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 # 8

1. Nature of operations

A'Sharqiya Investment Holding Co. SAOG (the "Parent Company") and its Subsidiary (together "the Group") are incorporated in the Sultanate of Oman. The Parent Company is a public joint stock company and is principally engaged in investment related activities. The shares of the Parent Company are listed on the Muscat Stock Exchange.

The details of the investment in the Subsidiary are as follows:

Qalhat Real Estate Investments & Services LLC (QREIS)	Sultanate of Oman	Real estate investment, development, leasing and maintenance	100%

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1 Basis of preparation

The separate and consolidated financial statements have been prepared using the measurement bases specified by IFRSs for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies below.

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Basis of consolidation

The separate and consolidated financial statements consolidate those of the Parent Company and its Subsidiary undertaking as of 31 December 2021. The Subsidiary has the same reporting date as of the Parent Company which is 31 December 2021.

Entities are consolidated from the date on which control is transferred to the Parent Company and cease to be consolidated from the date on which control is transferred out of the Parent Company. Specifically, income and expenses of a Subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Parent Company gains control until the date when the Parent Company ceases to control the Subsidiary. The Parent Company applies the acquisition method to account for business combinations in accordance with IFRS 3.

Where necessary, adjustments are made to the financial statements of Subsidiary to bring the accounting policies used into line with those used by the Parent Company.

All intercompany transactions, balances and gains or losses on transactions between group entities of the Parent Company are eliminated as part of the consolidation process.

In the Parent Company's separate financial statements, the investment in the Subsidiary is carried at cost less impairment, if any.

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a Subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquirer's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

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Business combinations

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

The assets acquired and the liabilities assumed are measured at their acquisition date fair values.

Notes

(forming part of the separate and consolidated financial statements)

4 Summary of accounting policies (continued)

4.4 Foreign currency translation and transaction

Functional and presentation currency

These separate and consolidated financial statements are presented in the Rial Omani (RO) which is also the functional currency of the Parent Company and the Group.

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency of the respective Group entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items at year-end exchange rates are recognised in the separate and consolidated statement of profit or loss and other comprehensive income.

In the separate and consolidated financial statements, all items and transactions of Group entities with a transaction currency other than the Rial Omani (the Group's presentation currency) were translated into the reporting currency. Assets and liabilities have been translated into the Rial Omani at the closing rate at the reporting date.

Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

4.5 Segment reporting

A segment is a distinguishable component of the Group that is engaged in providing products or services (business segment) or in providing products or services within a particular economic environment (geographical segment) whose operating results are regularly reviewed by the Group's Chief Operating Decision Maker ("CODM"), which is subject to risks and rewards that are different from those of other segments. The chief operating decision maker, who is responsible for allocating resources assessing performance of the operating segments make strategic decisions has been identified collectively as the Board of Directors.

4.6 Revenue

Interest income is recognised on a time-proportion basis using the effective interest method.

Dividend income is recognised in consolidated statement of profit or loss on the date on which the Group's right to receive payment is established.

Other income is recognized in the period in which entitlement is established.

4.7 Financial instruments

Recognition and initial measurement of financial instruments
All financial assets and liabilities are initially recognized on the trade date, i.e., the date that the Group becomes a party to the contractual provisions of the instrument. A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue.

Notes

(forming part of the separate and consolidated financial statements)

4 Summary of accounting policies (continued)

4.7 Financial instruments (continued)

Classification and initial measurement of financial assets
On initial recognition, a financial asset is classified as measured at:

- Amortised cost;
- fair value through other comprehensive income – debt instruments;
- fair value through other comprehensive income – equity instruments;
- fair value through profit or loss.

Financial assets at amortised cost
A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss account:

- Business model test: The objective of the Group's business model is to hold the financial asset to collect the contractual cash flows (rather than to sell the instrument prior to its contractual maturity to realize its fair value changes); and
- Cash flow characteristics test: The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Business model assessment
The business model reflects how the Group manages the assets in order to generate cash flows. This is whether the Group objective is solely to collect contractual cash flows from the assets or is it to collect both the contractual cash flows and cash flows arising from the sale of the assets. If neither of these are applicable then the financial assets are classified as other business model. Factors considered by the Group in determining the business model for a Group of assets includes the past experience on how the cash flows for the asset were collected, how the assets performance was evaluated by the key management personnel, how risks are assessed and managed and how managers are

compensated.

Contractual cash flows comprise of solely payment of principal and interest

Where the Group has a business model to collect contractual cash flows, the Group assesses whether the financial instrument cash flows represents solely payments of principal and interest (SPPI). 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset. Interest is defined as consideration for time value of money and for the credit risk associated with the principal and for other basic lending risks and costs as well as a profit margin.

In making this assessment, the Group considers whether the contractual cash flows are consistent with the basic lending agreement which means the interest paid only includes the consideration for time value of money and credit risk. Financial instruments whose cash flows characteristics include elements other than time value of money and credit risk do not pass the test and are classified and measured at fair value through profit or loss.

Notes

(forming part of the separate and consolidated financial statements)

4 Summary of accounting policies (continued)

4.7 Financial instruments (continued)

Financial assets at fair value through other comprehensive income

Equity instrument which are not held for trading or issued as contingent consideration in business combination, and for which the Group has made an irrevocable election at initial recognition to recognise changes in fair value through other comprehensive income rather than profit or loss. This election is made on an investment-by-investment basis.

Debt instruments where the contractual cash flows are solely principal and interest and the objective of the business model is achieved both by collecting contractual cash flows and selling financial assets.

Financial assets at fair value through profit or loss

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss.

Financial assets, at initial recognition, may be designated at fair value through profit or loss, if the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognizing gains or losses on them on a different basis.

Financial liabilities

Financial liabilities are classified as measured at amortised cost or fair value through profit or loss.

Financial liabilities, at initial recognition, may be designated at fair value through profit or loss if the following criteria are met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis;
- The liabilities are part of Group financial liabilities which are managed, and their performance evaluated on fair value basis, in accordance with a documented risk management strategy; or
- The financial liability contains an embedded derivative that would otherwise need to be separately recorded.

Financial liabilities at fair value through profit or loss account are measured at fair value and net gains and losses, including any interest expense, are recognised in the profit or loss account.

Subsequent measurement

Financial assets

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in the separate and consolidated statement of profit or loss. Any gain or loss on derecognition is recognised in the separate and consolidated statement of profit or loss and other comprehensive income.

4 Summary of accounting policies (continued)

4.7 Financial instruments (continued)

Subsequent measurement (continued)

Financial assets at fair value through other comprehensive income

a) Debt instruments
These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in the profit or loss account. Other net gains and losses are recognised in the separate and consolidated statement of other comprehensive income. On derecognition, gains and losses accumulated in the separate and consolidated statement of other comprehensive income are reclassified to the profit or loss.

b) Equity instruments
These assets are subsequently measured at fair value. Dividends are recognised as income in the separate and consolidated statement of profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in the separate and consolidated statement of other comprehensive income and are never reclassified to the separate and consolidated statement of profit or loss.

Financial assets at fair value through profit or loss
These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in the separate and consolidated statement of profit or loss.

Financial liabilities
Financial liabilities are subsequently measured at amortized cost using the effective interest method, if applicable. The effective interest method is the method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the net carrying amount on initial recognition.

Interest expense and foreign exchange gains and losses are recognized in the separate and consolidated statement of profit or loss account. Any gain or loss on derecognition is also recognized in the separate and consolidated statement of profit or loss.

Reclassification

Financial assets
The Group will only reclassify financial assets if, and only if, the objective of the business model for managing those financial assets is changed. Such changes are expected to be very infrequent as these changes must be significant to the Group operations and demonstrable to external parties.

If the Group determines that its business model has changed in a way that is significant to its operations, then it reclassifies all affected assets prospectively from the first day of the next reporting period (the reclassification date). Prior periods are not restated.

Financial liabilities
The Group determines the classification of financial liabilities on initial recognition. Subsequent reclassification is not allowed.

Notes

(forming part of the separate and consolidated financial statements)

4 Summary of accounting policies (continued)

4.7 Financial instruments (continued)

Modifications of financial assets and financial liabilities

Financial assets
If the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Group recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in the separate and consolidated statement of profit or loss.

Financial liabilities
If the terms of a financial liability are modified and the cash flows of the modified liability are substantially different then, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in the separate and consolidated statement of profit or loss.

Derecognition

Financial assets
A financial asset (or, where applicable a part of a financial asset or part of a Group of similar financial assets) is derecognised when:

a. The rights to receive cash flows from the asset have expired; or
   b. The Group retains the right to receive cash flows from the asset, but assumes an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
   c. The Group has transferred its rights to receive cash flows from the asset and either
      (a) has transferred substantially all the risks and rewards, or
      (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in the separate and consolidated statement of other comprehensive income is recognized in the separate and consolidated statement of profit or loss.

Any cumulative gain or loss recognized in the separate and consolidated statement of other comprehensive income in respect of equity instrument designated at fair value through other comprehensive is not recognized in the separate and consolidated statement of profit or loss on derecognition of such instrument. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognized as a separate asset or liability.

Notes

(forming part of the separate and consolidated financial statements)

4 Summary of accounting policies (continued)

4.7 Financial instruments (continued)

Derecognition (continued)

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. 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 the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the separate and consolidated statement of profit or loss.

Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the separate and consolidated statement of financial position if, and only if:

- there is a currently enforceable legal right to offset the recognized amounts; and
- there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Impairment of financial assets

IFRS 9 impairment model applies to financial assets measured at amortized cost, contract assets receivables, lease receivables and debt investments at FVOCI, but not on investments in equity instruments. The financial assets at amortized cost consist of other receivables and cash at bank.

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

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

The Group measures loss allowance at an amount equal to lifetime ECLs, except for the following, which are measured as 12- month ECLs:

- Financial assets that are determined to have low credit risk at the reporting date; and
- Finance assets for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Notes

(forming part of the separate and consolidated financial statements)

4 Summary of accounting policies (continued)

4.7 Financial instruments (continued)

General approach

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

Significant increase in credit risk

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the 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 historical experience and informed credit assessment and including forward-looking information.

The Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held) or based on the certain delinquency period (days past due).

Simplified approach

The Group applies simplified approach to measuring credit losses, which mandates recognition of lifetime expected loss allowance for trade receivables without significant financing component. Under simplified approach, there is no need to monitor for significant increases in credit risk and the Group will be required to measure lifetime expected credit losses at all times.

Measurement of ECLs

ECLs are a probability weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Credit- impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

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. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group’s procedures for recovery of amounts due.

Notes

4 Summary of accounting policies (continued)

4.7 Financial instruments (continued)

Presentation of impairment

Loss allowance for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. Impairment losses related to financial assets are presented separately in the separate and consolidated statement of profit or loss and other comprehensive income.

4.8 Furniture and equipment

Furniture and equipment are initially recognised at acquisition cost, including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the Group. Furniture and equipment are subsequently measured using the cost model, cost less accumulated depreciation and impairment losses, if any.

Depreciation is recognised on straight-line to write down the cost less estimated residual value of furniture and equipment. The following useful lives are applied:

- Office equipment 2-5 years
- Furniture and fixtures 5 years

The depreciation method, assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Where the carrying amount of an asset is greater than its estimated recoverable amount it is written down immediately to its recoverable amount.

Gains or losses arising on the disposal of furniture and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in separate and consolidated statement of profit or loss within other income or other expenses.

4.9 Impairment testing

Furniture and equipment are subject to impairment testing. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. The management of the Group has reviewed the assets of the Group and is of the opinion that no impairment has occurred to furniture and equipment.

Individual assets or cash-generating units with an indefinite useful life or those not yet available for use are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value in use, based on an internal discounted cash flow evaluation. All assets are subsequently

reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment loss is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount.

Notes

(forming part of the separate and consolidated financial statements)

4 Summary of accounting policies (continued)

4.10 Income tax

Tax expense recognised in separate and consolidated statement of profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Deferred income taxes are calculated using the liability method.

Deferred tax assets are recognised to the extent that it is probable that the underlying tax loss or deductible temporary difference will be utilised against future taxable income. This is assessed based on the Group's forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax loss or credit.

Deferred tax liabilities are generally recognised in full, although IAS 12 'Income Taxes' specifies limited exemptions.

4.11 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and at bank.

4.12 Share capital and dividends

Share capital represents the nominal value of shares that have been issued.

Dividend distributions payable to equity shareholders are included in other liabilities when the dividends have been approved in a general meeting prior to the reporting date.

4.13 Bank borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised as interest expense in the separate and consolidated statement of comprehensive income over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability

for at least 12 months after the reporting date.

4.14 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets, or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Group as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability in its separate and consolidated statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

Notes

(forming part of the separate and consolidated financial statements)

4 Summary of accounting policies (continued)

4.14 Leases (continued)

Group as a lessee (continued)

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the Group's incremental borrowing rate because as the lease contracts are negotiated with third parties it is not possible to determine the interest rate that is implicit in the lease. The incremental borrowing rate is the estimated rate that the Group would have to pay to borrow the same amount over a similar term, and with similar security to obtain an asset of equivalent value. This rate is adjusted should the lessee entity have a different risk profile to that of the Group.

Subsequent to initial measurement, the liability will be reduced by lease payments that are allocated between repayments of principal and finance costs. The finance cost is the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability.

The lease liability is reassessed when there is a change in the lease payments. Changes in lease payments arising from a change in the lease term or a change in the assessment of an option to purchase a leased asset. The revised lease payments are discounted using the Group's incremental borrowing rate at the date of reassessment when the rate implicit in the lease cannot be readily determined. The amount of the remeasurement of the lease liability is reflected as an adjustment to the carrying amount of the right-of-use asset. The exception being when the carrying amount of the right-of-use asset has been reduced to zero then any excess is recognised in profit or loss.

The remeasurement of the lease liability is dealt with by a reduction in the carrying amount of the right-of-use asset to reflect the full or partial termination of the lease for lease modifications that reduce the scope of the lease. Any gain or loss relating to the partial or full termination of the lease is recognised in profit or loss. The right-of-use asset is adjusted for all other lease modifications.

Group as a lessor

As a lessor the Group classifies its leases as either operating or finance leases. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset and classified as an operating lease if it does not.

4.15 Staff terminal benefits

The provision for employees' terminal benefits is based upon the liability 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 the Social Security Law, 1991.

Government of Oman Social Insurance Scheme (the Scheme)

The Group contributes to the Scheme for all Omani employees. The Scheme, which is a defined contributions retirement plan, is administered by the Government of Oman. The Group and Omani employees are required to make monthly contributions to the Scheme at 12.5% and 8% respectively, of gross salaries.

Non-Omani employee terminal benefits

The provision for staff terminal benefits for non-Omani employees is made in accordance with the requirements of the Oman Labour Law of 2003. Employees are entitled to staff terminal benefits calculated at the rate of 15 days basic salary for each of the first three years of continuous service and at a rate of 30 days basic salary for each year of continuous service following the first three years. This is an unfunded defined benefits retirement plan. Accrued non-Omani staff terminal benefits are payable on termination of employment.

Notes

(forming part of the separate and consolidated financial statements)

4 Summary of accounting policies (continued)

4.16 Provisions, contingent liabilities and contingent assets

Provisions are recognised when present obligations will probably lead to an outflow of economic resources from the Group and they can be estimated reliably. Timing or amount of the outflow may still be uncertain.

A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events, for example, legal disputes or onerous contracts. Restructuring provisions are recognised only if a detailed formal plan for the restructuring has been developed and implemented, or management has at least announced the plan's main features to those affected by it. Provisions are not recognised for future operating losses.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Long term provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

No liability is recognised if an outflow of economic resources as a result of present obligations is not probable. Such situations are disclosed as contingent liabilities unless the outflow of resources is remote.

4.17 Significant management judgments in applying accounting policies and estimation uncertainty

When preparing the separate and consolidated financial statements, management makes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses.

Significant management judgments

The following are the judgements made by management in applying the accounting policies of the Group that have the most significant effect on the separate and consolidated financial statements.

Recognition of deferred tax assets

The extent to which deferred tax assets can be recognised is based on an assessment of the probability that future taxable income will be available against which the deductible temporary differences and tax loss carry-forwards can be utilised. In addition, significant judgement is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions.

Estimation uncertainty

Information about estimates and assumptions that may have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Useful lives of depreciable assets

Management reviews the useful lives of depreciable assets at each reporting date. At 31 December 2021, management assesses that the useful lives represent the expected utility of the assets to the Group. The carrying amounts are mentioned in Note 5.

Notes

(forming part of the separate and consolidated financial statements)

4 Summary of accounting policies (continued)

4.17 Significant management judgement in applying accounting policies and estimation uncertainty (continued)

Impairment of equity investments

The Group follows the guidance of IFRS 9 to determine when a financial asset is impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and short-term business

outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

Measurement of the expected credit loss allowance

Loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in the accounting policy above.

Income tax

Uncertainties exist with respect to interpretation of the tax regulations and the amount of timing of future taxable income. Given the wide range of business relationship and nature of existing contractual agreements, differences arising between the actual result 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 estimate, for possible consequences of the finalisation of the tax assessment of the Group. The amount of such provision is based on various factors, such as experience of previous assessment and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

Fair value for unquoted investments

The management estimates the fair value for unquoted investments by using valuation techniques as described in Note 7 to the separate and consolidated financial statements.

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3 New or revised Standards or Interpretations

3.1 New Standards adopted as at 1 January 2021

Some accounting pronouncements which have become effective from 1 January 2021 have therefore been adopted do not have a significant impact on the Group's financial results or position.

3.2 Standards, amendments and Interpretations to existing Standards that are not yet effective and have not been adopted early by the Group

At the date of authorisation of these separate and consolidated financial statements, several new, but not yet effective Standards and amendments to existing Standards, and Interpretations have been published by the IASB. None of these Standards or amendments to existing standards have been adopted early by the Group.

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New Standards, amendments and Interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the separate and consolidated financial statements.

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4.17 Significant management judgments in applying accounting policies and estimation uncertainty

When preparing the separate and consolidated financial statements, management makes a number of judgements, estimates and assumptions about recognition and

measurement of assets, liabilities, income and expenses.

Significant management judgments

The following are the judgements made by management in applying the accounting policies of the Group that have the most significant effect on the separate and consolidated financial statements.

Recognition of deferred tax assets

The extent to which deferred tax assets can be recognised is based on an assessment of the probability that future taxable income will be available against which the deductible temporary differences and tax loss carry-forwards can be utilised. In addition, significant judgement is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions.

Estimation uncertainty

Information about estimates and assumptions that may have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Useful lives of depreciable assets

Management reviews the useful lives of depreciable assets at each reporting date. At 31 December 2021, management assesses that the useful lives represent the expected utility of the assets to the Group. The carrying amounts are mentioned in Note 5.

Impairment of equity investments

The Group follows the guidance of IFRS 9 to determine when a financial asset is impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

Measurement of the expected credit loss allowance

Loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in the accounting policy above.

Income tax

Uncertainties exist with respect to interpretation of the tax regulations and the amount of timing of future taxable income. Given the wide range of business relationship and nature of existing contractual agreements, differences arising between the actual result 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 estimate, for possible consequences of the finalisation of the tax assessment of the Group. The amount of such provision is based on various factors, such as experience of previous assessment and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

Fair value for unquoted investments

The management estimates the fair value for unquoted investments by using valuation techniques as described in Note 7 to the separate and consolidated financial statements.

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Segment information of the Group

The Investment Committee makes the strategic resource allocations on behalf of the Group. The Group has determined the operating segments based on the reports reviewed by the Investment Committee that makes strategic decisions.

The Investment Committee considers the business as two sub-portfolios. These sub-portfolios consist of investments and leasing.

The reportable operating segments derive their income by seeking investments/funds to achieve targeted returns consummate with an acceptable level of risk within each portfolio. These returns consist of interest, dividends and gains on the appreciation in value of investments. There were no transactions between reportable segments.

Notes

(forming part of the separate and consolidated financial statements)

21 Segment information of the Group (continued)

The segment information provided to Investment Committee for the reportable segments is as follows:

At 31 December 2021			
Segment revenue			
Lease income	-	583,417	583,417
Dividend income	457,831	-	457,831
Other income	21,690	87,212	108,902
Total segment revenue	479,521	670,629	1,150,150
Segment expenses			
Staff costs	(222,554)	(760)	(223,314)
Finance cost on lease payable	-	(186,552)	(186,552)
General and administrative expenses	(119,676)	(4,196)	(123,872)
Other finance costs	(845)	-	(845)
Depreciation	(3,808)	(88)	(3,896)
Decrease in fair value of FVTPL assets	(13,420)	-	(13,420)
Taxation	(4,736)	(62,855)	(67,591)
Total segment expenses	(365,039)	(254,451)	(619,490)

Total profit	**114,482**	**416,178**	**530,660**
Segment assets include:			
Furniture and equipment	**6,564**	**109**	**6,673**
Capital work in progress	**-**	**282,569**	**282,569**
Deferred tax assets	**54,467**	**-**	**54,467**
Investments at fair value through other comprehensive income	**9,364,698**	**-**	**9,364,698**
Investments at fair value through profit or loss	**119,019**	**-**	**119,019**
Lease receivables	**-**	**5,036,251**	**5,036,251**
Current portion of lease receivable	**-**	**558,064**	**558,064**
Prepayments and other receivables	**29,016**	**72,510**	**101,526**
Cash and cash equivalents	**1,644,140**	**1,491,531**	**3,135,671**
Total segment assets	**11,217,904**	**7,441,034**	**18,658,938**
Segment liabilities include:			
Finance lease payable	**-**	**3,551,098**	**3,551,098**
Employees' staff terminal benefits	**112,867**	**27,834**	**140,701**
Current portion of finance lease	**-**	**15,073**	**15,073**
Other payables	**44,411**	**60,595**	**105,006**
Income tax payable	**5,970**	**62,855**	**68,825**
Total segment liabilities	**163,248**	**3,717,455**	**3,880,703**

For the comparative year, segment information is presented as follows:

At 31 December 2020			
Segment revenue			
Lease income	-	644,885	644,885
Dividend income	446,215	-	446,215
Other income	17,410	56,505	73,915
Total segment income	463,625	701,390	1,165,015
Segment expenses			
Staff costs	(221,602)	(1,030)	(222,632)
Finance cost on lease payable	-	(187,797)	(187,797)
General and administrative expenses	(137,806)	(3,889)	(141,695)
Other finance costs	(2,454)	-	(2,454)
Depreciation	(4,128)	(88)	(4,216)

Taxation	(10,149)	(67,288)	(77,437)
Total segment expenses	(376,139)	(260,092)	(636,231)
Total profit	87,486	441,298	528,784

Notes

(forming part of the separate and consolidated financial statements)

21 Segment information of the Group (continued)

Segment assets include:			
Furniture and equipment	9,680	197	9,877
Capital work in progress	-	46,730	46,730
Deferred tax assets	54,467	-	54,467
Investments at fair value through other comprehensive income	9,238,100	-	9,238,100
Investments at fair value through profit or loss	58,439	-	58,439
Lease receivables	-	5,594,315	5,594,315
Current portion of lease receivable	-	467,747	467,747
Prepayments and other receivables	23,825	462,086	485,911
Cash and cash equivalents	407,980	448,105	856,085
Total segment assets	9,792,491	7,019,180	16,811,671
Segment liabilities include:			
Finance lease payable	-	3,566,170	3,566,170
Employees' staff terminal benefits	101,982	25,309	127,291
Current portion of finance lease	-	14,285	14,285
Other payables	42,890	39,700	82,590
Income tax payable	16,507	67,288	83,795
Total segment liabilities	161,379	3,712,752	3,874,131

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Cash and bank balances

Cash at bank	**1,643,989**	407,144	**3,134,726**	854,905
Cash in hand	**151**	836	**945**	1,180
	1,644,140	407,980	**3,135,671**	856,085

There are no restrictions on bank balances at the time of approval of these separate and consolidated financial statements.

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Financial assets carried at fair value through profit or loss

At 1 January	**58,439**	-
Additions during the year	**98,801**	116,914
Disposals during the year	**(31,004)**	(70,116)
Unrealised fair value loss	**(13,420)**	(999)
Realised gain on disposals	**6,203**	12,640
At 31 December	**119,019**	58,439

Financial assets at FVTPL include investment in the following listed equity securities. The Group accounts for the investment at FVTPL and did not make the irrevocable election to account for it at FVOCI.

Financial assets at fair value through profit or loss as at 31 December 2021 are as follows:

31 December 2021		
VM Ware Inc. Class A	**457**	**20,388**
Alibaba Group Holding Ltd.	**100**	**4,576**
Vodafone Group Plc	**3,600**	**20,702**
Amazon.Com	**20**	**25,674**
Roche Holding Ag	**1,480**	**29,458**
Activision Blizzard	**712**	**18,221**
		119,019

The Group had following financial assets carried at fair value through profit or loss as at 31 December 2020:

31 December 2020		
Intel Corporation	1,293	24,801
VM Ware Inc. Class A	457	24,678
Alibaba Group Holding Ltd.	100	8,960
		58,439

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6 Leases

Lease receivables

Gross investment in finance lease	**-**	-	**9,983,711**	11,034,875
Less: unearned finance income	**-**	-	**(4,389,396)**	(4,972,813)
Present value of minimum lease receivables	**-**	-	**5,594,315**	6,062,062

Minimum lease receivables comprise of the following:

Not later than 1 year	**-**	-	**1,068,170**	1,051,164
Later than 1 year but not later than 5 years	**-**	-	**2,686,775**	3,538,907
Later than 5 years	**-**	-	**6,228,766**	6,444,804
	-	-	**9,983,711**	11,034,875

Present value of minimum lease receivables comprises of the following:

Not later than 1 year	**-**	-	**558,064**	467,747
Later than 1 year but not later than 5 years	**-**	-	**1,582,593**	2,120,480
Later than 5 years	**-**	-	**3,453,658**	3,473,835
	-	-	**5,594,315**	6,062,062

Unguaranteed residual value of the Project	-	-	**69,500**	69,500

The unguaranteed residual value of the project is based on a valuation study performed by an independent valuer.

The Subsidiary has constructed a housing complex (the project) for the use of Oman LNG LLC (OLNG). The project was completed and handed over to OLNG during March 2002 under a finance lease arrangement. The lease agreement is for a period of twenty-three years from the date of hand over of the project. The internal rate of return (IRR) on lease receivables is 16% per annum (2020: 16% per annum).

The movement of unearned finance income on lease receivable during the year was as follows:

At 1 January	-	-	**4,972,813**	5,617,698
Recognised during the year	-	-	**(583,417)**	(644,885)
At 31 December	-	-	**4,389,396**	4,972,813

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7.1 Financial assets at fair value through other comprehensive income

At 1 January	**9,238,100**	8,381,366
Additions during the year	**199,324**	216,657
Disposals during the year	**(1,455,455)**	(118,235)
Unrealised fair value gain	**1,382,729**	758,312
At 31 December	**9,364,698**	9,238,100

Notes

(forming part of the separate and consolidated financial statements)

7 Investments at fair value (continued)

7.1 Financial assets at fair value through other comprehensive income (continued)

Financial assets at fair value through OCI are analyzed as follows:

Local quoted:		
Banking and investments	**1,562,608**	1,502,484
Industrial	**3,700,695**	3,961,143
Services	**1,791,174**	1,672,191
Insurance	**460,000**	415,000
	7,514,477	7,550,818
Local unquoted:		
Education	**991,140**	841,297
Foreign quoted	**859,081**	845,985
Total	**9,364,698**	9,238,100

At the end of the reporting period, details of the Group's investments in which the market value exceeds 10% of the market value of its total investment in financial assets at fair value through other comprehensive income portfolio are as follows:

31 December 2021			
National Gas SAOG	**14.20%**	**12,066,356**	**1,725,489**
Oman National Engineering & Investment Co. SAOG	**11.99%**	**15,585,000**	**1,479,551**
31 December 2020			
Al Anwar Ceramic Tile Company SAOG	24.42	8,665,326	2,235,654
National Gas SAOG	18.85	12,066,356	1,725,489
Oman National Engineering & Investment Co. SAOG	16.16	14,649,018	1,479,551

Fair value through OCI financial assets amounting to RO 2,371,183 (2020 - RO 5,802,031) are pledged with commercial banks as security against credit facilities.

Financial assets at fair value through OCI are denominated in the following currencies:

Rial Omani	**8,505,616**	8,392,115
US Dollar	**63,905**	68,945
Euros	**32,986**	35,752
Norwegian Krone	**-**	30,472
Arab Emirates Dirham	**477,555**	375,588
Kuwaiti Dinar	**284,636**	335,228
	9,364,698	9,238,100

Not es

(forming part of the separate and consolidated financial statements)

7 Investments at fair value (continued)

7.1 Financial assets at fair value through other comprehensive income (continued)

Details of the Group's investment in securities where market value of its holding equals to or exceeds 5% of the investee's share capital as at 31 December 2021 and 2020 are set out below:

31 December 2021			
Fair value through OCI financial assets – quoted			
National Gas SAOG	**14.20**	**12,066,356**	**1,532,427**
Oman National Gas Engineering & Investment Co. SAOG	**11.99**	**15,585,000**	**1,433,820**
Al-Jazeera Services SAOG	**7.29**	**4,464,593**	**1,562,608**
Vision Insurance SAOG	**5.00**	**5,000,000**	**460,000**
		37,115,949	**4,988,855**

Fair value through OCI financial assets - unquoted			
A'Sharqiya University	**10**	**600,000**	**991,140**

31 December 2020			
Fair value through OCI financial assets – quoted			
National Gas SAOG	14.20	12,066,356	1,725,489
Oman National Gas Engineering & Investment Co. SAOG	12.21	14,649,018	1,479,551
Al-Jazeera Services SAOG	9.12	5,580,741	1,305,893
Vision Insurance SAOG	5.00	5,000,000	415,000
		37,296,115	4,925,933

31 December 2020			
Fair value through OCI financial assets - unquoted			
A'Sharqiya University	10	600,000	841,297

Non-quoted investment in A'Sharqiya University has been valued using Discounted Cash Flow Method. Management has used discount rate of 13.3% to discount future cash flows and a growth rate of 3% has been assumed.

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4.7 Financial instruments

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss account:

- Business model test: The objective of the Group's business model is to hold the financial asset to collect the contractual cash flows (rather than to sell the instrument prior to its contractual maturity to realize its fair value changes); and
- Cash flow characteristics test: The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Business model assessment

The business model reflects how the Group manages the assets in order to generate cash flows. This is whether the Group objective is solely to collect contractual cash flows from the assets or is it to collect both the contractual cash flows and cash flows arising from the sale of the assets. If neither of these are applicable then the financial assets

are classified as other business model. Factors considered by the Group in determining the business model for a Group of assets includes the past experience on how the cash flows for the asset were collected, how the assets performance was evaluated by the key management personnel, how risks are assessed and managed and how managers are compensated.

Contractual cash flows comprise of solely payment of principal and interest

Where the Group has a business model to collect contractual cash flows, the Group assesses whether the financial instrument cash flows represents solely payments of principal and interest (SPPI). 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset. Interest is defined as consideration for time value of money and for the credit risk associated with the principal and for other basic lending risks and costs as well as a profit margin.

In making this assessment, the Group considers whether the contractual cash flows are consistent with the basic lending agreement which means the interest paid only includes the consideration for time value of money and credit risk. Financial instruments whose cash flows characteristics include elements other than time value of money and credit risk do not pass the test and are classified and measured at fair value through profit or loss.

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7.2 Financial assets carried at fair value through profit or loss

At 1 January	**58,439**	-
Additions during the year	**98,801**	116,914
Disposals during the year	**(31,004)**	(70,116)
Unrealised fair value loss	**(13,420)**	(999)
Realised gain on disposals	**6,203**	12,640
At 31 December	**119,019**	58,439

Financial assets at FVTPL include investment in the following listed equity securities. The Group accounts for the investment at FVTPL and did not make the irrevocable election to account for it at FVOCI.

Financial assets at fair value through profit or loss as at 31 December 2021 are as follows:

31 December 2021		
VM Ware Inc. Class A	**457**	**20,388**
Alibaba Group Holding Ltd.	**100**	**4,576**
Vodafone Group Plc	**3,600**	**20,702**

Amazon.Com	**20**	**25,674**
Roche Holding Ag	**1,480**	**29,458**
Activision Buzzard	**712**	**18,221**
		119,019

The Group had following financial assets carried at fair value through profit or loss as at 31 December 2020:

31 December 2020		
Intel Corporation	1,293	24,801
VM Ware Inc. Class A	457	24,678
Alibaba Group Holding Ltd.	100	8,960
		58,439

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5 Furniture and equipment

Parent Company

Cost:			
At 1 January 2021	40,723	55,548	96,271
Additions during the year	542	150	692
At 31 December 2021	**41,265**	**55,698**	**96,963**
Depreciation:			
At 1 January 2021	31,637	54,954	86,591
Provided during the year	3,490	318	3,808
At 31 December 2021	**35,127**	**55,272**	**90,399**
Net book value:			
At 31 December 2021	**6,138**	**426**	**6,564**

Notes

5 Furniture and equipment (continued)

For the comparative year the carrying amount is presented as follows:

Cost:			
At 1 January 2020	39,693	55,448	95,141
Additions during the year	1,030	100	1,130
At 31 December 2020	40,723	55,548	96,271
Depreciation:			
At 1 January 2020	27,815	54,648	82,463
Provided during the year	3,822	306	4,128
At 31 December 2020	31,637	54,954	86,591
Net book value:			
At 31 December 2020	9,086	594	9,680

Group

Cost:			
At 1 January 2021	42,194	56,920	99,114
Additions during the year	542	150	692
At 31 December 2021	**42,736**	**57,070**	**99,806**
Depreciation:			
At 1 January 2021	32,960	56,277	89,237
Provided during the year	3,550	346	3,896
At 31 December 2021	**36,510**	**56,623**	**93,133**
Net book value:			
At 31 December 2021	**6,226**	**447**	**6,673**

For the comparative year the carrying amount is presented as follows:

Cost:			
At 1 January 2020	41,164	56,820	97,984
Additions during the year	1,030	100	1,130
At 31 December 2020	42,194	56,920	99,114
Depreciation:			
At 1 January 2020	29,094	55,927	85,021
Provided during the year	3,866	350	4,216
At 31 December 2020	32,960	56,277	89,237
Net book value:			
At 31 December 2020	9,234	643	9,877

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8. Prepayments and other receivables

Non-financial assets:				
Lease receivables	**-**	-	**-**	416,827
Prepayments	**29,016**	23,825	**40,395**	29,033
Other receivables	**-**	-	**61,131**	40,051
	29,016	23,825	**101,526**	485,911

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10 Share capital

The authorized share capital comprises of 120,000,000 (2020: 120,000,000) ordinary shares of RO 0.100
(2020: RO 0.100) each. The issued and paid up capital comprises of 90,000,000 (2020: 90,000,000) shares of RO 0.100 (2020: RO 0.100) each.

Shareholders of the Parent Company who own 10% or more of the Parent Company's shares and the number of shares they hold are as follows:

Salim Said Hamad Fanah Al Araimi	20,365,595	22.63	20,367,000	22.63
Al Siraj Investment and Projects Co. LLC	10,161,093	11.29	10,161,000	11.29

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11 Legal reserve

In accordance with the Commercial Companies Law of the Sultanate of Oman, 2019, as amended, annual appropriations of 10% of the profit for the year are made to this reserve until the accumulated balance amounts to at least one third of the value of paid-up share capital of the Parent Company based in Oman. This reserve is not available for distribution to shareholders. During the year, the Parent Company and the Group has transferred RO 17,448 and RO 17,448 (2020: RO 14,749 and RO 14,749) to the legal reserve.

12 Fair value reserve

At 1 January	**(307,846)**	(1,114,030)	**(307,846)**	(1,114,030)
Fair value reserve reversal upon disposal	**(110,305)**	20,937	**(110,305)**	20,937
Fair value (loss)/gain on disposal	**(69,185)**	11,120	**(69,185)**	11,120
Net unrealized gain on revaluation	**1,382,729**	758,312	**1,382,729**	758,312
Deferred tax on FVOCI investments	**-**	15,815	**-**	15,815
At 31 December	**895,393**	(307,846)	**895,393**	(307,846)

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14 Other payables

Accrued expenses and other liabilities	**44,411**	42,890	**105,006**	82,590

All amounts are short-term. The carrying values of Other payables are considered to be a reasonable approximation of their fair values.

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13 Staff terminal benefits

At 1 January	**101,982**	106,104	**127,291**	126,456
Charge for the year – staff costs	**10,885**	11,489	**10,885**	11,489
Charge for the year – maintenance costs	**-**	-	**2,525**	4,957
Paid during the year	**-**	(15,611)	**-**	(15,611)
At 31 December	**112,867**	101,982	**140,701**	127,291

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Lease liabilities

In 2000, the Group acquired a land from the Public Establishment for Industrial Estate (PEIE) for a period of 50 years on finance lease. The same land was given to OLNG for the period of 23 years, extendable to 50 years. The Group has recorded finance lease receivable and finance lease payable for the same land.

Notes

(forming part of the separate and consolidated financial statements)

6 Leases (continued)

Lease liabilities (continued)

Lease liabilities are presented in the separate and consolidated statement of financial position as follows:

Current	**-**	-	**15,073**	14,285
Non-current	**-**	-	**3,551,098**	3,566,170
	-	-	**3,566,171**	3,580,455

The Group has leased a land. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability.

Each lease generally imposes a restriction that, unless there is a contractual right for the Group to sublet the asset to another party, the right-of-use asset can only be used by the

Group. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. The Group is prohibited from selling or pledging the underlying leased assets as security.

31 December 2021				
Lease payments	200,836	830,218	6,228,666	7,259,720
Finance cost	(185,763)	(732,678)	(2,775,108)	(3,693,549)
Net present values	**15,073**	**97,540**	**3,453,558**	**3,566,171**

Comparative movement:

31 December 2020				
Lease payments	200,836	814,916	6,444,804	7,460,556
Finance cost	(186,551)	(737,781)	(2,955,769)	(3,880,101)
Net present values	14,285	77,135	3,489,035	3,580,455

The movement of future finance cost on lease payable during the year is as follows:

At 1 January	**-**	-	**3,880,101**	4,067,898
Recognised during the year	**-**	-	**(186,552)**	(187,797)
At 31 December	**-**	-	**3,693,549**	3,880,101

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16 Staff costs

Salaries and allowances	**190,100**	204,256	**190,860**	205,286
Staff terminal benefits	**10,885**	11,489	**10,885**	11,489
Other staff benefits	**21,569**	5,857	**21,569**	5,857
	222,554	221,602	**223,314**	222,632

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17 General and administrative expenses

Directors' sitting fees	**32,400**	35,300	**32,400**	35,300
Rent	**20,190**	23,100	**20,190**	23,100
Professional fees	**13,432**	13,000	**16,408**	15,000
Fees and other charges	**11,668**	14,002	**12,736**	15,370
Donation	**10,000**	20,000	**10,000**	20,000
Insurance expenses	**9,103**	8,454	**9,103**	8,454
Annual general meeting expenses	**4,300**	7,500	**4,300**	7,500
Repair and maintenance	**2,565**	2,086	**2,565**	2,086
Water and electricity	**2,202**	1,673	**2,202**	1,673
Telephone and postage	**2,018**	2,036	**2,018**	2,036
Advertising expenses	**1,697**	2,081	**1,698**	2,081
Other expenses	**10,101**	8,574	**10,252**	9,095
	119,676	137,806	**123,872**	141,695

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18 Taxation

The Group is subject to income tax at the rate of 15% on the taxable income in accordance with the Income Tax Law of the Sultanate of Oman.

a. **Recognised in the separate and consolidated statement of comprehensive income and presented in the separate and consolidated statement of financial position**

Parent Company

Current tax:		-
Current year	**4,736**	10,149
	4,736	10,149

Group		
Current tax:		
Current year	**67,591**	77,437
	67,591	77,437

b. Reconciliation of Income tax expense

The relationship between the expected tax and the reported tax expense in the separate and consolidated statement of profit or loss can be reconciled as follows:

Profit before tax	**179,218**	157,635
Add:		
Accounting depreciation	**3,808**	4,128
Disallowed expenses	**237,312**	285,190
Unrealized loss on investment at fair value through profit or loss	**13,420**	-
Gain on PE fund-charged to retained earnings	**3,509**	38,220
Interest and finance expenses	**-**	2,112
	437,267	487,285
Less:		
Tax depreciation	**(3,808)**	(4,128)
Dividend income on listed shares (non-taxable)	**(401,883)**	(415,496)
Taxable profit	**31,576**	67,661
Tax rate	**15%**	15%
Income tax for the year	**4,736**	10,149

c. Deferred tax

Deferred tax is calculated on all temporary differences under the liability method using a principal tax rate of 15% (31 December 2020: 15%). The net deferred tax in the separate and consolidated statement of financial position and deferred tax (charge)/credit in the separate and consolidated statement of profit or loss is attributable to the

following items:

Notes

(forming part of the separate and consolidated financial statements)

18. Taxation (continued)

c) Deferred tax (continued)

Parent Company			
Deferred tax asset			
Fair value changes in investments carried at FVOCI	**54,467**	**-**	**54,467**
Group			
Deferred tax asset			
Fair value changes in investments carried at FVOCI	**54,467**	**-**	**54,467**

There is no change in the deferred tax since the effect of the timing difference is immaterial.

Parent Company			
Deferred tax asset			
Fair value changes in investments carried at FVOCI	38,652	15,815	54,467
Group			
Deferred tax asset			
Fair value changes in investments carried at FVOCI	38,652	15,815	54,467

d) Current status of tax assessments

The Parent Company's tax assessments for the years 2012 to 2017 have not been finalised by the Secretariat General for taxation. However, the management believes that

additional taxation liability likely to arise on the completion of the assessments for the above years, if any, will not be material to the Group's financial position at the end of the reporting period.

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19 Related party transactions and balances

Related parties comprise the subsidiary, shareholders, directors, key management personnel and business entities in which they have the ability to control or exercise significant influence in financial and operating decisions.

The Group and the Parent Company enter into transactions with shareholders, with entities over which certain Directors have significant influence and with senior management. The Parent Company also transacts with Subsidiary in the ordinary course of business.

Amount due to a Subsidiary	**636,484**	697,458	**-**	-

The Parent Company has an amount due to a Subsidiary, QREIS, amounting to RO 636,484 (2020: RO 697,458) at year end, which comprises of various payments made by the Subsidiary on behalf of the Parent Company.
The balance is unsecured, bears no interest and has no fixed repayment term.

Transactions with related parties during the year were as follows:

Management charges from a Subsidiary	**60,000**	60,000

Notes

(forming part of the separate and consolidated financial statements)

19 Related party transactions and balances (continued)

a. **Sitting fees and remuneration:**

Directors' sitting fees	**32,400**	35,300	**32,400**	35,300

b. **Key management compensation:**

Salaries and other short-term benefits	**115,320**	113,908	**115,320**	113,908
Staff terminal benefits	**10,885**	10,268	**10,885**	10,268
	126,205	124,176	**126,205**	124,176

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22 Financial risk management

Financial risk factors

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

Market risk

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

Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether these changes are caused by factors specific to the individual security, or its issuer, or factors affecting all securities in the market.

The Group is exposed to price risk with respect to its investments. The Group limits market risk by maintaining a selective and strategic portfolio and by regular monitoring of the market. In addition, the Group monitors actively the key factors that affect stock market movements.

22 Financial risk management (continued)

Impact on the Group's equity due to quoted equity securities held and classified as fair value through other comprehensive income and profit or loss.

Omani Rial	**5**	**425,281**	5	419,606
US Dollars	**5**	**3,195**	5	6,369
Euros	**5**	**1,649**	5	1,788
Norwegian Krone	**5**	**-**	5	1,524
UAE Dirham	**5**	**23,878**	5	18,779
Kuwaiti Dinar	**5**	**14,232**	5	16,761
		468,235		464,827

Foreign currency risk

Foreign exchange risk is the risk that any foreign currency position taken by the Group may be adversely affected due to volatility in exchange rates.

The Group is exposed to foreign exchange risk arising from various currency exposures primarily with respect to US Dollars, UAE Dirhams, Euros, Kuwaiti Dinar and Norwegian Krones. The foreign currency transactions being either in US Dollars or in currencies linked to US Dollar (UAE Dirhams), the management believes that should these currencies weaken or strengthen against the Rial Omani there would be an insignificant or no impact on the pre-tax profits as US Dollar is pegged to Riyal Omani. The management further believes that the impact of Euro, Kuwaiti Dinar and Norwegian Krone weakening or strengthening against the Rial Omani by 1% would have insignificant impact on the pre-tax profits as lesser volume of transactions.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

As at 31 December 2021, the Group is not exposed to any interest rate risk as it does not have any financial instrument subject to variable interest rate.

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Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Credit risk is managed through Group risk management policies and procedures. For banks, only independently rated parties with a rating from reputed credit agency are accepted.

The Group continuously monitors the credit quality based on performance of its customers. The Group's policy is to deal with only credit worthy counter parties. The credit term range between 30 and 90 days. The credit terms for customers as negotiated with customers are subject to an internal approval process which considers performance of its collection in terms of collection received from them. The ongoing credit risk is managed through regular review of ageing analysis, together with credit limits per customer.

Notes

(forming part of the separate and consolidated financial statements)

22 Financial risk management (continued)

Credit risk (continued)

Impairment of financial assets

The Group has following types of financial assets that are subject to the expected credit loss model:

- Other receivables; and
- Cash at bank.

Although, cash at bank and other receivables are subject to the impairment requirements of IFRS 9, but the identified impairment loss was not significant.

As of the reporting date, none of the financial assets are past due or impaired. The maximum exposure of the Group to the credit risk is equivalent to the carrying amount of the financial assets.

The Group's maximum exposure to credit risk is limited to the carrying amount of the financial assets recognised at the reporting date, as summarised below:

Other receivables	**-**	-	**61,131**	456,878
Cash at bank	**1,643,989**	407,144	**3,134,726**	854,905
	1,643,989	407,144	**3,195,857**	1,311,783

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Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due, that are settled by delivery of cash or another financial asset. 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 damages to the Group's reputation.

In accordance with prudent risk management, the Board of Directors aim to maintain sufficient cash and an adequate amount of committed credit facilities.

Other payables	**44,411**	42,890	**105,006**	82,590
Amount due to a Subsidiary	**636,484**	697,458	**-**	-
	680,895	740,348	**105,006**	82,590

Parent Company

31 December 2021		
Other payables	**44,411**	**44,411**
Amount due to a Subsidiary	**636,484**	**636,484**
	680,895	**680,895**

Notes

(forming part of the separate and consolidated financial statements)

22 Financial risk management (continued)

Liquidity risk (continued)

31 December 2020		
Other payables	42,890	42,890
Amount due to a Subsidiary	697,458	697,458
	740,348	740,348

Group

31 December 2021		
Other payables	**105,006**	**105,006**
	105,006	**105,006**

31 December 2020		
Other payables	82,590	82,590
	82,590	82,590

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22 Market risk

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

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20 Basic and diluted earnings per share

The earnings per share has been derived by dividing the net profit for the year attributable to shareholders of the Parent Company by the weighted average number of shares outstanding. As there are no dilutive potential shares, the diluted earnings per share are identical to the basic earnings per share.

Profit attributable to shareholders (RO)	**174,482**	147,486	**530,660**	528,784
Weighted average number of shares outstanding	**90,000,000**	90,000,000	**90,000,000**	90,000,000
Basic and diluted earnings per share (RO)	**0.002**	0.002	**0.006**	0.006

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15 Net assets per share

Net asset per share is calculated by dividing the net assets attributable to shareholders of the Parent Company by the number of shares outstanding at the reporting date:

Net assets (RO)	**10,668,171**	9,183,654	**14,778,235**	12,937,540
Number of shares outstanding	**90,000,000**	90,000,000	**90,000,000**	90,000,000
Net Assets per share (RO)	**0.119**	0.102	**0.164**	0.144

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23 Fair value measurement

Financial assets measured at fair value in the separate and consolidated statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets.
Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (that is, unobservable inputs)
Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The face value less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate to their fair values.

The following table shows the Levels within the hierarchy of financial assets measured at fair value on a recurring basis at 31 December 2021 and 2020.

Parent Company

Financial asset – 31 December 2021				
Equity investment at FVOCI:				
Quoted investments	**8,373,558**	**-**	**-**	**8,373,558**
Unquoted investments	**-**	**-**	**991,140**	**991,140**
Equity investment at FVTPL:				
Quoted investments	**119,019**	**-**	**-**	**119,019**
Unquoted investments				
	8,492,577	**-**	**991,140**	**9,483,717**

23 Fair value measurement (continued)

Financial asset – 31 December 2020

Equity investment at FVOCI:				
Quoted investments	8,396,803	-	-	8,396,803
Unquoted investments	-	-	841,297	841,297
Equity investment at FVTPL:				
Quoted investments	58,439	-	-	58,439
Unquoted investments				
	8,455,242	-	841,297	9,296,539

Group

Financial asset – 31 December 2021				
Equity investment at FVOCI:				
Quoted investments	**8,373,558**	**-**	**-**	**8,373,558**
Unquoted investments	**-**	**-**	**991,140**	**991,140**
Equity investment at FVTPL:				
Quoted investments	**119,019**	**-**	**-**	**119,019**
Unquoted investments				
	8,492,577	**-**	**991,140**	**9,483,717**

Financial asset – 31 December 2020				
Equity investment at FVOCI:				
Quoted investments	8,396,803	-	-	8,396,803
Unquoted investments	-	-	841,297	841,297
Equity investment at FVTPL:				
Quoted investments	58,439	-	-	58,439
Unquoted investments				
	8,455,242	-	841,297	9,296,539

Measurement of fair value of financial instruments

The Group's finance team performs valuations of financial items for financial reporting purposes, including Level 3 fair values. Valuation techniques are selected based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information. The finance team reports directly to the chief executive officer (CEO) and to the audit committee. Valuation processes and fair value changes are discussed among the audit committee and the valuation team at least every year, in line with the Group's annual reporting dates.

24 Commitments

At 31 December 2021, the Group has investment commitments amounting to RO 172,331 (2020: RO 181,687).

25 Capital management policies and procedures

The Group's capital management objectives are:

- to ensure the Group's ability to continue as a going concern; and
- to provide an adequate return to the shareholders by pricing products and services commensurately with the level of risk.

26 Events after reporting period

No adjusting or significant non-adjusting events have occurred after the reporting period.

CORPORATE GOVERNANCE REPORT FOR THE YEAR 2021

Company's Philosophy for Corporate Governance

A'Sharqiya Investment Holding Co. (SAOG) adheres strongly to the Code of Corporate Governance, laid down by the Capital Market Authority (CMA) with emphasis on legal protection of investors and stakeholders. Your company spares no efforts to ensure integrity and transparency in its dealings.

The Board of Directors of the company is made up of experienced personnel hailing from varied backgrounds such as: business administration, investments, finance, law, and other related areas. The company benefits immensely from the rich and diverse experience and knowledge of the Board. None of the company's directors plays an executive role in the management of the company. The Board is responsible for achieving the business objectives of the company in coordination with the executive management. For this purpose, the Board is assisted by various committees and the management. Asides from the Investment, Nomination & Remuneration Committee, and the Audit Committee, adhoc committees are constituted by the Board according to demands of the circumstances. In addition, there is a well-structured management whose duties and obligations are defined in the Manual of Authority approved by the Board.

The primary functions of the Board are summarized as follows:

- Approval for the commercial and financial budget of the company in a manner that helps realize its objectives and maximize shareholders' equity
- Laying down the required plans and seeking periodic updates from management to ensure the objectives and goals of the company are achieved
- Adopting disclosure policies and ensure implementation is in accordance with the disclosure requirements of the CMA
- Monitoring the performance of the executive management to ensure that its actions and initiatives are in line with the purpose for which the company was established
- Providing information to shareholders in an accurate and timely manner in accordance with the CMA guidelines
- Appraising the performance of the employees and activities of the board committees
- Reviewing internal controls of the company periodically and updating them as and when required

The scope of authority of the Board of Directors, its functions, and limitations are mainly governed by Articles of Association of the company and the CMA's Code of Corporate Governance for Public Listed Companies.

Board of Directors

The Board of Directors is composed of the Chairman and six other directors who are elected by the shareholders of the company. The composition of the board meets the CMA requirement for the percentage of independent directors to the total number of board members to be not less than one third and at least two directors to be independent.

The current board of directors was elected on May 18, 2020 for a tenure of 3 years.
Composition of the Board of Directors and membership of affiliate committees:

Name	Designation	Category	Membership in Committees
Mr. Mohammed Ali Mohammed Al Fannah	Chairman	Independent, Non-executive	Investment and Nomination & Remuneration Committee
Sheikh Saleh Ahmed Mohamed Al	Vice-Chairman	Independent, Non-	Audit Committee

Harthy		executive	
Mr. Bader Mohamed Rashid Al Fanna Al Araimi	Director	Non- Independent, Non-executive	Audit Committee
Mr. Nabil Hamed Al Mahrouqi (Till September 07, 2021)	Director	Independent, Non-executive	Investment and Nomination & Remuneration Committee
Mr. Subrata Mitra	Director	Independent, Non-executive	Investment and Nomination & Remuneration Committee
Ms. Fadwa Salim Said Al Fannah Al Araimi	Director	Independent, Non-executive	--
Mr. Asim Salim Ali Al Ghailani	Director	Independent, Non-Executive	Audit Committee
Mr. Thabit Khamis Al Battashi (From September 08, 2021)	Director	Independent, Non-executive	Investment and Nomination & Remuneration Committee

The Board held four meetings during the year 2021. Meetings were held on:

- February 21, 2021
- May 10, 2021
- August 04, 2021
- November 10, 2021

Details of the attendance of Directors, directorship in other listed companies and their positions in those companies are given below.

Name	Designation	No. of Board Meetings Attended	Attendance to the Last AGM	Directorship in Other Listed Companies	Position
Mr. Mohammed Ali Mohammed Al	Chairman	4	Attended	-	-

Fannah Sheikh Saleh Ahmed Mohamed Al Harthy	Vice-Chairman	4	Attended	-	-
Mr. Nabil Hamed Al Mahrouqi	Director	3	Attended	1	Member of the Board of Directors
Mr. Bader Mohamed Rashid Al Fanna Al Araimi	Director	3	Attended	1	Member of the Board of Directors
Mr. Subrata Mitra	Director	4	Attended	1	Member of the Board of Directors
Ms. Fadwa Salim Said Al Fannah Al Araimi	Director	4	Attended	1	Member of the Board of Directors
Mr. Asim Salim Ali Al Ghailani	Director	3	Attended	1	Member of the Board of Directors
Mr. Thabit Khamis Al Battashi	Director	1	NA	-	Member of the Board of Directors

No director is a member of the Board of Directors of more than four public companies listed in the MSX and no director is the Chairman of the Board of Directors of more than two such companies. None of the Directors of the Board is a member of the Board of Directors in another public or closed joint stock company practicing similar or competing activities to your company with its principal place of business located in the Sultanate of Oman.

Profile of the Directors

1. **Mohammed Ali Mohammed Al Fannah- Chairman of the Board of Directors**

Mr. Mohammed Ali Mohammed Al Fannah has a degree in International Affairs from the Webster University, United States. He served in the diplomatic corps of Oman for 32 years and represented Oman in the United Nation. He also served as the deputy representative of Oman to the United Nations Office in Austria for more than 5

years.

He has served as board member, member of audit and investment committees, Managing Director and Chairman of several public joint stock companies for more than 20 years. He is now the Chairman of Gulf Plastic Industries SAOC, which is one of the leading manufacturers of petrochemical downstream products. He is also the Chairman of the Investment, Nomination & Remuneration Committee in A'Sharqiya Investment Holding Company SAOG. He has three sons and two daughters, all of whom hold master's degree. The students who were taught by him are at present holding the rank of senior officials in the State, including as ministers and judges.

2. **Sheikh Saleh Ahmed Mohamed Al Harthy – Vice Chairman of the Board of Directors**

Sheikh Saleh is a B.Sc. Computer Science graduate from American University, Washington D.C. He is currently the Director General in the General Secretariat to the Cabinet, a position he has been holding since 2009. From 1991 to till date he has held various positions in the field of Information Technology.

3. **Nabil Hamed Al Mahrouqi**

Mr. Nabil bin Hamad bin Zahran Al Mahrouqi is a member of the Board of Directors of A'Sharqiya Investment Holding Co. (SAOG) since September 2019 and a member of the Investment, Nomination & Remuneration Committee. He is currently a Senior Analyst - International Investments at the Public Authority for Social Insurance. Mr. Nabil holds a Bachelor of Science degree in Finance from Sultan Qaboos University (Sultanate of Oman). He was replaced by another PASI nominee effective from 08.09.2021

4. **Bader Mohammed Rashid Al Araimi**

Mr. Bader Al Araimi holds a Master's degree in Global Finance Management and a Bachelor's degree in Business Information Systems. He is full time director of Al Siraj Holdings LLC. He commenced his career in 2009 with Galfar Contracting & Engineering PLC and worked for a period of two years with HSBC.

5. **Subrata Mitra**

Mr. Subrata Mitra has a Masters in Risk Management from the NYU Stern School of Business, an MBA in Finance from the IBA, the Dhaka University and a Masters in Accounting (with Honors) from the Dhaka University. He has over 24 years of experience in multi asset portfolio management, traded securities (stock, bonds and commodities), derivatives, private credits, private equity/ alternative investments and fund management.

He had worked for major multi-lateral and multinational organizations that include International Financial Corporation (IFC), World Bank, Royal Dutch Shell, and Global Investment House, Kuwait. Closed/ managed investment of over USD 1 billion and managed a USD 500 million private equity fund listed on the London Stock Exchange.

He held several senior management positions and board membership of listed and unlisted companies in financial (includes an Islamic bank of Malaysia promoted by Qatar Islamic Bank) and manufacturing sectors of several countries.

6. **Fadwa Salim Said Al Fannah Al Araimi**

Ms. Fadwa has a degree in Accounting. She is a member of the Board of Directors of Gulf Plastics Industries Co (SAOC) and Al Fajar Al Alamia Co (SAOG). She also serves as a director in the National University of Science & Technology

7. **Asim Salim Ali Al Ghailani**

Mr. Asim Al Ghailani the Managing Director of Salim International Investment Holding Co. LLC. He holds an MSc in Investment Management (With Honor) from Bangor University, UK 2015 and a Bachelor degree in Finance from Oman in 2008. Asim is a well-qualified, detail oriented and results focused professional with rich experience of more than 20 years in strategic planning and managing investment portfolios across asset classes including Real Estate. Currently, Asim is a non-executive director and audit committee member of National Finance S.A.O.G.

He has also served as a non-executive director of listed companies as well as LLC companies in Oman and GCC.

8. **Thabit Khamis Al Battashi**

Mr. Thabit obtained a Bachelor of Science Degree in Finance & Banking from Applied Science University (Kingdom of Jordan) in 2006 and has a total experience of 14 years in various functions including Credit, Risk and Investment. Currently he is acting as the Head of Real Estate Investments in PASI. Mr. Thabit Al Battashi was nominated by PASI with effect from 08.09.2021 and replaced Mr. Nabil Al Mahrouqi who was the nominee until 07.09.2021.

Profile of Key Management Personnel

1. Mr. Pandidurai Marimuthu is the Acting Chief Executive Officer. He is a Chartered Financial Analyst (CFA), MBA (Finance) and a Graduate in Commerce. He has over 14 years of experience in the Investment field and has worked with institutions in India and the United Arab Emirates, before his current role with the Company.

2. Mr. Srinivaasrajagopal is the Finance Manager. He is a Chartered Accountant (FCA) and a Graduate in Statistics. He has over 25 years of experience in various institutions in India and United Arab Emirates before his current role with the Company.

Committees

Audit Committee

The Audit Committee (AC) is entrusted with the responsibility of overseeing compliance with the CMA's Code of Corporate Governance for Public Listed Companies. This mainly involves review of financial statements before submission to the Board, review of internal audit plans and reports, assessment of internal controls, assessment of risk management policies, evaluation of related party transactions, and acting as the medium of communication between the Board and the internal and statutory auditors of the company. The AC is responsible for preparing an annual report on the Internal Audit framework and function for the Board's review. The AC is also responsible for recommending the appointment or re-appointment of statutory auditor, to the Board during the year 2021, the committee held five meetings. The meetings were held on:

- February 21, 2021
- May 09, 2021
- August 03, 2021
- August 16, 2021
- November 9, 2021

Details of the composition of the committee and the attendance of the members are given below:

Name of the Director	Meetings attended
Sheikh Saleh Ahmed Mohamed Al Harthy (Chairman)	5
Mr. Bader Mohamed Rashid Al Fanna Al Araimi	5
Mr. Asim Salim Ali Al Ghailani	5

Investment and Nomination & Remuneration Committee (INARC)

The INARC which comprises of certain members of the board has been set up to oversee adherence to the investment policies and guidelines set out in the Investment Policy manual. The investment recommendations of the management are approved by the INARC as per its financial limits set forth in the company's Manual of Authorities. The INARC refers investment commitments beyond its financial authority to the Board for its approval. In addition, the committee shall exert its efforts to assist the company in formulating clear and transparent policies to inform shareholders about directors' and executives' remuneration. Moreover, the committee assists the board in selecting appropriately qualified personnel for executive management roles. During the year 2021 the committee held 4 meetings. The meetings were held on:

- April 27, 2021
- July 14, 2021
- November 25, 2021
- December 21, 2021

Details of the composition of the committee and the attendance of the members are given below:

Name of the Director	Meetings attended
Mr. Mohammed Ali Mohammed Al Fannah (Chairman)	4
Mr. Subrata Mitra	4
Mr. Nabil Hamed Al Mahrouqi	2
Mr. Thabit Khamis Al Battashi	2

Remuneration

The Board of Directors is entitled to a sitting fee for attendance at meetings. The remuneration is governed by the prevailing laws, the recommendation of the Board of Directors, and the decision of the shareholders at the Annual General Meeting. All the Board members are non-executive and no fixed remuneration or incentive is payable to them. They were paid fees for attending the meetings of the Board and other committees which amounted to RO 32,400 during the year 2021 (RO 35,300 in 2020).

The aggregate salaries and other benefits of the top five executives stood at RO 126,205 during the year 2021 (RO 124,876 in 2020). All employees have employment contracts as per the Omani Labour Law which stipulates the notice period for each party in the case of termination or resignation.

Compliance

There have been no strictures, penalties, fines or any other restrictive orders imposed on the company by the CMA, MSM or any other statutory body on any matter related to compliance during the financial year 2021.

Means of Communication with the shareholders and investors

The company maintains good communication relations with its shareholders by responding promptly to their enquiries and furnishing them the required information. A responsive, multilingual corporate website is monitored, updated, and maintained by the management. The company publishes its quarterly unaudited financial results in the daily newspapers, while the audited financial statements are being published on annual basis. Detailed financial statements are sent to the shareholders upon their request. Details of financial statements of the company are manually synchronized with the MSX website and the website of your company.

Management discussion and analysis report

The Management Discussion & Analysis (MDA) is enclosed as a part of the Annual Report for the financial year 2021.

Independent evaluation of Board of Directors

At the AGM held on March 25, 2021 shareholders of the company appointed by Keynote Services LLC as Consultants to carry out an independent appraisal of the Board of Directors for the year 2021.

The appraiser evaluated the members based on the performance criteria approved and adopted by the Company. The appraiser in its detailed report concluded that the Board's performance was very satisfactory and effective in meeting its objectives. The report will be presented to the shareholders at the Annual General Meeting.

Market price data and distribution of shareholders

The movement of the company's share price during the financial year 2021 in the Muscat Stock Exchange (MSX) can be compared with the movement in the index of the market's financial sector. The following table shows the monthly open, high, low, and closing prices of the shares. The table also displays the comparative movement in the financial index of the MSX.

Month of FY 2021	Open	High	Low	Close	Financial Index
January	0.072	0.077	0.070	0.073	5,492.612
February	0.074	0.077	0.065	0.067	5,429.142
March	0.067	0.074	0.065	0.073	5,699.727
April	0.073	0.090	0.072	0.088	5,822.347
May	0.088	0.096	0.086	0.091	5,979.848
June	0.092	0.105	0.092	0.103	6,466.074
July	0.103	0.112	0.099	0.101	6,445.909
August	0.103	0.104	0.098	0.102	6,321.777

September	0.103	0.105	0.094	0.097	6,235.674
October	0.096	0.096	0.090	0.093	6,402.565
November	0.092	0.093	0.083	0.089	6,371.888
December	0.085	0.092	0.084	0.091	6,577.923

Distribution of Shareholding

Distribution pattern of shareholders owning shares that have voting rights in the company is presented below:

No. of Shares	No. of Shareholders	Total No. of shares	% of share in the Capital
10% and above	2	30,526,688	33.92 **
5% to 9.99%	3	15,292,942	16.99
1 to 4.99%	11	15,011,808	16.68
Below 1%	1,004	29,168,562	32.41
Grand Total	**1,020**	**90,000,000**	**100.00**

** 22.63% is owned by Sheikh Salem bin Said bin Hamad Al Fannah Al Araimi and 11.29% is owned by Al Siraj Holdings.

Outstanding Securities or instruments

The company has not issued any instrument or security that will have an impact on the capital structure of the company.

Compliance of Corporate Social Responsibility

We follow industry best practices and are involved in initiatives that benefit the society in geographies we operate. Our community engagement strategy includes setting aside a certain sum of money from our profits for *charitable donations. There is no instance of non-compliance by the Company with respect to its Corporate Social responsibility.*

Professional Profile of the Statutory Auditor

The shareholders of the company appointed Abu Timam Grant Thornton as its auditors for 2021. Abu Timam Grant Thornton is one of leading audit, tax and advisory firm in

Oman and is part of Grant Thornton Oman, was established in 1973. Grant Thornton is one of the top 6 accounting firms recognized by Wall Street, USA. Grant Thornton has 50,000 employees across 130 countries. Oman unit of Grant Thornton has offices in Muscat and Salalah.

Abu Timam Grant Thornton has billed an amount of RO 5,775 towards professional services rendered to the Company for the year 2021.

Acknowledgment

The board of directors confirm their liability for the preparation of financial statement in accordance with the applicable standards and rules. During the year, the board of directors had reviewed the efficacy and adequacy of the internal controls and there are no material factors that affect the continuity of your company and its ability to continue its business during the ensuing financial year.

Mohamed Ali Mohammed Al Fannah

Chairman

February 23, 2022

REPORT OF FACTUAL FINDINGS

TO THE SHAREHOLDERS OF A'SHARQIYA INVESTMENT HOLDING COMPANY SAOG

We have performed the procedures pursuant to the Capital Market Authority (CMA) circular no. E/4/2015, dated 22 July 2015, with respect to the Board of Directors' 'Corporate Governance Report' of A'sharqiya Investment Holding Company SAOG as at and for the year ended 31 December 2021 and its application of the corporate governance practices in accordance with the amendments to CMA Code of Corporate Governance issued under circular no. E/10/2016 dated 1 December 2016 (collectively the

"Code"). Our engagement was undertaken in accordance with the International Standards on Related Services applicable to the agreed-upon procedures engagements. The procedures were performed solely to assist you in evaluating the extent of the Company's compliance with the Code as issued by the CMA and are summarized as follows:

1. We obtained the corporate governance report (the "report") issued by the Board of Directors and checked that the report of the Company includes as a minimum, all items suggested by the CMA to be covered by the report as detailed in the Annexure 3 of the Code by comparing the report with such suggested content in Annexure 3; and

2. We obtained the details regarding areas of non-compliance with the Code identified by the Company's Board of Directors for the year ended 31 December 2021. The Company's Board of Directors has not identified any areas of non-compliance with the Code.

We have no exceptions to report in respect of the procedures performed.

Because the above procedures do not constitute either an audit or a review made in accordance with International Standards on Auditing or International Standards on Review Engagements, we do not express any assurance on the corporate governance report.

Had we performed additional procedures or had we performed an audit or review of the corporate governance report in accordance with International Standards on Auditing or International standards on Review Engagements, other matters might have come to our attention that would have been reported to you.

Our report is solely for the purpose set forth in the first paragraph of this report and for your information and is not to be used for any other purpose. This report relates only to the accompanying Corporate Governance Report of A'sharqiya Investment Holding Company SAOG to be included in its annual report for the year ended 31 December 2021 and does not extend to any financial statements of A'sharqiya Investment Holding Company SAOG, taken as whole.

Nasser Al Mugheiry License No. L1024587 ABU TIMAM
(Chartered Certified Accountants)
23 February 2022