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 cooking gases. On 1 October 2017, Company formed a subsidiary with an ownership of 100%; "United Industrial Gases Company LLC" to facilitate the transfer of Industrial gas business division and sell 70% share to a third party (note 10).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation
The financial statements have been prepared on the historical cost basis and are presented in Rial Omani ("RO"), which is the Company's functional currency.

(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.

2.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

2.1.1 New and amended standards and interpretations to IFRS

The accounting policies are consistent with those used in the previous financial year except as follows:

The Company applied for the first time certain amendments to the standards, which are effective for annual periods beginning on or after 1 January 2017.

Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative
Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements Cycle - 2014-2016
Amendments to IFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS 12

Amendments to IFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS 12

The adoption of above 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.

Standards issued but not yet effective

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 2017:

- IFRS 17 Insurance Contracts
- Transfers of Investment Property — Amendments to IAS 40

Annual Improvements 2014-2016 Cycle (issued in December 2016)
IFRS 1 First-time Adoption of International Financial Reporting Standards - Deletion of short-term
IAS 28 Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice
IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration
IFRIC Interpretation 23 Uncertainty over Income Tax Treatment exemptions for first-time adopters

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

Standards issued but not yet effective (continued)

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014, and amended in April 2016, and establishes a five-step model to account for 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 new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Company plans to adopt the new standard on the required effective date using the modified retrospective approach.

The Company has performed an assessment and concluded that the impact is not material as in majority of the Company's contracts with customers, sale of good is generally expected to be the only performance obligation and accordingly, adoption of IFRS 15 is not expected to have any impact on the Company's revenue and profit or loss. The Company expects the revenue recognition to occur at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

IFRS 16 Leases

The IASB issued IFRS 16 Leases (IFRS 16), which requires lessees to recognise assets and liabilities for most leases. 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).

For lessors, there is little change to the existing accounting in IAS 17 Leases. Company will perform a detailed assessment in the future to determine the extent. The new standard will be effective for annual periods beginning on or after 1 January 2019. Early application is permitted, provided the new revenue standard, IFRS 15 Revenue from Contracts with Customers, has been applied, or is applied at the same date as IFRS 16. 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.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

In 2018, the Company will continue to assess the potential effect of IFRS 16 on its financial statements.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: 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 providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Company plans to adopt the new standard on the required effective date and will not restate comparative information. During 2017, the Company has performed an impact assessment of all three aspects of IFRS 9. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Company in 2018 when the Company will adopt IFRS 9. Overall, the Company expects no significant impact on its statement of financial position and equity except for the effect of applying the classification and impairment requirements of IFRS 9.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

Standards issued but not yet effective (continued)

IFRS 9 Financial Instruments (continued)

(a) *Classification* – Based on the assessment, the Company does not believe that the new classification requirements will have a material impact on its accounting for trade receivables, loans, investment in debt securities and investment in equity securities that are managed on a fair value basis.

The equity shares in non-listed companies are intended to be held for the foreseeable future. No impairment losses were recognised in profit or loss during prior periods for these investments. The Company will apply the option to present fair value changes in OCI, and, therefore, the application of IFRS 9 will not have a significant impact.

Loans as well as trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Company analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under IFRS 9. Therefore, reclassification for these instruments is not required.

The debt instruments currently classified as held-to-maturity and measured at amortised cost meet the conditions for classification at amortised cost under IFRS 9.

(b) *Impairments -*

IFRS 9 requires the Company to record expected credit losses on all of its debt securities, cash at bank, loans and trade receivables, either on a 12-month or lifetime basis. The Company will apply the simplified approach and record lifetime expected losses on all trade receivables. Management has carried out an impairment anaylsis and have determined the impact to be not significant upon adoption of IFRS 9 from 1 January 2018.

(c) *Hedge accounting*

The Company determined that all existing hedge relationships that are currently designated in effective hedging relationships will continue to qualify for hedge accounting under IFRS 9. The Company has chosen not to retrospectively apply IFRS 9. As IFRS 9 does not change the general principles of how an entity accounts for effective hedges, applying the hedging requirements of IFRS 9 will not have a significant impact on Company's financial statements.

Other IASB Standards and Interpretations that have been issued but are not yet mandatory, and have not been early adopted by the Company, are not expected to have a material impact on the Company's financial statements.

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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)
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.

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

Initial recognition and measurement
Financial assets are classified at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition. All financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement
The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss, has two sub categories namely financial assets held for trading and those designated at fair value through profit or loss at inception. Investments typically bought with the intention to sell in the near future are classified as held for trading. For investments designated as at fair value through profit or loss, the following criteria must be met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis; or

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Subsequent measurement (continued)

- the assets and liabilities are part of a Company of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or

- the financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

These investments are initially recorded at fair value. Subsequent to initial recognition, these investments are re-measured at fair value. Fair value adjustments and realized gain and loss are recognised in the statement of income.

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.

Impairment and uncollectibility of financial assets

An assessment is made at each reporting date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the statement of comprehensive income. Impairment is determined as follows:

(a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the statement of comprehensive income;

(b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through statement of income, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

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.

De-recognition of financial instruments

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a Company of similar financial assets) is de-recognised when:

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

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognised to the extent of the Company's continuing involvement in the asset.

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 Company could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Company's continuing involvement is the amount of the transferred asset that the Company may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Company's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When 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 de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of income.

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.

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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Current vs. Non-Current classification (continued)

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

	2017	*2016*
	RO	*RO*
Raw materials consumed	**5,902,361**	5,660,813
Salaries and related costs	**750,766**	797,223
Vehicles expenses	**330,819**	326,199
Depreciation of property, plant and equipment (Note 9)	**311,847**	545,749
Cylinder testing charges	**140,830**	116,265
Sales commission	**49,656**	46,206
Others	**381,507**	283,031
	7,867,786	7,775,486

5 ADMINISTRATIVE AND GENERAL EXPENSES

	2017	*2016*
	RO	*RO*
Salaries and related costs	**466,340**	357,176
Legal and professional	**392,830**	37,175
Directors' sitting fees (Note 23)	**65,600**	52,500
Allowance for doubtful debts (Note 12)	**32,650**	41,010
Interest and bank charges	**29,494**	8,540
Depreciation of property, plant and equipment (Note 9)	**23,351**	31,891
Communication expenses	**18,534**	14,784
Insurance	**12,538**	13,779
Repairs and maintenance	**8,416**	10,306
Travelling expenses	**7,881**	13,315
Allowance for slow-moving inventories (Note 11)	**7,500**	9,000
Printing and stationery	**6,366**	5,789
Advertisement and promotion	**4,700**	5,270
Vehicle expenses	**2,734**	3,512
Utilities	**1,680**	1,738
Miscellaneous	**39,890**	19,427
	1,120,504	625,212

6 OTHER INCOME

	2017	*2016*
	RO	*RO*
Scrap sales	**21,671**	13,321
TSA charges	**16,773**	-
Dividend income	**8,767**	-
Interest income on bank deposits	**8,460**	788
Gain on foreign currency exchange	**4,125**	4,941
Gain on disposal of property, plant and equipment	**10,000**	425
Miscellaneous income	**30,783**	82,741
	100,579	102,216

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:

	2017	*2016*
Net profit for the year (RO)	**1,386,766**	804,486
Weighted average number of ordinary shares	**30,000,000**	30,000,000
Earnings per share – basic (RO)	**0.046**	0.027

As the Company has not issued any instruments during 2017 and 2016 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 at 15% (2016: 12%) on the adjusted taxable income.

	2017	*2016*
	RO	*RO*
Statement of comprehensive income:		
Income tax		
Current year	**292,014**	120,372
Prior year	**(94)**	148
Deferred tax		
Current year	**(6,800)**	(12,777)
	285,120	107,743
Statement of financial position		
Non-current liability:		
Deferred tax	**194,320**	201,120
Current liability:		
Current year tax	**292,014**	120,520

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

	2017	*2016*
	RO	*RO*
Profit for the year before tax	**1,671,886**	912,229
Tax @ 15% (2016: 12%)	**250,783**	105,867
Tax effect of items non-deductible for tax purposes	**34,431**	1,728
Prior year tax	**(94)**	148
Tax charge for the year	**285,120**	107,743

8 TAXATION (Continued)

Deferred tax

Deferred income tax is calculated on all temporary differences using a tax rate of 15% (2016: 12%).

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

	At 1 January 2017 RO	Charge to statement of income RO	At 31 December 2017 RO
Asset			
Provisions	(32,474)	**21,830**	**(10,644)**
Liability			
Revaluation of land	151,485	**15,149**	**166,634**
Tax effect of depreciation	82,109	**(43,779)**	**38,330**
Net	201,120	**(6,800)**	**194,320**

	1 January 2017 RO	**Tax charge/ (credit) RO**	**31 December 2017 RO**
Deferred tax liability	**201,120**	**(6,800)**	**194,320**

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, 2017.

9 PROPERTY, PLANT AND EQUIPMENT

	Land *RO*	*Head office building* *RO*	*Plant buildings* *RO*	*Plant and machinery* *RO*	*Motor vehicles* *RO*	*Furniture and fixtures* *RO*	*Office equipment* *RO*	*Capital work-in-progress* *RO*	*Total* *RO*
Cost									
At 1 January 2017	1,775,000	232,304	1,124,667	5,403,136	2,191,437	49,533	101,895	15,218	10,893,190
Additions during the year	-	-	-	129,386	300,194	1,339	7,151	331,238	769,308
Disposals	-	(232,304)	(546,319)	(3,684,709)	(846,176)	(34,097)	-	(346,456)	(5,690,061)
At 31 December 2017	**1,775,000**	**-**	**578,348**	**1,847,813**	**1,645,455**	**16,775**	**109,046**	**-**	**5,972,437**
Depreciation / impairment									
At 1 January 2017	-	26,406	513,713	2,934,754	1,686,032	38,537	60,144	-	5,259,586
Charge for the year	-	5,808	32,579	135,573	140,351	3,274	17,613	-	335,198
Related to disposal	-	(32,214)	(121,788)	(1,529,806)	(585,614)	(28,803)	-	-	(2,298,225)
At 31 December 2017	**-**	**-**	**424,504**	**1,540,521**	**1,240,769**	**13,008**	**77,757**	**-**	**3,296,559**
Net carrying amount:									
At 31 December 2017	**1,775,000**	**-**	**153,844**	**307,292**	**404,686**	**3,767**	**31,289**	**-**	**2,675,878**

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

	2017 **RO**	2016 RO
Cost of sales (Note 4)	**311,847**	545,749
General and administrative expenses (Note 5)	**23,351**	31,891
	335,198	577,640

a. The factory premises are located on land leased from the Public Establishment for Industrial Estate, Rusayl. (Note 25)

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 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) was RO 1,100,887. The carrying cost of lands before revaluation was RO 512,628.

9 PROPERTY, PLANT AND EQUIPMENT (continued)

	Land	*Head office building*	*Plant buildings*	*Plant and machinery*	*Motor vehicles*	*Furniture and fixtures*	*Office equipment*	*Capital work-in-progress*	*Total*
	RO	*RO*	*RO*	*RO*	*RO*	*RO*	*RO*	*RO*	*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)
	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)
	-	26,406	513,713	2,934,754	1,686,032	38,537	60,144	-	5,259,586
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

10 INVESTMENT IN AN ASSOCIATE

On 1 October 2017, The Company formed a wholly owned subsidiary; "United Industrial Gases Company LLC" to facilitate the transfer of its Industrial gas business division and subsequently sell 70% share to a third party ("the buyer") under a selling purchase agreement ("the agreement"). Pursuant to the agreement, the Company disposed its industrial gases division with a net book value of RO 5,135,732 to the subsidiary for a value of RO 6,602,772, resulting in a gain of RO 1,467,040.

Gain on the disposal of business division:

	RO	*RO*
Sale consideration		**6,602,772**
Property, plant and equipment	3,391,836	
Trade and other receivables	1,294,402	
Inventories	907,766	
Available-for-sale investments	165,000	
Total assets	**5,759,004**	
Trade and other payables	623,272	
Total Liabilities	**623,272**	
Carrying value of net assets sold		**(5,135,732)**
Gain on disposal of business division		**1,467,040**

Subsequently, the Company sold a 70% stake in the subsidiary to the buyer with a carrying value of RO 4,621,940 for a consideration of RO 4,621,940. As at 31 December 2017, Company holds a 30% share in United Industrial Gases Company LLC with an investment value of RO 1,984,296 which includes the share of profit of RO 3,464 for the period 1 October 2017 to 31 December 2017.

United Industrial Gases Company LLC, a company engaged in the manufacturing and selling of industrial gases. United Indurstrial Gases Company LLC is registered in the Sultanate of Oman as a limited liability company.

The following table illustrates summarised financial information of the Company's investment in the associate:

Share of associate's revenue and profit:

	2017 ***RO***	*2016* *RO*
Revenue	**158,987**	-
Profit	**3,464**	-

Share of associate's balance sheet:

Current assets	**613,424**	-
Non-current assets	**1,621,310**	-
Current liabilities	**246,021**	-
Non-current liabilities	**4,417**	-
Net assets	**1,984,296**	-

11 INVENTORIES

	2017 RO	2016 RO
Gas cylinders	**142,711**	985,187
Raw-materials and spare parts	**39,321**	212,674
LPG bulk	**15,529**	40,990
Industrial gases	**-**	31,965
	197,561	1,270,816
Less: allowance for slow-moving inventories:		
Gas cylinders	**(42,000)**	(176,827)
Stores and spares	**-**	(20,942)
	(42,000)	(197,769)
	155,561	1,073,047

Gas cylinders include LPG cylinders amounting to RO 114,522 (2016: RO 118,086) given to non-corporate customers on loan basis against post-dated cheques as security.

The movement in allowance for slow-moving inventories:

	2017 RO	2016 RO
At 1 January	**197,769**	192,296
Charge for the year	**3,000**	9,000
Provision reversed	**(158,769)**	(3,527)
At 31 December	**42,000**	197,769

12 TRADE AND OTHER RECEIVABLES

	2017 RO	2016 RO
Trade receivables	**886,897**	2,778,944
Less: allowances for doubtful debts	**(28,960)**	(69,314)
Net trade receivables	**857,937**	2,709,630
Due from related parties (Note 23)	**565,036**	112,216
Advance to suppliers	**23,749**	87,423
Prepaid expenses	**17,527**	48,372
Other receivables	**863**	1,505
	1,465,112	2,959,146

Movement in the allowance for doubtful debts is as follows:

	2017 RO	2016 RO
At 1 January	**69,314**	35,159
Charge for the year	**32,650**	41,010
Write off	**(73,004)**	(6,855)
At 31 December	**28,960**	69,314

12 TRADE AND OTHER RECEIVABLES (continued)

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***	
2017	**857,937**	**524,672**	**169,863**	**163,402**	**-**
2016	2,709,630	1,164,846	354,941	752,443	437,400

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

	2017	*2016*
	RO	*RO*
Cash at bank (Current accounts)	**581,557**	765,660
Cash in hand	**4,400**	6,472
Short-term deposit	**3,891,837**	-
Cash and bank balances	**4,477,794**	772,132
Bank overdrafts	**(350,088)**	-
Cash and cash equivalents	**4,127,706**	772,132

Short term deposits were placed in 2017 with commercial bank in Oman carries interest of 1.5% per annum.

14 SHARE CAPITAL

	2017	*2016*
	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:

	2017		*2016*	
	%	***Share***	**%**	*Share*
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. During the year the Company has transfer the general reserve to retained earning.

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 FINANCE LEASE

	2017	*2016*
	RO	*RO*
Current portion of finance lease	**40,564**	-
Non-current portion of finance lease	**197,261**	-
Present value of minimum lease payments	**237,825**	-

Finance lease are secured against the prime movers, which are jointly registered in the name of the Company and providers of finance lease under islamice financing facility with a profit share of 5.5% p.a; reviewed semi annually.

That portion of the finance lease which is repayable within 12 months of the statement of financial position date is disclosed as current portion of finance leases.

19 EMPLOYEES' END OF SERVICE BENEFITS

	2017	*2016*
	RO	*RO*
At January 1	**190,438**	165,354
Charge for the year	**33,702**	27,308
Payment during the year	**(103,496)**	(2,224)
At December 31	**120,644**	190,438

20 TRADE AND OTHER PAYABLES

	2017	*2016*
	RO	*RO*
Trade payables	**615,778**	1,221,499
Accruals	**59,036**	176,365
Due to related parties (Note 23)	**23,273**	18,041
Advance from customers	**-**	50,465
Gas cylinders deposit	**-**	351,461
Other payables	**138,700**	32,823
	836,787	1,850,654

21 DIVIDEND

The Board of Directors has proposed a cash dividend of RO 2,159,009 (2016: RO 900,000) to be distributed to the shareholders. This dividend is subject to approval by shareholders at the Annual General Meeting on 13th March 2018.

During the year, the Company has transferred to the investors trust maintained by the Capital Market Authority unclaimed dividends of RO 25,898 in 2017 (2016: RO 31,358).

22 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:

	2017	*2016*
Net assets at December 31 (RO)	**8,726,963**	8,240,197
Weighted average number of shares outstanding at December 31	**30,000,000**	30,000,000
Net assets per share (RO)	**0.291**	0.275

23 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 2017, the company has not recorded any impairment in respect of amounts owed by related parties (2016: Nil).

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

	2017	*2016*
	RO	*RO*
Due from related parties:		
Air Products Leasing BV	**565,036**	-
Gulf Speciality Steel Industries Co. LLC	**-**	70,494
Oman Aluminium Rolling Co. LLC	**-**	40,255
Sohar Gases Co. LLC	**-**	799
Salalah Methanol Company LLC	**-**	580
Oman Aluminium Processing Industries LLC	**-**	88
	565,036	112,216
Due to related parties:		
Oman Oil Marketing Co. SAOG	**17,293**	18,041
United Industrial Gases Co.LLC	**5,980**	-
	23,273	-

23 RELATED PARTY TRANSACTIONS (continued)

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

	2017	*2016*
	RO	*RO*
Revenue and other services	**4,983,516**	299,462
Purchase of goods and services	**561,377**	172,715
Dividend received	**8,767**	-

Compensation of key management personnel

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

	2017	*2016*
	RO	*RO*
Short-term benefits and post-retirement benefits	**256,672**	200,664
Directors sitting fees	**65,600**	52,500

24 EXPENDITURE COMMITMENTS AND CONTIGENCIES

The following summarises the significant commitments and contingencies:

	2017	*2016*
	RO	*RO*
Letter of Guarantees	**457,020**	416,393
Capital commitments	**37,450**	768,016

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:

	2017	*2016*
	RO	*RO*
Due within one year	**7,501**	27,211
Due after one year but within five years	**30,004**	108,843
Due after five years	**22,504**	225,377
	60,009	361,431

25 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 cooking 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.

26 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 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.

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:

	2017	*2016*
	RO	*RO*
Trade receivable	**886,897**	2,778,944
Bank balances	**4,473,394**	765,660
Due from related parties	**565,036**	112,216
Advance to suppliers	**23,749**	87,423
Other receivables	**863**	1,505
	5,949,939	3,745,748

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

	2017		2016	
	Gross	**Impairment**	Gross	Impairment
	RO	**RO**	RO	RO
Not past due	**524,672**	**-**	1,164,846	-
past due 120 days - 1 year	**360,192**	**26,927**	1,107,384	-
More than 1 year	**2,033**	**2,033**	506,714	69,314
	886,897	**28,960**	2,778,944	69,314

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.

26 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(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.

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

31 December 2017

	Carrying amount	**6 months or less**
	RO	***RO***
Trade payables	**615,778**	**615,778**
Due to related parties	**23,273**	**23,273**
Directors remuneration	**2,808**	**2,808**
Other payables	**138,700**	**138,700**
	780,559	**780,559**

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

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.

26 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

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.

27 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.

28 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 2017.

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).

29 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 886,897 (2016: RO 2,778,944), and the provision for doubtful debts was RO 28,960 (2016: RO 69,314). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the statement of comprehensive income.

29 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 RO 197,561 (2016: RO 1,270,816), with provisions for old and obsolete inventories of RO 42,000 (2016: RO 197,769). 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.

Taxation

Uncertainties exist with respect to the interpretation of tax regulations and the amount and timing of future taxable income. Given the wide range of business relationships and nature of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of finalisation of tax assessments of Company. The amount of such provisions is based on various factors, such as experience of previous tax assessments and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.