1 ACTIVITIES

Muscat Gases Company SAOG ("the Company") is an Omani Joint Stock Company incorporated in the Sultanate of Oman on 13 November 1989 under a trade license issued by the Ministry of Commerce & Industry. The Company's Head Office is located at Al-Rusayl Industrial Area and its registered address is P O Box 2918, Ruwi, Postal Code 112, Sultanate of Oman.

The principal activities of the Company are manufacturing and selling of various types of industrial and cooking gases.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation
The financial statements have been prepared on the historical cost basis modified to include certain financial assets and liabilities at fair value.

(b) Statement of compliance
The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by International Accounting Standards Board (IASB), the requirements of the Commercial Companies Law of 1974, as amended and disclosure requirements of the Capital Market Authority (CMA) of the Sultanate of Oman.

These financial statements are presented in Rials Omani (RO) since that is the currency in which the majority of the transactions are denominated.

2.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

2.1.1 Standards, amendments and interpretation effective in 2016

For the year ended 31 December 2016, the Company has adopted all of the new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for periods beginning on 1 January 2016.

Adoption of new and revised International Financial Reporting Standards ("IFRS")

The following standards, amendments and interpretations became effective from 1 January 2016:

- Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests
- Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants
- Amendments to IAS 27 : Equity method in Separate Financial Statements
- Annual Improvements 2012-2014 Cycle
  - IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
  - IFRS 7 Financial Instruments: Disclosures
- Amendments to IAS 1 Disclosure Initiative
- IFRS 14 Regulatory Deferral Accounts

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

The adoption of those standards and interpretations has not resulted in changes to the Company's accounting policies and has not affected the amounts reported for the current year.

2.1.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company:

The following new standards and amendments have been issued by the International Accounting Standards Board (IASB) which may impact the financial statements of the Company but are not yet mandatory for the year ended 31 December 2016:

IFRS 9: In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but comparative information is not compulsory. The Company has performed a high-level impact assessment of all three aspects of IFRS 9 and expects no significant impact on its balance sheet and equity. The Company plans to adopt the new standard on the required effective date.

IFRS 15: IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Company is currently assessing the impact of IFRS 15 and plan to adopt the new standard on the required effective date. The Company is considering the clarifications issued by the IASB in April 2016 and will monitor any further developments.

IFRS 16: IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

Property, plant and equipment held for use in the production or supply of goods or services, or for administrative purposes, are initially recognized at their cost being their purchase price plus any other costs directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by management.

During the year, the Company elected to change the method of accounting for lands classified as property, plant and equipment, since the Company believes that revaluation model more effectively demonstrates the financial position of land and is more aligned to practices adopted by its competitors where the properties are held to earn rentals. In addition, the activity in the property markets in which these assets are located provides observable market data on which reliable fair value estimates can be derived. After initial recognition, the Company uses the revaluation model, whereby land will be measured at fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The Company applied the revaluation model prospectively.

After initial recognition, the property, plant and equipment (except lands) are carried, in the statement of financial position, at their cost less any accumulated depreciation and any accumulated impairment. The depreciation charge for each period is recognized in the profit or loss.

Depreciation is calculated on a straight line basis, which reflects the pattern in which the asset's future economic benefits are expected to be consumed by the Company over the estimated useful life of the assets as follows:

	Years
Plant buildings	20 - 25
Plant and machinery	10 - 25
Employee house at Ghala	8 - 25
Motor vehicles	4 - 20
Furniture and fixtures	4 - 10
Office equipment	3 - 10

Land is not depreciated as it is deemed to have an indefinite life.

The estimated useful lives, residual values and depreciation method are reviewed at each year-end, with the effect of any changes in estimate accounted for on a prospective basis. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Capital Work-in-progress

Capital work-in-progress is stated at cost. When commissioned, capital work-in-progress is transferred to appropriate property, plant and equipment category and depreciated in accordance with the Company’s policies.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

Financial assets and financial liabilities are recognized when the Company has become a party to the contractual provisions of the instrument. Financial assets are recognized and derecognized on the trade date when the Company becomes party to the contractual provisions of the instruments. The financial assets are initially recognized at fair value plus transactions costs. The financial assets which are non-derivative financial assets with fixed or determinable payments that are not quoted in active market are included in current assets, except for maturities greater than 12 months after the reporting date. They are classified as non-current assets.

Financial assets

The principal financial assets are cash and bank balances, trade and other receivables and available-for-sale investments.

Trade and other receivables

Trade and other receivables are initially measured at their fair value and subsequently measured at amortised cost, using the effective interest method. An allowance for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables.

Available-for-sale investments

Investments representing 'available-for-sale' financial assets are initially recognized at fair value and the transaction cost.

Subsequent to initial recognition, the investments are re-measured at fair value. Un-realized gains and losses on re-measurement to fair value are reported as a separate component of equity as 'investment revaluation reserve' until the investment is sold, collected or otherwise disposed of, or the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the profit or loss for the year.

Financial liabilities

The principal financial liabilities are trade and other payables.

Trade and other payables

Payables with no stated interest rate are measured at the original invoice amount, in cases where the imputed interest is immaterial. However, in cases where the imputed interest rate factor is material, accounts payables are stated at amortized cost, through application of the discounted cash flows method at market interest rate available on short-term borrowings with comparable average periods of maturity.

Inventories

Inventories are stated at the lower of cost or at the new realizable value. Cost comprises direct materials and where applicable, directs labour costs and those overheads that have been incurred in brining the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realizable value represents the estimated selling price less all estimated cost to completion and costs to be incurred in marketing, selling and distribution.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of assets

At each reporting date, the Company reviews the carrying amounts of its tangible and intangible assets (if any) to determine whether there is any indication that those assets have been impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any, being the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of asset's fair value less costs to sell and the value in use. The asset's fair value is the amount for which that asset could be exchanged between knowledgeable, willing parties in arm's length transaction. The value in use is the present value of the future cash flows expected to be derived from the asset. An impairment loss is recognized immediately in the profit or loss, unless the relevant asset is carried at a re-valued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but the increased carrying amount due to reversal should not be more than what the depreciated historical cost would have been if the impairment had not been recognized in prior years. A reversal of an impairment loss is recognized immediately in the profit or loss unless the relevant asset is carried at a re-valued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Employee’ end of service benefits

The end of service benefits for eligible Omani employees is provided in accordance with Social Insurance Law of 1991. For others, provision for end of service benefits is based on the liability which would arise in accordance with the terms of the employment and the Labour Laws of the Sultanate of Oman, if the employment of all employees were terminated at the reporting date. It is of a long term nature.

Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognized in the statement of profit or loss and other comprehensive income except to the extent that it relates to items recognized directly to equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustments to tax payable in respect of previous years.

Deferred tax is calculated on all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits can be utilized. Deferred tax assets are reduced to the extent that is no longer probable that the related tax benefits will be realized.

Directors’ remuneration

The Directors’ remuneration is governed by the rules as set out in the Commercial Companies Law of 1974, as amended and the regulations issued by the Capital Market Authority.

The Annual General Meeting determines and approves the remuneration and the sitting fees for the Board of Directors and its sub-committees provided that such fees shall not exceed 5% of the annual net profit after deduction of the legal reserve and the optional reserve and the distribution of dividends to the shareholders and provided that such fees shall not exceed RO 200,000. The sitting fees for each director shall not exceed RO 10,000 in one year.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Company's activities. Revenue is shown net of returns. Revenue from sale of goods is recognised in the statement of profit or loss and other comprehensive income when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

Interest income

Interest and other income is accounted for under the accrual basis of accounting.

Dividends

Revenue is recognised when the Company's right to receive the payment is established, which is generally when

Cash and cash equivalents

For the purpose of cash flows statement, cash and cash equivalents consist of bank balances and cash with a maturity of less than three months from the date of placement, net of outstanding bank overdrafts.

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are included in selling and distribution expenses in the statement of comprehensive income on a straight line basis over the period of the lease.

Foreign currencies

Transactions in foreign currencies are translated to Omani Rials at the rates prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to Omani Rials at year end rates. Any gain or loss arising from changes in exchange rates subsequent to the date of the transaction is recognized in the profit or loss.

Provisions

Provisions are present obligations (legal or constructive) resulted from past events, the settlement of the obligations is probable and the amount of those obligations can be estimated reliably. The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the reporting date, that is, the amount that the Company would rationally pay to settle the obligation at the reporting date or to transfer it to a third party.

Provisions are reviewed and adjusted at each reporting date. If outflows, to settle the provisions, are no longer probable, reversal of the provision is recorded as income. Provisions are only used for the purpose for which they were originally recognized.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Current vs. Non-Current classification

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period

Or

- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period

Or

- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the reported amount of financial assets and liabilities at the date of the financial statements and the resultant provisions and changes in fair value for the year. Such estimates are necessarily based on assumptions about several factors involving varying, and possibly significant, degrees of judgment and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated assets and liabilities.

Classification of investments

Management decides on acquisition of an investment whether it should be classified as held for trading, carried at fair value through profit or loss, or available-for-sale or held-to-maturity investments.

Impairment of available-for-sale financial investments

The Company follows the guidance of IAS 39 to determine when an available-for-sale financial asset is impaired. This determination requires significant judgment. In making this judgment, the Company evaluates, among other factors, the duration and extent to which the fair value of an investment is less than the cost; and the financial health of a near-term business outlook for the investee entity, including factors such as performance, changes in technology, and operational and financing cash flow.

4 COST OF SALES

	2016	*2015*
	RO	*RO*
Raw materials consumed	**5,660,813**	5,286,963
Salaries and related costs	**797,223**	767,437
Depreciation of property, plant and equipment (Note 9)	**545,749**	585,828
Vehicles expenses	**326,199**	311,084
Sales commission	**46,206**	97,223
Other operating expenses	**399,296**	449,509
	7,775,486	7,498,044

5 ADMINISTRATIVE AND GENERAL EXPENSES

	2016	*2015*
	RO	*RO*
Salaries and related costs	**357,176**	318,383
Directors' sitting fees (Note 22)	**52,500**	41,300
Allowance for doubtful debts (Note 12)	**41,010**	10,000
Legal and professional	**37,175**	48,673
Depreciation of property, plant and equipment (Note 9)	**31,891**	31,899
Communication expenses	**14,784**	18,218
Insurance	**13,779**	13,733
Travelling expenses	**13,315**	8,822
Repairs and maintenance	**10,306**	11,285
Allowance for slow-moving inventories (Note 11)	**9,000**	9,000
Interest and bank charges	**8,540**	10,820
Printing and stationery	**5,789**	7,632
Advertisement and promotion	**5,270**	11,226
Vehicle expenses	**3,512**	4,581
Utilities	**1,738**	1,661
Directors' remuneration (Note 22)	**-**	17,673
Miscellaneous	**19,427**	23,363
	625,212	588,269

6 OTHER INCOME

	2016	*2015*
	RO	*RO*
Scrap sales	**13,321**	48,418
Gain on exchange fluctuation	**4,941**	3,110
Interest income on bank deposits	**788**	271
Gain on disposal of property, plant and equipment (net)	**425**	4,037
Dividend income from available-for-sale investments	**-**	33,690
Rental Income	**-**	18,000
Miscellaneous income	**82,741**	11,064
	102,216	118,590

7 EARNINGS PER SHARE

Earnings per share is calculated by dividing the net profit for the year by the weighted average number of shares outstanding during the year as follows:

	2016	*2015*
Net profit for the year (RO)	**804,486**	1,311,742
Weighted average number of ordinary shares	**30,000,000**	30,000,000
Earnings per share – basic (RO)	**0.027**	0.044

As the Company has not issued any instruments during 2016 and 2015 which would have a dilution impact on earnings per share hence the basic and diluted earnings per share are the same.

8 TAXATION

Income tax is provided as per the provisions of the “Law of Income Tax on Companies” in Oman after adjusting the items which are non-assessable or disallowed. Income tax is calculated @ 12% (2015: 12%) on the adjusted taxable income after deducting the statutory exemption of RO 30,000.

	2016	*2015*
	RO	*RO*
Statement of comprehensive income:		
Income tax		
Current year	**120,372**	150,347
Prior year	**148**	20,327
Deferred tax		
Current year	**(12,777)**	(35,824)
	107,743	134,850
Statement of financial position		
Non-current liability:		
Deferred tax	**201,120**	213,897
Current liability:		
Current year tax	**120,520**	169,840

The total charge for the current year tax can be reconciled to the accounting profits as follows:

	2016	*2015*
	RO	*RO*
Profit for the year before tax	**912,229**	1,446,592
Tax @ 12% (after deducting the basic exemption of RO 30,000)	**105,867**	169,991
Tax effect of items non-deductible for tax purposes	**1,728**	(55,468)
Prior year tax	**148**	20,327
Tax charge for the year	**107,743**	134,850

8 TAXATION (Continued)

Deferred tax

Deferred income tax is calculated on all temporary differences using tax rate of 12% (2015: 12%).

Recognised deferred tax assets and (liabilities) are attributable to the following items:

	At 1 January 2016	Charge to statement of comprehensive income	At 31 December 2016
	RO	RO	RO
Asset			
Provisions	(27,294)	**(5,180)**	**(32,474)**
Liability			
Tax effect of depreciation	89,706	**(7,597)**	**82,109**
Net	62,412	**(12,777)**	**49,635**

The tax (charge)/credit relating to components of other comprehensive income is as follows:

	31 December 2016		
	Before tax	Tax (charge)/ credit	After tax
	RO	**RO**	**RO**
Revaluation of Land	-	-	-
Other comprehensive income	-	-	-

In 2015 the Company charged deferred tax liability RO 151,485 relating to revaluation of land, which may be taxable in the future. The deferred tax credit/charge is disclosed under other comprehensive income.

	1 January 2016	**Tax charge/ (credit)**	**31 December 2016**
	RO	**RO**	**RO**
Deferred tax liability	**213,897**	**(12,777)**	**201,120**

Status of tax assessment

The Company's income tax assessments have been finalized upto 2013. The management believes that additional taxes, if any, in respect of open tax years would not be material to the Company's financial position as of December 31, 2016.

9 PROPERTY, PLANT AND EQUIPMENT

31 DECEMBER 2016	*Land* *RO*	*Head office building* *RO*	*Plant buildings* *RO*	*Plant and machinery* *RO*	*Employee house at Ghala* *RO*	*Motor vehicles* *RO*	*Furniture and fixtures* *RO*	*Office equipment* *RO*	*Capital work-in-progress* *RO*	*Total* *RO*
Cost										
At 1 January 2016	1,775,000	232,304	1,124,667	5,364,656	-	2,180,887	44,605	80,231	11,891	10,814,241
Additions during the year	-	-	-	38,480	-	15,000	4,928	21,664	3,327	83,399
Disposals	-	-	-	-	-	(4,450)	-	-	-	(4,450)
At 31 December 2016	**1,775,000**	**232,304**	**1,124,667**	**5,403,136**	**-**	**2,191,437**	**49,533**	**101,895**	**15,218**	**10,893,190**
Depreciation / impairment										
At 1 January 2016	-	14,791	460,236	2,632,942	-	1,496,424	33,570	45,336	-	4,683,299
Charge for the year	-	11,615	53,477	301,812	-	190,961	4,967	14,808	-	577,640
Related to disposal	-	-	-	-	-	(1,353)	-	-	-	(1,353)
At 31 December 2016	**-**	**26,406**	**513,713**	**2,934,754**	**-**	**1,686,032**	**38,537**	**60,144**	**-**	**5,259,586**
Net carrying amount:										
At 31 December 2016	**1,775,000**	**205,898**	**610,954**	**2,468,382**	**-**	**505,405**	**10,996**	**41,751**	**15,218**	**5,633,604**

The depreciation charge for the year has been allocated in the statement of comprehensive income as follows:

	2016 **RO**	2016 RO
Cost of sales (Note 4)	**545,749**	585,828
General and administrative expenses (Note 5)	**31,891**	31,899
	577,640	617,727

9 PROPERTY, PLANT AND EQUIPMENT (continued)

	Land RO	*Head office building RO*	*Plant buildings RO*	*Plant and machinery RO*	*Employee house at Ghala RO*	*Motor vehicles RO*	*Furniture and fixtures RO*	*Office equipment RO*	*Capital work-in-progress RO*	*Total RO*
Cost:										
At 1 January 2015	485,301	241,570	1,102,487	6,335,972	14,601	2,186,588	59,526	96,961	3,409	10,526,415
Additions during the year	27,327	-	-	153,040	-	83,286	7,416	14,312	32,982	318,363
Transfers	-	-	24,500	-	-	-	-	-	(24,500)	-
Revaluation adjustment	1,262,372	-	-	-	-	-	-	-	-	1,262,372
Disposals	-	-	(2,320)	(1,124,356)	(14,601)	(88,987)	(22,337)	(31,042)	-	(1,283,643)
Adjustments*	-	(9,266)	-	-	-	-	-	-	-	(9,266)
	1,775,000	232,304	1,124,667	5,364,656	-	2,180,887	44,605	80,231	11,891	10,814,241
Depreciation / impairment										
At 1 January 2015	-	3,870	407,450	3,451,884	14,601	1,348,006	46,717	64,681	-	5,337,209
Charge for the year	-	11,500	53,262	297,235	-	235,996	8,037	11,697	-	617,727
Related to disposal	-	-	(476)	(1,116,177)	(14,601)	(87,578)	(21,184)	(31,042)	-	(1,271,058)
Related to adjustments	-	(579)	-	-	-	-	-	-	-	(579)
	-	14,791	460,236	2,632,942	-	1,496,424	33,570	45,336	-	4,683,299
At 31 December 2015	1,775,000	217,513	664,431	2,731,714	-	684,463	11,035	34,895	11,891	6,130,942

a. The factory premises are located on land leased from the Public Establishment for Industrial Estate, Rusayl. (Note 23)

b. Land at Al Wadi Al Kabir is jointly registered in the name of Muscat Gases Company SAOG and Mr. Abdul Hamed Bin Amer Bin Abdullah Al Qiyumi.

c. Lands were revalued in 2015 by an independent valuer. The valuation was made on an open market basis. This resulted in an upward revaluation of RO 1,262,372. The amount added to revaluation reserve net of deferred tax liability (note 8) is RO 1,100,887. The carrying cost of lands before revaluation was RO 512,628.

10 AVAILABLE-FOR-SALE INVESTMENTS

	2016		*2015*	
	Cost	***Market value***	*Cost*	*Market value*
	RO	***RO***	*RO*	*RO*
Unquoted				
Manufacturing	**165,000**	**165,000**	165,000	165,000

Unquoted investment represents amount invested in 10% share capital of Sohar Gases Co. LLC. In the opinion of the Board of Directors, the fair value of the unquoted investment is not significantly different from its carrying value.

11 INVENTORIES

	2016	*2015*
	RO	*RO*
Gas cylinders	**985,187**	957,097
Raw-materials and spare parts	**212,674**	227,142
Industrial gases	**31,965**	23,597
LPG bulk	**40,990**	8,280
	1,270,816	1,216,116
Less: allowance for slow-moving inventories:		
Gas cylinders	**(176,827)**	(167,827)
Stores and spares	**(20,942)**	(24,469)
	(197,769)	(192,296)
	1,073,047	1,023,820

Gas cylinders include LPG cylinders amounting to RO 118,086 (2015: RO 125,331) given to non-corporate customers on loan basis against post-dated cheques as security.

The movement in allowance for slow-moving inventories:

	2016	*2015*
	RO	*RO*
At 1 January	**192,296**	183,296
Charge for the year	**9,000**	9,000
Provision reversed	**(3,527)**	-
At 31 December	**197,769**	192,296

12 TRADE AND OTHER RECEIVABLES

	2016	*2015*
	RO	*RO*
Trade receivables	**2,778,944**	1,983,242
Less: allowances for doubtful debts	**(69,314)**	(35,159)
Net trade receivables	**2,709,630**	1,948,083
Due from related parties (Note 22)	**112,216**	125,891
Advance to suppliers	**87,423**	13,865
Prepaid expenses	**48,372**	64,069
Other receivables	**1,505**	7,912
	2,959,146	2,159,820

12 TRADE AND OTHER RECEIVABLES (continued)

Movement in the allowance for doubtful debts is as follows:

	2016	*2015*
	RO	*RO*
Balance as at 1 January	**35,159**	29,040
Charge for the year	**41,010**	10,000
Write off during the year	**(6,855)**	(3,881)
Balance as at 31 December	**69,314**	35,159

As at 31 December, the ageing of unimpaired trade receivables is as follows:

		Past due but not impaired			
	Total	***0 - 120 days***	***121 - 180 days***	***> 181-365days***	***> 365 days***
	RO	***RO***	***RO***	***RO***	
2016	**2,709,630**	**1,164,846**	**354,941**	**752,443**	**437,400**
2015	1,948,083	1,143,835	250,855	317,927	235,466

The average credit period given to customers on sale of goods is 60 to 120 days. Receivables past due but not impaired are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Company to obtain collateral over receivables.

13 CASH AND CASH EQUIVALENTS

	2016	*2015*
	RO	*RO*
Cash at bank (Current accounts)	**765,660**	236,022
Cash in hand	**6,472**	6,600
Cash and cash equivalents	**772,132**	242,622
Short-term deposit	**-**	650,000
Cash and bank balances	**772,132**	892,622

Short term deposits were placed in 2015 with commercial bank in Oman carries interest of 0.5% per annum.

14 SHARE CAPITAL

	2016	*2015*
	RO	*RO*
Authorised share capital	**6,000,000**	6,000,000
Issued and fully paid up capital	**3,000,000**	3,000,000

The Company has one class of ordinary shares of 100 Baisas each, which carry no right to fixed rate.

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

	2016		*2015*	
	%	***RO***	**%**	*RO*
Takamul Investment Co. SAOC	**32.66**	**9,799,000**	32.66	9,799,000
Civil Service Employees Pension Fund	**15.00**	**4,500,000**	15.00	4,500,000
Al Saud Co. Ltd (OAB)	**10.10**	**3,030,645**	10.10	3,030,645

15 STATUTORY RESERVE

In accordance with the Commercial Companies Law of the Sultanate of Oman, 10% of the profit for the period is required to be transferred to a statutory reserve until the reserve is equal to one third of the issued share capital. The Company has resolved to discontinue such transfers as the reserve totals one third of the issued share capital. The reserve is not available for distribution.

16 GENERAL RESERVE

The general reserve has been created in accordance with Article 106 of the Commercial Companies Law. The annual appropriation will be made as per the decision of the Board of Directors and should not exceed 20% of the profit for the year after deduction of taxes and the statutory reserve and the reserve shall not exceed one half of the share capital of the Company.

17 SPECIAL RESERVE

This represents the balance amount transferred from the share premium in accordance with Article 78 of the Commercial Companies Law and decision of the Board of Directors. This reserve is not available for distribution.

18 EMPLOYEES' END OF SERVICE BENEFITS

	2016	*2015*
	RO	*RO*
At January 1	**165,354**	187,282
Charge for the year	**27,308**	42,815
Amounts paid	**(2,224)**	(64,743)
At December 31	**190,438**	165,354

19 TRADE AND OTHER PAYABLES

	2016	*2015*
	RO	*RO*
Trade payables	**1,221,499**	739,571
Gas cylinders deposit	**351,461**	269,048
Accruals	**176,365**	241,554
Advance from customers	**50,465**	57,422
Due to related parties (Note 22)	**18,041**	10,910
Directors remuneration	**-**	17,673
Other payables	**32,823**	1,224
	1,850,654	1,337,402

20 DIVIDEND

The Board of Directors has proposed a cash dividend of 30%(2015: 35%) per share RO900,000 (2015: RO 1,050,000) to be distributed to the shareholders. This dividend is subject to approval by shareholders at the Annual General Meeting on 16th March 2017.

During the year the Company has transferred to the investors trust maintained by the Capital Market Authority unclaimed dividends of RO 31,358 in 2016 (2015: RO 30,794).

21 NET ASSETS PER SHARE

Net assets per share are calculated by dividing the net assets attributable to the shareholders of the Company by the number of shares outstanding at the year end as follows:

	2016	*2015*
Net assets at December 31 (RO)	**8,240,197**	8,485,711
Weighted average number of shares outstanding at December 31	**30,000,000**	30,000,000
Net assets per share (RO)	**0.275**	0.283

22 RELATED PARTY TRANSACTIONS

Related parties represent associated companies, major shareholders, directors and key management personnel of the Company, and companies of which they are principal owners. Pricing policies and terms of these transactions are approved by the Company's management.

Outstanding balances at the year-end arise in the normal course of business. Outstanding balances at the reporting date are unsecured and settlement occurs in cash. For the year ended 31 December 2016, the company has not recorded any impairment in respect of amounts owed by related parties (2015: Nil).

(a) Balances with related parties included in the statement of financial position are as follows:

	2016	*2015*
	RO	*RO*
Due from related parties:		
Gulf Speciality Steel Industries Co.	**70,494**	89,074
Oman Aluminium Rolling Co.	**40,255**	34,181
Sohar Gases Co. LLC	**799**	-
Salalah Methanol Company LLC	**580**	2,548
Oman Aluminium Processing	**88**	88
	112,216	125,891
Due to related parties:		
Oman Oil Marketing Co. SAOG	**18,041**	10,910

b) Transactions with related parties included in the statement of comprehensive income are as follows:

	2016	*2015*
	RO	*RO*
Revenue and other services	**299,462**	529,137
Purchase of goods and services	**172,715**	267,489
Dividend received	**-**	33,690

Compensation of key management personnel
The remuneration of directors and other members of key management during the year were as follows:

	2016	*2015*
	RO	*RO*
Short-term benefits and post-retirement benefits	**200,664**	195,162
Directors remuneration	**-**	17,673
Directors sitting fees	**52,500**	41,300

23 EXPENDITURE COMMITMENTS AND CONTIGENCIES

The following summarises the significant commitments and contingencies:

	2016	*2015*
	RO	*RO*
Capital commitments	**768,016**	-
Letter of Guarantees	**416,393**	458,388

Lease commitments

The Company has leased a plot of land for factory premises at Rusayl Industrial Estate, Sohar Industrial Estate and Nizwa Industrial Estate in 1999, 2007 and 2014 respectively from the Public Establishment for Industrial Estate for a period of 25 years which is renewable for a further period of 25 years. At the reporting date, lease commitments details are as follows:

	2016	*2015*
	RO	*RO*
Due within one year	**27,211**	27,211
Due after one year but within five years	**108,843**	108,843
Due after five years	**225,377**	245,087
	361,431	381,141

24 SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the key decision makers that are used to make strategic decisions. The Company operates only in one business segment, namely, production and sale of domestic and industrial gases in the Sultanate of Oman. The Company's assets are located in the Sultanate of Oman. The Company sells its products primarily in Sultanate of Oman. All the relevant information relating to the assets, liabilities, revenue and expenses is disclosed in the statements of financial position, comprehensive income, cash flows and notes to the financial statements.

25 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Financial instruments consist of financial assets and liabilities. The principal financial assets and liabilities carried on the statement of financial position include cash and bank balances, trade and other receivables, available-for-sale investments and trade and other payables. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

The main risks arising from the Company's's financial instruments are cash flow interest rate risk, credit risk, liquidity risk and foreign currency risk. The Management reviews and agrees policies for managing each of these risks which are summarised below:

(i) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's receivables and balances with banks.

The carrying amount of each financial asset in the statement of financial position represents the maximum exposure to credit risk.

25 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(i) Credit risk (continued)

Exposure to credit risk
The Company's bank accounts are placed with reputed financial institutions.

The Company has no significant concentration of credit risk in respect of trade and other receivables with exposure spread over a large number of customers. The Company maintains a credit policy that states dealing with only creditworthy parties and obtaining sufficient collateral where appropriate as a means of mitigating the risk of financial loss from defaults. The Company monitors regularly, the credit ratings of its debtors and the volume of transactions with those debtors during the year. Ongoing credit evaluation is performed on the financial condition of debtors. However credit risk exposures are insignificant.

The exposure to credit risk at the reporting date was on account of:

	2016	*2015*
	RO	*RO*
Trade receivable	**2,778,944**	1,983,242
Bank balances	**765,660**	886,022
Due from related parties	**112,216**	125,891
Advance to suppliers	**87,423**	13,865
Other receivables	**1,505**	7,912
	3,745,748	3,016,932

The age of trade recievables and related impairment loss at reporting date was :

	2016		2015	
	Gross	**Impairment**	Gross	Impairment
	RO	**RO**	RO	RO
Not past due	**1,164,846**	-	1,143,835	-
past due 120days - 1 year	**1,107,384**	-	568,782	-
More than 1 year	**506,714**	**69,314**	270,625	35,159
	2,778,944	**69,314**	1,983,242	35,159

The average credit period given to customers on sale of goods is 60 to 120 days. Receivables past due but not impaired are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Company to obtain collateral over receivables.

(ii) Liquidity risk

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

Company ensures that it has sufficient cash on demand to meet expected operational expenses including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

25 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(ii) Liquidity risk (Continued)

The below schedule shows the maturity profile of the financial liabilities:

31 December 2016

	Carrying amount	**6 months or less**
	RO	***RO***
Trade payables	**1,221,499**	**1,221,499**
Due to related parties	**18,041**	**18,041**
Directors remuneration	**-**	**-**
Advance from customers	**50,465**	**50,465**
Other payables	**32,823**	**32,823**
	1,322,828	**1,322,828**

31 December 2015

	Carrying amount	6 months or less
	RO	*RO*
Trade payables	739,571	739,571
Due to related parties	10,910	10,910
Directors remuneration	17,673	17,673
Advance from customers	57,422	57,422
Other payables	1,224	1,224
	826,800	826,800

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity price affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Foreign currency risk

The Company's functional and presentation currency is Rial Omani and the Company's performance is substantially independent of changes in foreign currency rates. There are no significant financial instruments denominated in foreign currency and consequently foreign currency risk is not significant.

Interest rate risk

The Company manages its interest rate risk through using fixed rate debts and deposits. The Company does not have any interest bearing assets and liabilities with floating interest rates. The Management has estimated the effect on profit for the year due to increases or decreases in interest rates to be insignificant.

Price risk

Price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security, or its issues, or factors affecting all securities traded in the market. The Company is not exposed to market risk with respect to its investments since its investment is in a non listed entity.

26 CAPITAL MANAGEMENT

The Board of Directors' policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on equity, which the company defines as net profit divided by total shareholders' equity. The Board of Directors also monitors the level of dividends to ordinary shareholders.

There were no changes in the Company's approach to capital management during the year. The Company is not subject to externally imposed capital requirements.

27 FAIR VALUE OF FINANCIAL INSTRUMENTS

The Management believes that the fair values of all financial assets and liabilities of the Company are not different from their carrying amounts at 31 December 2016.

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

• Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

• Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

• Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3	Total
31 December 2016	***RO***	***RO***	***RO***	***RO***
Available-for-sale investments				
Unquoted local	-	-	**165,000**	**165,000**
Total	**-**	**-**	**165,000**	**165,000**
31 December 2015				
Available-for-sale investments				
Unquoted local	-	-	165,000	165,000
Total	-	-	165,000	165,000

28 KEY SOURCES OF ESTIMATION UNCERTAINTY

Impairment of accounts receivable

An estimate of the collectible amount of trade accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

At the reporting date, gross trade accounts receivable were RO 2,778,944 (2015 – RO 1,983,242), and the provision for doubtful debts was RO 69,314 (2015 – RO 35,159). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the statement of comprehensive income.

28 KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Impairment of inventories
Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

At the reporting date, gross inventory was 1,270,816 (2015 – RO 1,216,116), with provisions for old and obsolete inventories of RO 197,769 (2015: RO 192,296). Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the statement of comprehensive income.

Useful lives of property, plant and equipment
The company's management determines the estimated useful lives of its property, plant and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

29 RECLASSIFICATION OF COMPARATIVE INFORMATION

Certain comparative information has been reclassified to conform to the presentation adopted in these financial statements. Such reclassifications are immaterial and do not affect previously reported net profit or shareholders' equity.