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

## 49. 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'000 | Reclassification RO'000 | As currently reported RO'000 |
|---|---|---|---|
| Property, plant and equipment* | 4,243,773 | (15,148) | **4,228,625** |
| Oil and gas exploration and production and development assets* | 1,076,046 | 15,148 | **1,091,194** |
| Trade receivables | 455,803 | 4,480 | **460,283** |
| Allowance for expected credit loss | (9,291) | (4,480) | **(13,771)** |

*Refer note 6 and note 7.

Also the Group amended the classification of additions for concession arrangements in the consolidated statement of cash flow. The additions under concession arrangements are shown as investing activities. The prior year comparatives have been amended to follow the same presentation. Further, the Group amended the presentation of employee cost paid, income under concession arrangements, other non-current assets and other non-current liabilities within the operating activities. The impact of the above classifications are as follows:

| | As previously reported RO'000 | Reclassification RO'000 | As currently reported RO'000 |
|---|---|---|---|
| Operating cash flows before working capital changes | 499,545 | 63,921 | **563,466** |
| Cash from operations | 542,542 | 63,321 | **605,863** |
| Net cash from operating activities* | 528,392 | 56,274 | **584,666** |
| Net cash used in investing activities* | (770,319) | (56,274) | **(826,593)** |

*Represents additions in concession arrangements.

The above re-classification does not have any impact on profit and loss account or consolidated statement of financial position.

## 50. Approval of consolidated financial statements

These consolidated financial statements were approved and authorized for issue by the Board of Directors on 20 March 2022.


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