

**MUSCAT GASES COMPANY SAOG**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
31 DECEMBER 2020**

**Registered address :**

PO Box 11, Postal Code 124,  
Al Rusayl, Muscat  
Sultanate of Oman

**Principal place of business :**

Way no 48, Azaiba north  
Azaiba, Muscat  
Sultanate of Oman

**MUSCAT GASES COMPANY SAOG**

FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020

<b><u>Contents</u></b>	<b><u>Pages</u></b>
Independent auditor's report	1 - 7
Statement of financial position	8
Statement of comprehensive income	9
Statement of changes in equity	10
Statement of cash flows	11
Notes to the financial statements	12-42

## **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF MUSCAT GASES COMPANY SAOG**

### **Report on the audit of the financial statements**

#### **Opinion**

We have audited the financial statements of Muscat Gases Company SAOG ('the Company'), which comprise the statement of financial position as at 31 December 2020, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the Sultanate of Oman, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Key audit matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the 'Basis for opinion' section of our report, we have determined the matters described below to be the key audit matters to be communicated in our report.

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF  
MUSCAT GASES COMPANY SAOG (continued)**

**Key audit matters (continued)**

<b>Key audit matter</b>	<b>How our audit addressed the key audit matter</b>
<b><i>Revenue recognition (refer note: 19)</i></b>	
<p>We refer to the Company's significant accounting policies in note 3 and the revenue related disclosures in note 19 of the financial statements.</p> <p>The Company recognises revenue when it satisfies its performance obligation, in accordance with the principles of IFRS 15.</p> <p>During the year, the Company has revenue from new streams of business and also witnessed a significant increase in the revenue. Further, IFRS 15 requires management to make certain key judgments, such as, identification of distinct performance obligations in contracts with customers, determination of transaction price for the contract, factoring in the consideration payable to customers (such as rebates and discounts).</p> <p>Considering all the above factors, revenue is determined to be an area involving significant risk and hence requiring significant auditor attention.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>▪ Obtaining and verifying the customer contracts on a sample basis and confirming our understanding of the Company's sales process from initiation to collection of receivables, including design and implementation of controls;</li> <li>▪ Performing transaction testing based on a representative sampling of the sales orders to assess revenue recognition and recognition of trade receivables including transactions occurring at or near the year-end;</li> <li>▪ Performing cut off testing for sales made near the reporting date and testing whether the revenue was recognised in the appropriate period by testing sales invoices for sample transactions and testing the management assessment involved in this process, wherever applicable;</li> <li>▪ Testing the appropriateness of accruals for various rebates and discounts as at the year-end;</li> <li>▪ Performing analytical procedures of disaggregated data of revenue transactions during the audit period to identify any unusual trends warranting additional audit procedures.</li> </ul>



**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF  
MUSCAT GASES COMPANY SAOG (continued)**

**Key audit matters (continued)**

<b>Key audit matter</b>	<b>How our audit addressed the key audit matter</b>
<i>Disposal of investment in an associate (refer note 6)</i>	
<p>The Company disposed of its entire investment in associate, “United Industrial Gases Company LLC” during the year. The associate’s primary activities are manufacturing and selling of industrial gases.</p> <p>We focused on the abovementioned disposal of the Company’s investment in an associate as a key audit matter as this transaction is significant and outside the normal course of business. In addition, accounting for disposals of investments and the related disclosures are complex in nature.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>▪ Evaluating the design and implementation of controls over the disposal of the investment in an associate;</li> <li>▪ Obtaining and reading the sale agreement for the transaction, to understand the terms and the date on which disposal had taken place;</li> <li>▪ Evaluating the rationale of this transaction as it is significant and outside the normal course of business for the Company;</li> <li>▪ Independently recalculating the gain on disposal of investment in an associate by agreeing management’s calculation of gain to the terms of relevant agreement and carrying amount of investment in an associate at the disposal date;</li> <li>▪ Tracing the consideration received on the disposal of the investment in an associate to the bank statement and agreeing the same to the above-mentioned sale agreement;</li> <li>▪ Assessing the disclosure of the disposal of the investment in an associate in the financial statements, against the requirements of IFRSs;</li> </ul>

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF  
MUSCAT GASES COMPANY SAOG (continued)**

**Key audit matters (continued)**

Key audit matter	How our audit addressed the key audit matter
<p><i>Trade receivables and allowance for credit losses on trade receivables (refer note: 8)</i></p>	
<p>Trade receivables (net of allowance for credit loss on receivables) of RO 2,395,777 represents a significant balance in the statement of financial position. In accordance with the requirements of IFRS 9 the Company is required to assess the allowance for credit loss on trade receivables based on historical losses which are then adjusted to reflect the current and forward-looking information.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>▪ Requesting and obtaining independent balance confirmations from the Company's customers on sample basis;</li> <li>▪ Testing the accuracy of the aging of trade receivables;</li> </ul>
<p>We considered this area as a key audit matter because the uncertainty due to the economic impacts of COVID-19 pandemic has raised the credit risk significantly and considering the materiality of the balances to the financial statements.</p>	<ul style="list-style-type: none"> <li>▪ Assessing the operating effectiveness of the credit process;</li> <li>▪ Verifying the data underlying the expected credit loss computation;</li> </ul>
<p>Further, the estimation of allowance for expected credit loss requires significant judgment.</p>	<ul style="list-style-type: none"> <li>▪ Reviewing the methodology used and assess the reasonableness of assumptions used in preparing the estimate.</li> </ul>

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF  
MUSCAT GASES COMPANY SAOG (continued)**

**Other information included in the Company's 2020 Annual Report**

Those charged with governance and management are responsible for the other information. Other information consists of the information included in the Company's 2020 Annual Report, but does not include the financial statements and our auditor's report thereon. We have obtained the other information comprising the Chairman's report, Corporate governance report and Management discussion and analysis report prior to the date of our auditor's report, and we expect to obtain the published 2020 Annual report after the date of our auditor's report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance or conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the 'other information' and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of management and those charged with governance for the financial statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, the disclosure requirements of the Capital Market Authority and the applicable provisions of the Commercial Companies Law of the Sultanate of Oman, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.



**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF  
MUSCAT GASES COMPANY SAOG (continued)**

**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF  
MUSCAT GASES COMPANY SAOG (continued)**

**Auditor's responsibilities for the audit of the financial statements (continued)**

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

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

**Report on other legal and regulatory requirements**

Further, we report that the financial statements of the Company as at and for the year ended 31 December 2020, comply in all material respects, with the applicable provisions of the Commercial Companies Law of the Sultanate of Oman, and the relevant disclosure requirements for Public Joint Stock Companies, issued by the Capital Market Authority.

**CROWE MAK GHAZALI LLC**



**Tom C Mathew**  
Partner Audit

Muscat, Sultanate of Oman  
8 March 2021



# MUSCAT GASES COMPANY SAOG

## STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

	<u>Note</u>	<u>2020</u>	<u>2019</u>
		<u>RO</u>	<u>RO</u>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	4	2,749,566	3,138,365
Right-of-use assets	5	239,944	268,681
Investment in an associate	6	-	1,849,393
Trade receivables	8	531,063	-
		<u>3,520,573</u>	<u>5,256,439</u>
<b>Current assets</b>			
Inventories	7	232,260	175,850
Trade and other receivables	8	2,051,995	2,475,345
Cash and bank balances	9	4,540,051	2,538,938
		<u>6,824,306</u>	<u>5,190,133</u>
<b>Total assets</b>		<u><u>10,344,879</u></u>	<u><u>10,446,572</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	10	3,000,000	3,000,000
Statutory reserve	11	1,000,000	1,000,000
Special reserve	12	1,457,067	1,457,067
Land revaluation reserve	4	753,887	1,110,887
Retained earnings		436,728	621,257
<b>Total equity</b>		<u>6,647,682</u>	<u>7,189,211</u>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Non-current portion of term loans	13	582,951	797,718
Non-current portion of lease liabilities	14	219,878	250,336
Employees' end of service benefits	15	61,200	56,261
Deferred tax liability	17	148,520	195,624
		<u>1,012,549</u>	<u>1,299,939</u>
<b>Current liabilities</b>			
Term loans	13	231,122	202,707
Lease liabilities	14	21,634	22,909
Trade and other payables	16	2,383,315	1,687,993
Income tax payable	17	48,577	43,813
		<u>2,684,648</u>	<u>1,957,422</u>
<b>Total liabilities</b>		<u>3,697,197</u>	<u>3,257,361</u>
<b>Total equity and liabilities</b>		<u><u>10,344,879</u></u>	<u><u>10,446,572</u></u>
<b>Net assets per share</b>	18	<u>0.222</u>	<u>0.240</u>

These financial statements were approved and authorised for issue by the Board of Directors on 08.10.2021. and signed on their behalf by:

  
CHAIRMAN

  
DIRECTOR

  
CHIEF EXECUTIVE OFFICER

The notes on pages 12 to 42 form part of these financial statements.





**MUSCAT GASES COMPANY SAOG**

STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2020

	<u>Note</u>	<u>2020</u> <u>RO</u>	<u>2019</u> <u>RO</u>
Revenue	19	16,114,242	11,833,448
Cost of sales	20	(15,233,234)	(10,875,314)
<b>Gross profit</b>		<u>881,008</u>	<u>958,134</u>
Other income	21	219,675	149,787
Allowance for inventories (net)	7	24,578	(3,000)
Allowance for expected credit loss (net)	8	(3,622)	7,147
Administrative and general expenses	22	(744,119)	(631,951)
<b>Profit from operations</b>		<u>377,520</u>	<u>480,117</u>
Share of (loss)/profit of an associate	6	(253,003)	9,519
Gain on disposal of investment in an associate	6	453,610	-
Finance charges	23	(98,183)	(59,825)
<b>Profit for the year before taxation</b>		<u>479,944</u>	<u>429,811</u>
Income tax	17	(64,473)	(40,427)
<b>Profit for the year</b>		<u>415,471</u>	<u>389,384</u>
<b>Other comprehensive (loss)/income</b>			
Revaluation of land		(420,000)	-
Deferred tax (on revaluation of land)	17	63,000	-
<b>Profit and total comprehensive income for the year</b>		<u>58,471</u>	<u>389,384</u>
<b>Basic earnings per share</b>	18	<u>0.014</u>	<u>0.013</u>

The notes on pages 12 to 42 form part of these financial statements.

**MUSCAT GASES COMPANY SAOG**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

	<u>Share capital</u> <u>RO</u>	<u>Statutory reserve</u> <u>RO</u>	<u>Special reserve</u> <u>RO</u>	<u>Land revaluation reserve</u> <u>RO</u>	<u>Retained earnings</u> <u>RO</u>	<u>Total</u> <u>RO</u>
At 1 January 2019	3,000,000	1,000,000	1,457,067	1,110,887	231,873	6,799,827
Profit for the year	-	-	-	-	389,384	389,384
At 31 December 2019	<u>3,000,000</u>	<u>1,000,000</u>	<u>1,457,067</u>	<u>1,110,887</u>	<u>621,257</u>	<u>7,189,211</u>
At 1 January 2020	3,000,000	1,000,000	1,457,067	1,110,887	621,257	7,189,211
Dividend paid for the year 2019	-	-	-	-	(600,000)	(600,000)
Profit for the year	-	-	-	-	415,471	415,471
<b>Other comprehensive income/ (loss)</b>						
Revaluation of land	-	-	-	(420,000)	-	(420,000)
Deferred tax (on revaluation of land)	-	-	-	63,000	-	63,000
At 31 December 2020	<u>3,000,000</u>	<u>1,000,000</u>	<u>1,457,067</u>	<u>753,887</u>	<u>436,728</u>	<u>6,647,682</u>

The notes on pages 12 to 42 form part of these financial statements.

**MUSCAT GASES COMPANY SAOG**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2020**

	<u>Note</u>	<u>2020</u> <u>RO</u>	<u>2019</u> <u>RO</u>
<b>Cash flows from operating activities</b>			
Profit for the year before taxation		479,944	429,811
Adjustments for:			
Interest income		(110,161)	(77,625)
Gain on disposal of property, plant and equipment		(45,155)	-
Depreciation on property, plant and equipment	4	299,350	213,730
Depreciation on right-of-use assets	5	28,737	28,659
Share of loss/(profit) from associate	6	253,003	(9,519)
Gain on disposal of investment in an associate	6	(453,610)	
(Reversal)/allowance for slow-moving inventories (net)	7	(24,578)	3,000
Allowance for expected credit loss (net)	8	3,622	(7,147)
Accrual of employees' end of service benefits	15	13,514	9,142
Finance charges	23	98,183	59,825
<b>Cash flows from operations before working capital changes</b>		<u>542,849</u>	<u>649,876</u>
Increase in inventories		(31,832)	(18,743)
Increase in trade and other receivables		(111,335)	(750,425)
Increase in trade and other payables		695,322	589,495
<b>Cash generated from operations</b>		<u>1,095,004</u>	470,203
Income tax paid	17	(43,813)	(87,941)
Employees' end of service benefits paid	15	(8,575)	(6,111)
<b>Net cash from operating activities</b>		<u>1,042,616</u>	<u>376,151</u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	4	(330,551)	(837,713)
Proceeds from disposal of property, plant and equipment	4	45,155	-
Proceeds from disposal of investment in an associate	6	2,050,000	-
Interest received		110,161	77,625
<b>Net cash from/(used in) investing activities</b>		<u>1,874,765</u>	<u>(760,088)</u>
<b>Cash flows from financing activities</b>			
Term loans (net)		(186,352)	800,714
Finance charges on lease liabilities		17,951	17,180
Lease liabilities paid		(45,934)	(31,960)
Abatement received		(3,750)	-
Dividends paid		(600,000)	-
Finance charges paid		(98,183)	(59,825)
<b>Net cash (used in)/from financing activities</b>		<u>(916,268)</u>	<u>726,109</u>
<b>Net change in cash and cash equivalents during the year</b>		2,001,113	342,172
Cash and cash equivalents at the beginning of the year		2,538,938	2,196,766
<b>Cash and cash equivalents at the end of the year</b>	9	<u>4,540,051</u>	<u>2,538,938</u>

The notes on pages 12 to 42 form part of these financial statements.

## MUSCAT GASES COMPANY SAOG

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

#### **1 Legal status and principal activities**

Muscat Gases Company SAOG ("the Company") is a public joint stock company registered in the Sultanate of Oman, with its registered office in Rusayl, PO Box 11, PC 124, Sultanate of Oman

The principal activities of the Company are marketing and selling of cooking gases.

The Company has established a 100% subsidiary, Muscat Power Pioneer LLC, during the year. However, the legal formalities for the same are not yet completed and the Company is yet to infuse the share capital.

#### **2 Basis of preparation and adoption of new and amended International Financial Reporting Standards (IFRS)**

##### **Basis of preparation**

The financial statements have been prepared on the historical cost basis, as modified to include the fair value of certain financial assets and liabilities.

##### **Functional and presentation currency**

The financial statements have been prepared in Rial Omani ("RO"), which is the functional and presentation currency of the Company.

##### **Statement of compliance**

The financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') issued by the International Accounting Standards Board (IASB), interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) of the IASB, the disclosure requirements of the Capital Market Authority and the applicable provisions of the Commercial Companies Law of the Sultanate of Oman.

##### **New standards, amendments and interpretations to existing IFRS effective 1 January 2020**

The Company has adopted all new Standards and amendments for the first time for the annual reporting period beginning from 1 January 2020, while has accounted for and disclosed only the relevant and applicable Standards and amendments:

- Amendments to IFRS 3: Definition of a Business;
- Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform;
- Amendments to IAS 1 and IAS 8 Definition of Material;
- Conceptual Framework for Financial Reporting issued on 29 March 2018;

## MUSCAT GASES COMPANY SAOG

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)

#### 2 **Basis of preparation and adoption of new and amended International Financial Reporting Standards (IFRS)** (continued)

##### **New standards, amendments and interpretations to existing IFRS effective 1 January 2020** (continued)

- Amendments to IFRS 16 'Covid 19 Related Rent Concessions'

In May 2020, the IASB issued Covid-19-Related Rent Concessions (Amendment to IFRS 16) that provides practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to IFRS 16. The practical expedient permits a lessee to elect not to assess whether a COVID-19 related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change applying IFRS 16 if the change were not a lease modification.

In the current financial year, the entity has applied the amendment to IFRS 16 which resulted in the reduction of the lease payment by RO 3,750. which is recognised as a gain in the statement of comprehensive income.

Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements, except for Covid-19 Related Rent Concessions.

##### **Standards, amendments and interpretations to existing IFRS that are not yet effective**

Certain new Standards, amendments and interpretations to existing IFRS have been published that are not effective and mandatory for the Company's accounting period commenced on 1 January 2020, which management has decided to adopt from the applicable periods.

- IFRS 17: 'Insurance Contracts';
- Amendments to IAS 28: 'Investments in Associates and Joint Ventures', and IFRS 10: 'Consolidated Financial Statements' – Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture;
- Amendments to IAS 1: Classification of Liabilities as Current or Non-current
- Amendments to IFRS 3: Reference to the Conceptual Framework
- Amendments to IAS 16: Property, Plant and Equipment—Proceeds before Intended Use
- Amendments to IAS 37: Onerous Contracts – Cost of Fulfilling a Contract
- Annual Improvements to IFRS Amendments to IFRS 1 First-time Adoption of International Financial Standards 2018-2020 Cycle Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases and IAS 41 Agriculture

Management believes that adoption of the above new Standards and amendments, which are in issue but not yet effective, is not likely to have any material impact on the presentation and disclosure of items in the financial statements for future periods.



## MUSCAT GASES COMPANY SAOG

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)

#### 3 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the financial statements are set out below. These accounting policies have been consistently applied by the Company to all the years presented, unless otherwise stated.

##### **Revenue**

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

##### *Sale of cooking gases*

Revenue from sale of cooking gases is recognised at a point in time when control of the asset is transferred to the customer, generally on delivery of the products. The normal credit terms are 30 to 120 days upon delivery/receipt. The Company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for the sale of products, the Company considers the effects of variable consideration.

##### **Interest income**

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

##### **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 recognised 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.

The Company uses the revaluation model, where by land will be measured at fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The revaluation will be performed every 3-5 years by an independent valuer.

After initial recognition, the items of property, plant and equipment (except land) 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 recognised in the statement of comprehensive income.

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 asset.



## MUSCAT GASES COMPANY SAOG

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)

#### 3 Summary of significant accounting policies (continued)

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

The estimated useful economic lives of the assets are:

	Years
Plant buildings	20
Plant and machinery	10-17
Motor vehicles	4-10
Furniture and fixtures	4
Office equipment	3-4

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

The estimated useful lives, residual values and depreciation methods 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 recognised in the statement of comprehensive income.

##### 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.

##### Leases

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.

The right-of-use assets and the lease liability are presented as separate line items in the statement of financial position.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'impairment of non-financial assets' policy.

## MUSCAT GASES COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)

### 3 Summary of significant accounting policies (continued)

#### **Investment in an associate**

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

The Company's investment in its associate are accounted for using the equity method.

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

The statement of comprehensive income reflects the Company's share of the results of operations of the associate. Any change in other comprehensive income (OCI) of those investees is presented as part of the Company's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Company recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Company and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Company's share of profit or loss of an associate is shown on the face of the statement of comprehensive income, outside operating profit.

#### **Investment in subsidiaries**

An entity is a subsidiary if the Parent Company controls an entity and when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

#### **Inventories**

Inventories are stated at the lower of cost or at the net realizable value. Cost comprises direct materials and where applicable, direct labour costs and those overheads that have been incurred in bringing 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.

## MUSCAT GASES COMPANY SAOG

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)

#### 3 Summary of significant accounting policies (continued)

##### **Impairment of non-financial assets**

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax asset) to determine whether there is any indication that those assets have suffered an impairment loss. 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).

The loss arising on an impairment of an asset is determined as the difference between the recoverable amount and carrying amount of the asset and is recognised immediately in the statement of comprehensive income. Recoverable amount is the higher of fair value less cost of disposal and value in use.

Where an impairment loss subsequently reverses (except for goodwill), the carrying amount of the asset is increased to the revised estimate of its recoverable amount and the increase is recognised as income immediately, provided that the increased carrying amount does not exceed the carrying amount that would have been net of depreciation or amortisation, had no impairment loss been recognised earlier.

##### **Financial instruments**

###### *i) Classification of financial assets*

To determine their classification and measurement category, IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics. The IFRS 9 measurement categories of financial assets are :

- Financial assets carried at amortised cost;
- Financial assets carried at fair value through other comprehensive income (FVOCI); and
- Financial assets carried at fair value through profit or loss (FVTPL).

###### *a) Financial assets at amortised cost:*

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a "business model" whose objective is to hold assets to collect contractual cashflows;
- The contractual terms of the financial asset give rise on specified dates to cashflows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

The details of these conditions are outlined below. Further, financial assets carried at amortised cost are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Financing income, foreign exchange gains and losses and impairment are recognised in the statement of comprehensive income. Any gain or loss on derecognition is recognised in the statement of comprehensive income.

## MUSCAT GASES COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)

### 3 Summary of significant accounting policies (continued)

#### Financial instruments (continued)

##### a) *Financial assets at amortised cost (continued):*

###### *Business model assessment*

The Company determines its business model at the level that best reflects how it manages the Company's financial assets to achieve its business objective. The Company's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as :

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed; and
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cashflows collected). The expected frequency, value and timing of sales are also important aspects of the Company's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cashflows after initial recognition are realised in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

###### *SPPI test*

As a second step of its classification process the Company assesses the contractual terms of financial asset to identify whether they meet the SPPI test. 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/ discount).

The most significant elements of profit within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Company applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the profit rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cashflows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.



## MUSCAT GASES COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)

### 3 Summary of significant accounting policies (continued)

#### Financial instruments (continued)

#### b) *Financial assets at fair value through other comprehensive income (FVOCI):*

##### *Debt instruments at FVOCI*

The Company applies the new category under IFRS 9 of debt instruments measured at FVOCI when both the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets
- The contractual terms of the financial asset meet the SPPI test.

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Financing income and foreign exchange gains and losses and impairment losses are recognised in the statement of comprehensive income. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from equity to profit or loss.

The Company does not have debt instruments at FVOCI.

##### *Equity instruments at FVOCI*

Upon initial recognition, the Company may elect to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of equity under IAS32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument by instrument basis.

The Company does not have equity instruments at FVOCI.

#### c) *Financial assets at fair value through profit or loss (FVTPL)*

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cashflows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of comprehensive income. The Company does not have financial assets at fair value through profit or loss.

## MUSCAT GASES COMPANY SAOG

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)

#### 3 Summary of significant accounting policies (continued)

##### Financial Instruments (continued)

##### ii) *Impairment of financial instruments*

IFRS 9 requires the Company to record an allowance for ECLs for all debt financial assets not held at FVTPL. The Company has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Company has established a provision matrix that is based on the Company's historical credit loss experience as adjusted for forward-looking factors.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

The Company considers a financial asset in default when contractual payment is 60 to 120 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company.

##### iii) Hedge accounting

As IFRS 9 does not change the general principles of how an entity accounts for effective hedges. The Company does not have any hedge instrument.

The Company does not trade in any financial liabilities and does not classify or measure any financial liabilities as at fair value through profit or loss. Consequently, all financial liabilities are classified and subsequently measured at amortized cost.

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled, or expired.

##### Cash and cash equivalents

For the purpose of the statement of cash flows, all bank balances and short term deposits with a maturity of three months or less from the date of placement are considered to be cash equivalents.

##### Employee' end of service benefits

Employees' end of service benefits are accrued in accordance with the terms of employment of the Company's employees at the reporting date, having regard to the requirements of the Oman Labour Law and its amendments. Employee entitlements to annual leave and leave passage are recognised when they accrue to employees and an accrual is made for the estimated liability arising as a result of services rendered by employees up to the reporting date. These accruals are included in current liabilities, while that relating to end of service benefits is disclosed as a non-current liability.

Contributions to a defined contribution retirement plan and occupational hazard insurance for Omani employees in accordance with the Omani Social Insurances Law of 1991, are recognised as an expense in the statement of comprehensive income as incurred.



## MUSCAT GASES COMPANY SAOG

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)

#### 3 Summary of significant accounting policies (continued)

##### **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 un used 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.

##### **Trade and other payables**

Trade creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

Liabilities are recognised for amounts to be paid for goods and services received, whether or not billed to the Company.

##### **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 recognised 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 recognised.

##### **Foreign currency transactions**

Transactions in foreign currencies are translated to Omani Rials at the exchange 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 statement of comprehensive income.

## MUSCAT GASES COMPANY SAOG

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)

#### 3 Summary of significant accounting policies (continued)

##### **Earnings per share**

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

##### **Directors' remuneration**

The Directors' remuneration is governed as set out by the Commercial Companies Law of Oman 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.

##### **Estimates and judgments**

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas requiring a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are set out below.

##### *Impairment of trade receivables*

The impairment model as per IFRS 9 "Financial Instruments" requires forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. It also requires management to assign probability of default to various categories of receivables. Probability of default constitutes a key input in measuring an ECL and entails considerable judgement; it is an estimate of the likelihood of default over a given time horizon, the calculation of which involves historical data, assumptions and expectation of future conditions. In the previous year, the impairment review of trade receivables was performed only for receivables for which management had an indication for impairment. That also entailed significant judgement. It was determined by reference to past default experience of a counter party and an analysis of the counterparty's financial situation, but the "incurred loss" model disregarded entirely the current and expected future conditions. As a result, it is expected that under the new impairment model credit losses will be recognised earlier.

## MUSCAT GASES COMPANY SAOG

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)

#### 3 Summary of significant accounting policies (continued)

##### Estimates and judgments (continued)

###### *Net realisable value 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 238,392 (2019 : RO 223,850), with provisions for old and obsolete inventories of RO 6,132 (2019: RO 48,000). Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the statement of comprehensive income.

###### *Classification of financial assets*

Assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding.

###### *Impairment of financial assets at amortised cost*

The impairment provisions for financial assets are based on assumptions about risk of default and expected loss rates. The Company uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

###### *Assessment for impairment of property, plant and equipment and right-of-use assets*

###### *Assessment for 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 management believes the useful lives differ from previous estimates.

###### *Going concern*

The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt up on the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

## MUSCAT GASES COMPANY SAOG

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)

#### 3 Summary of significant accounting policies (continued)

##### Estimates and judgments (continued)

###### *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 the 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.

##### Operating segment

Management has determined the operating segments based on the reports reviewed by the key decision makers that are used to make strategic decisions. 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.

##### 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.

**MUSCAT GASES COMPANY SAOG**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)**

**4 Property, plant and equipment**

<b>Cost</b>	<b>Land RO</b>	<b>Plant buildings RO</b>	<b>Plant and machinery RO</b>	<b>Motor vehicles RO</b>	<b>Furniture and fixtures RO</b>	<b>Office equipment RO</b>	<b>Total RO</b>
At 1 January 2019	1,775,000	578,348	1,884,460	1,476,313	14,905	92,797	5,821,823
Additions	-	-	17,104	738,536	51,763	30,310	837,713
At 31 December 2019	<u>1,775,000</u>	<u>578,348</u>	<u>1,901,564</u>	<u>2,214,849</u>	<u>66,668</u>	<u>123,107</u>	<u>6,659,536</u>
At 1 January 2020	1,775,000	578,348	1,901,564	2,214,849	66,668	123,107	6,659,536
Additions	-	46,060	2,823	228,101	9,773	43,794	330,551
Disposals	-	-	-	(152,464)	-	-	(152,464)
Revaluation	(420,000)	-	-	-	-	-	(420,000)
At 31 December 2020	<u>1,355,000</u>	<u>624,408</u>	<u>1,904,387</u>	<u>2,290,486</u>	<u>76,441</u>	<u>166,901</u>	<u>6,417,623</u>
<b>Depreciation</b>							
At 1 January 2019	-	443,425	1,599,841	1,174,365	12,263	77,547	3,307,441
Charge for the year	-	18,921	45,937	123,310	11,286	14,276	213,730
At 31 December 2019	-	462,346	1,645,778	1,297,675	23,549	91,823	3,521,171
At 1 January 2020	-	462,346	1,645,778	1,297,675	23,549	91,823	3,521,171
Charge for the year	-	20,262	42,521	205,281	14,927	16,359	299,350
Relating to disposals	-	-	-	(152,464)	-	-	(152,464)
At 31 December 2020	-	482,608	1,688,299	1,350,492	38,476	108,182	3,668,057
<b>Net book value</b>							
At 31 December 2020	<u>1,355,000</u>	<u>141,800</u>	<u>216,088</u>	<u>939,994</u>	<u>37,965</u>	<u>58,719</u>	<u>2,749,566</u>
At 31 December 2019	<u>1,775,000</u>	<u>116,002</u>	<u>255,786</u>	<u>917,174</u>	<u>43,119</u>	<u>31,284</u>	<u>3,138,365</u>



## MUSCAT GASES COMPANY SAOG

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)

#### 4 Property, plant and equipment (continued)

- a) The plants in Rusayl, Izki and Mussanah are built on right-of-use land leased from various lessors.
- 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) Land was revalued in 2015 by an independent valuer, m/s Al Habib & Co LLC 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 17) was RO 1,110,887. The carrying cost of land before revaluation was RO 512,628.

Further, during the year 2020, Land was revalued by an independent valuer, m/s Muscat Surveyors LLC, on an open market basis. This resulted in a downward valuation by RO 420,000. The amount deducted from revaluation reserve net of deferred tax liability (note 17) was RO 357,000.

The Company uses the revaluation model for measuring the land and accordingly, the revaluation is being performed every 3-5 years by an independent valuer as per the Company's accounting policy.

- d) Depreciation on property, plant and equipment amounting to RO 264,785 (2019: RO 185,480) is charged to 'cost of sales' (note 20) and the balance depreciation of RO 34,565 (2019 : RO 28,250) is included in 'administrative and general expenses' (note 22).
- e) The motor vehicles with a cost of RO 1,002,786 (2019: RO 1,002,786) and net book value of RO 707,022 (2019: RO 866,188) are jointly registered in the name of the Company and an Islamic bank. (note 13).

#### 5 Right-of-use assets

	<b>Land right-of-use RO</b>	<b>Buildings right-of-use RO</b>	<b>Total RO</b>
<b>Cost</b>			
At 1 January 2019 (adjusted)	222,535	74,805	297,340
At 31 December 2019	222,535	74,805	297,340
<b>At 1 January 2020 and 31 December 2020</b>	<b>222,535</b>	<b>74,805</b>	<b>297,340</b>
<b>Accumulated depreciation</b>			
Charge for the year 2019	13,706	14,953	28,659
At 31 December 2019	13,706	14,953	28,659
<b>At 1 January 2020</b>	<b>13,706</b>	<b>14,953</b>	<b>28,659</b>
Charge for the year	13,743	14,994	28,737
<b>At 31 December 2020</b>	<b>27,449</b>	<b>29,947</b>	<b>57,396</b>
<b>Net book value</b>			
<b>At 31 December 2020</b>	<b>195,086</b>	<b>44,858</b>	<b>239,944</b>
At 31 December 2019	208,829	59,852	268,681



## MUSCAT GASES COMPANY SAOG

### NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)

#### 5 Right-of-use assets (continued)

The Company leases several assets including land and buildings.

- a) The Company has four leases from various lessors. The lease term for the land is in the range of 1 to 32 years, as per the following details :

Lease land at Rusayl	32 years
Lease lands at Muzannah and Izki	5 years (renewable annually)
Head office Building	5 years (renewable annually)

- b) The Company has leased a building for its head office. The lease term for the building is 5 years.
- c) During the year, the depreciation on right-of-use assets amounted to RO 28,737 (2019 : RO 28,659) and the finance charges on lease liabilities amounted to RO 17,951 (2019: RO 17,180).
- d) Depreciation on right-of-use assets amounting to RO 13,743, constituting 48%,(2019 : RO 13,706, constituting 48%) is charged to 'cost of sales' (note 20) and the balance depreciation of RO 14,994, constituting 52%(2019 : RO 14,953, constituting 52%) is included in 'administrative and general expenses' (note 22).

#### 6 Investment in an associate

	<u>% holding</u>	<u>Year of incorporation</u>	<u>2020</u> <u>RO</u>	<u>2019</u> <u>RO</u>
United Industrial Gases Company LLC	30%	2017	-	1,849,393

Effective 1 October 2017, the Company acquired a 30% shareholding in United Industrial Gases Company LLC (UIGC), a company engaged in the manufacturing and selling of industrial gases. United Industrial Gases Company LLC is registered in the Sultanate of Oman as a limited liability company.

UIGC have share capital consisting solely of ordinary shares, which is directly held by the Company.

UIGC's financial year is for the period 01 October to 30 September.

On 21 August 2020, the Company entered into a sale agreement to dispose of its entire investment in United Industrial Gases Company LLC. The disposal was completed on 25 October 2020.

The Company's share in results of associate company till 30 September 2020 is based on the audited financial statements of the associate. Equity accounting for the remaining period up to the date of disposal i.e 25 October 2020 is based on management accounts of the underlying investee company. Management believes that had those management accounts been audited, the Company's share of profit/(loss) in associate till the date of disposal of the associate and the gain on disposal of investment in associate would not be materially different to the amounts recorded in these financial statements.

As per the terms of the sale agreement the Company has agreed to certain warranties and claims towards the purchaser that may arise within certain time limits and to the extent as defined in the sale agreement. Management do not foresee above obligations to crystallize, therefore, no provision has been made in this regard.

Calculation of the gain or loss on disposal of investment in associate is disclosed below :

	<u>2020</u> <u>RO</u>
Carrying value of the investment in an associate at 01 January 2020	1,849,393
Share of loss of associate till the date of disposal	(253,003)
Carrying value of the investment in associate as at the date of disposal (A)	<u>1,596,390</u>
Proceeds from disposal of investment in an associate (B)	2,050,000
Gain on disposal of investment in associate (B-A)	<u>453,610</u>

## MUSCAT GASES COMPANY SAOG

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)

#### 7 Inventories

	<u>2020</u>	<u>2019</u>
	<u>RO</u>	<u>RO</u>
Gas cylinders	136,799	135,262
Raw-materials and spare parts	53,718	47,952
LPG bulk	47,875	40,636
	<u>238,392</u>	<u>223,850</u>
Less: allowance for spare parts and slow-moving inventories	(6,132)	(48,000)
	<u>232,260</u>	<u>175,850</u>

Gas cylinders include LPG cylinders amounting to RO 96,180 (2019: RO 113,471), given to non-corporate customers on loan basis against post-dated cheques as security.

The movement in allowance for inventories:

	<u>2020</u>	<u>2019</u>
	<u>RO</u>	<u>RO</u>
At 1 January	48,000	45,000
(Reversal)/charge for the year	(24,578)	3,000
Write off during the year	(17,290)	-
At 31 December	<u>6,132</u>	<u>48,000</u>

#### 8 Trade and other receivables

	<u>2020</u>	<u>2019</u>
	<u>RO</u>	<u>RO</u>
Trade receivables	2,421,332	2,026,673
Less: trade receivable classified as non-current assets	(531,063)	-
Less: allowances for expected credit losses	(25,555)	(21,933)
Net trade receivables	<u>1,864,714</u>	<u>2,004,740</u>
Amount due from related parties (note 24)	10,019	-
Advances to suppliers	122,811	421,907
Prepaid expenses	45,618	45,377
Other receivables	8,833	3,321
	<u>2,051,995</u>	<u>2,475,345</u>

The non-current receivables amounting to RO 531,063 are not due and represent the amount to be received from a customer in monthly instalments over a period of five years, as per the contractual terms.

The average credit period given to customers on sale of goods is 30 to 120 days. It is not the practice of the Company to obtain collateral over receivables.

**MUSCAT GASES COMPANY SAOG**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)

**8 Trade and other receivables** (continued)

The movement in allowance for expected credit losses is as follows:

	<u>2020</u> <u>RO</u>	<u>2019</u> <u>RO</u>
At 1 January	21,933	29,080
Charge/(reversal) for the year	3,622	(7,147)
At 31 December	<u>25,555</u>	<u>21,933</u>

As at 31 December 2020, the ageing of trade receivables is as follows :

	<b>Total</b> <b>RO</b>	<b>0-120</b> <b>Days</b> <b>RO</b>	<b>120-180</b> <b>Days</b> <b>RO</b>	<b>180-365</b> <b>Days</b> <b>RO</b>	<b>&gt; 365</b> <b>Days</b> <b>RO</b>
Gross carrying amount	2,421,332	2,164,891	58,364	7,155	190,922
Expected credit losses	(25,555)	(17,682)	(1,357)	(235)	(6,281)
	<u>2,395,777</u>	<u>2,147,209</u>	<u>57,007</u>	<u>6,920</u>	<u>184,641</u>

As at 31 December 2019, the ageing of trade receivables is as follows :

	<b>Total</b> <b>RO</b>	<b>0-120</b> <b>Days</b> <b>RO</b>	<b>120-180</b> <b>Days</b> <b>RO</b>	<b>180-365</b> <b>Days</b> <b>RO</b>	<b>&gt; 365</b> <b>Days</b> <b>RO</b>
Gross carrying amount	2,026,673	1,770,173	62,058	103,611	90,831
Expected credit losses	(21,933)	(13,031)	(1,556)	(3,897)	(3,449)
	<u>2,004,740</u>	<u>1,757,142</u>	<u>60,502</u>	<u>99,714</u>	<u>87,382</u>

## MUSCAT GASES COMPANY SAOG

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)

#### 9 Cash and bank balances

	<u>2020</u>	<u>2019</u>
	<u>RO</u>	<u>RO</u>
Cash at bank	646,597	181,700
Cash in hand	21,188	7,640
Term deposits	3,872,266	2,349,598
	<u>4,540,051</u>	<u>2,538,938</u>

Deposits are with commercial banks and finance company in Oman and it carries interest of 4.45% to 5% per annum (2019 : 4.45% to 4.5% per annum).

#### 10 Share capital

- a) The authorised share capital of the Company comprises 60,000,000 ordinary shares of 100 Baizas each (2019: 60,000,000 ordinary shares of 100 Baizas each). The issued and fully paid-up share capital is RO 3,000,000 (2019: RO 3,000,000) comprising 30,000,000 shares of 100 Baizas each (2019: 30,000,000 shares of 100 Baizas each).
- b) The Company has one class of ordinary shares which carries no right to fixed income.
- c) At the end of the reporting period, shareholders who own 10% or more of the Company's share capital, and the number of shares they hold are as follows:

	<u>2020</u>		<u>2019</u>	
	Number of shares	Shareholding percentage %	Number of shares	Shareholding percentage %
Takamul Investment Co. SAOC	9,799,000	32.66	9,799,000	32.66
Civil Service Employees Pension Fund	4,500,000	15.00	4,500,000	15.00
Al Saud Co. Ltd / Ubar Financial Investments	3,027,525	10.09	3,027,525	10.09

#### 11 Statutory reserve

In accordance with the Commercial Companies Law of the Sultanate of Oman, annual appropriations of 10% of the profit for the year are to be made to this reserve, until the accumulated balance of the reserve is equal to one third of the value of the Company's paid-up share capital. This reserve is not available for distribution. The Company has discontinued such annual appropriation, as the amount in the Company's legal reserve account already reached one-third of the issued share capital.

#### 12 Special reserve

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



## MUSCAT GASES COMPANY SAOG

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)

#### 13 Term loans

	<u>2020</u> <u>RO</u>	<u>2019</u> <u>RO</u>
Term loans	814,073	1,000,425
Less: current maturity	(231,122)	(202,707)
Non-current liabilities	<u>582,951</u>	<u>797,718</u>

a) Term loans represent the loan taken from a bank under islamic financing facility with a profit share of 5.5% per annum (2019: 5.5% per annum), reviewed semi annually. These loans are secured by joint registration of the assets purchased under this loan in favour of the islamic bank.

b) The maturity profile of the of term loans, based on the remaining period to maturity from the end of the reporting period is as follows:

	<u>2020</u> <u>RO</u>	<u>2019</u> <u>RO</u>
Due less than 1 year	231,122	202,707
Due between 1 and 2 years	225,840	213,791
Due between 2 and 5 years	<u>357,111</u>	<u>583,927</u>
	<u>814,073</u>	<u>1,000,425</u>

c) The maturity profile of the undiscounted payments, based on the remaining period to maturity from the end of the reporting period is as follows:

	<u>2020</u> <u>RO</u>	<u>2019</u> <u>RO</u>
Due less than 1 year	273,334	256,133
Due between 1 and 2 years	252,308	252,308
Due between 2 and 5 years	<u>378,087</u>	<u>685,441</u>
	<u>903,729</u>	<u>1,193,882</u>

d) The Company has credit facilities from a commercial bank and an islamic bank comprising overdrafts, term loans, loan against trust receipts, letters of credit, acceptances and letters of gurantees in the aggregate amount of approximately RO 3.546 million (2019: RO 3.252 million). Overdrafts obtained from commercial banks are at interest rate of 4.5% (2019: 4.5%) per annum. The interest rates may be re-negotiated by the banks on renewal of the facilities, which generally takes place on an annual basis.

**MUSCAT GASES COMPANY SAOG**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)

**14 Lease liabilities**

	<u>2020</u>	<u>2019</u>
	<u>RO</u>	<u>RO</u>
Lease liabilities	241,512	273,245
Less: current maturity	(21,634)	(22,909)
Non-current liabilities	<u>219,878</u>	<u>250,336</u>

a) The movement in lease liabilities is as follows :

	<u>2020</u>	<u>2019</u>
	<u>RO</u>	<u>RO</u>
At the beginning of the year (adjusted)	273,245	288,025
Finance charges during the year	17,951	17,180
Payments during the year	(45,934)	(31,960)
Abatement received	(3,750)	-
At 31 December	<u>241,512</u>	<u>273,245</u>

b) The maturity profile of the lease liabilities, based on the remaining period to maturity from the end of the reporting period is as follows:

	<u>2020</u>	<u>2019</u>
	<u>RO</u>	<u>RO</u>
Due less than 1 year	21,634	22,909
Due between 1 and 2 years	24,242	24,513
Due between 2 and 5 years	26,836	47,593
Due above 5 years	168,800	178,230
	<u>241,512</u>	<u>273,245</u>

c) The maturity profile of the undiscounted lease liabilities, based on the remaining period to maturity from the end of the reporting period is as follows:

	<u>2020</u>	<u>2019</u>
	<u>RO</u>	<u>RO</u>
Due less than 1 year	25,860	40,860
Due between 1 and 2 years	40,860	40,860
Due between 2 and 5 years	67,973	87,662
Due above 5 years	380,162	395,162
	<u>514,855</u>	<u>564,544</u>

**MUSCAT GASES COMPANY SAOG**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)

**15 Employees' end of service benefits**

	<u>2020</u>	<u>2019</u>
benefits:	<u>RO</u>	<u>RO</u>
At 1 January	56,261	53,230
Benefits recognized during the year	13,514	9,142
Paid during the year	(8,575)	(6,111)
At 31 December	<u>61,200</u>	<u>56,261</u>

**16 Trade and other payables**

	<u>2020</u>	<u>2019</u>
	<u>RO</u>	<u>RO</u>
Trade payables	2,159,301	1,397,455
Amount due to related parties (note 24)	25,887	54,739
Accruals	186,831	207,721
Other payables	11,296	28,078
	<u>2,383,315</u>	<u>1,687,993</u>

**17 Income tax**

**Statement of comprehensive income**

	<u>2020</u>	<u>2019</u>
	<u>RO</u>	<u>RO</u>
The tax charge for the year comprises:		
<i>Current tax</i>		
Current year tax	38,034	43,813
Prior period tax	10,543	-
	<u>48,577</u>	<u>43,813</u>
<i>Deferred tax</i>		
Current year	15,896	19,336
Prior period	-	(22,722)
	<u>15,896</u>	<u>(3,386)</u>
Tax charge for the year	<u>64,473</u>	<u>40,427</u>

**MUSCAT GASES COMPANY SAOG**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)

**17 Income tax (continued)**

<b>Statement of financial position</b>	<u>2020</u> <u>RO</u>	<u>2019</u> <u>RO</u>
Non-current liability :		
Deferred tax liability	148,520	195,624
Current liability :		
Current year tax	38,034	43,813
Prior period tax	10,543	-
	<u>48,577</u>	<u>43,813</u>

- a) The Company is liable to income tax at the rate of 15% on the taxable profit (2019: tax at the rate of 15%).

The total tax charge for the year can be reconciled to the income taxes calculated on the accounting profit as follows :

	<u>2020</u> <u>RO</u>	<u>2019</u> <u>RO</u>
Profit for the year before tax	479,944	429,811
Tax @ 15%	71,992	64,473
Tax effect of items non-deductible for tax purposes	49,999	(1,324)
Income tax exempt	(68,061)	-
Prior year tax	10,543	-
Tax effect of deferred tax	-	(22,722)
	<u>64,473</u>	<u>40,427</u>

- b) The Company's income tax assessments for tax years 2017 to 2019 have not been finalised by the Tax Authority. Management is of the opinion that the additional taxes, if any, that may become payable on finalisation of the pending tax assessments would not be significant to the Company's financial position at 31 December 2020.

- c) Deferred tax (assets)/liabilities and deferred tax charge/(credit) in the financial statements consists of:

	<u>01.01.2020</u> <u>RO</u>	<b>Recognized in the Statement of Comprehensive Income</b> <b>Revaluation</b> <b>reserve</b> <u>RO</u>	<b>Profit</b> <b>or loss</b> <u>RO</u>	<u>31.12.2020</u> <u>RO</u>
Provisions	(10,489)	-	5,736	(4,753)
Revaluation of land	166,635	(63,000)	-	103,635
Tax effect of depreciation	40,163	-	9,709	49,872
Right of use asset	(685)	-	451	(234)
Net deferred tax liabilities	<u>195,624</u>	<u>(63,000)</u>	<u>15,896</u>	<u>148,520</u>



## MUSCAT GASES COMPANY SAOG

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)

#### 18 Earnings, net assets per share

##### a) Earnings per share

The par value of each share is RO 0.100 (2019 - RO 0.100). The basic earnings per share is calculated by dividing the net profit for the year by the weighted average number of shares outstanding during the year.

	<u>2020</u>	<u>2019</u>
Net profit attributable to shareholders (RO)	<u>415,471</u>	389,384
Weighted average number of shares outstanding (No.)	<u>30,000,000</u>	<u>30,000,000</u>
Basic and diluted earnings per share (RO)	<u>0.014</u>	<u>0.013</u>

As the Company does not have any dilutive potential shares, the diluted earnings per share is the same as the basic earnings per share.

##### b) Net assets per share

Net assets per share are calculated by dividing the shareholders equity at the end of the reporting period by the number of shares outstanding at the end of the reporting period, as follows :

	<u>2020</u>	<u>2019</u>
Shareholders' equity (RO)	<u>6,647,682</u>	<u>7,189,211</u>
Number of shares outstanding at year end (No.)	<u>30,000,000</u>	<u>30,000,000</u>
Net assets per share (RO)	<u>0.222</u>	<u>0.240</u>

#### 19 Revenue

Disaggregation of revenue from contracts with customers :

The Company's revenue from contracts with customers represents the revenue from transfer of goods at a point in time and over time in the following geographical regions and product lines.

##### a) Primary geographical regions

	<u>2020</u>	<u>2019</u>
	<u>RO</u>	<u>RO</u>
Sultanate of Oman	7,018,262	6,778,945
United Arab Emirates	9,095,980	5,054,503
	<u>16,114,242</u>	<u>11,833,448</u>

**MUSCAT GASES COMPANY SAOG**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)

**19 Revenue** (continued)

b) *Product and service lines*

	<u>2020</u> <u>RO</u>	<u>2019</u> <u>RO</u>
LPG- Refilling	5,063,633	5,626,322
LPG- Bulk	10,256,194	6,101,305
New cylinders	58,446	44,946
Deodorized LPG (MGAP)	35,595	60,875
Supply, installation and maintenance services	700,374	-
	<u>16,114,242</u>	<u>11,833,448</u>

c) *Timing of revenue recognition*

	<u>2020</u> <u>RO</u>	<u>2019</u> <u>RO</u>
Revenue recognised at a point in time	15,413,868	11,833,448
Revenue recognised over a period of time	700,374	-
	<u>16,114,242</u>	<u>11,833,448</u>

**20 Cost of sales**

	<u>2020</u> <u>RO</u>	<u>2019</u> <u>RO</u>
Raw materials consumed	13,154,831	9,193,550
Salaries and related costs	557,726	510,549
Vehicles expenses	542,270	454,884
Depreciation of property, plant and equipment (note 4)	264,785	185,480
Depreciation of right-of-use assets (note 5)	13,743	13,706
Cylinder replacement and testing charges	75,998	29,165
Sales commission	148,182	93,189
Others	475,699	394,791
	<u>15,233,234</u>	<u>10,875,314</u>

**21 Other income**

	<u>2020</u> <u>RO</u>	<u>2019</u> <u>RO</u>
Interest income on bank deposits	110,161	77,625
TSA income	2,250	9,290
Propane tolling charges	12,306	21,752
Gain on disposal of property, plant and equipment	45,155	-
Scrap sales	14,381	1,757
Gain on foreign currency exchange	14,605	20,020
Abatement received	3,750	-
Miscellaneous income	17,067	19,343
	<u>219,675</u>	<u>149,787</u>

## MUSCAT GASES COMPANY SAOG

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)

#### 22 Administrative and general expenses

	<u>2020</u>	<u>2019</u>
	<u>RO</u>	<u>RO</u>
Salaries and related costs	458,527	347,150
Legal and professional charges	44,372	42,929
Directors' sitting fees (note 24)	60,000	54,500
TSA charges	-	3,866
Travelling and marketing expenses	26,504	53,765
Depreciation of property, plant and equipment (note 4)	34,565	28,250
Depreciation of right-of-use assets (note 5)	14,994	14,953
Insurance	8,014	5,563
Communication expenses	19,160	17,577
Printing and stationery	6,056	4,702
Vehicle expenses	9,116	985
Advertisement expenses	4,540	2,990
Repairs and maintenance	841	442
Miscellaneous expenses	57,430	54,279
	<u>744,119</u>	<u>631,951</u>

#### 23 Finance charges

	<u>2020</u>	<u>2019</u>
	<u>RO</u>	<u>RO</u>
Interest on lease liabilities	17,951	17,180
Interest on term loans	54,776	20,970
Interest on overdraft	9,630	2,526
Other interest and bank charges	15,826	19,149
	<u>98,183</u>	<u>59,825</u>

#### 24 Related party transactions

- a) 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.
- b) 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 2020, the Company has not recorded any impairment in respect of amounts owed by related parties (2019: Nil).

## MUSCAT GASES COMPANY SAOG

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)

#### 24 Related party transactions (continued)

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

i) Amount due from related parties:

	<u>2020</u> <u>RO</u>	<u>2019</u> <u>RO</u>
Muscat Power Pioneer LLC	10,019	-

ii) Amount due to related parties:

	<u>2020</u> <u>RO</u>	<u>2019</u> <u>RO</u>
Oman Oil Marketing Co. SAOG (Shareholder)	25,887	39,488
United Industrial Gases Co. LLC (Associate till 25 Oct 2020)	-	15,251
	<u>25,887</u>	<u>54,739</u>

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

	<u>2020</u> <u>RO</u>	<u>2019</u> <u>RO</u>
Revenue and other services	10,019	40,611
Purchase of goods and services	386,496	949,193

e) Key management personnel compensation for the year comprises:

	<u>2020</u> <u>RO</u>	<u>2019</u> <u>RO</u>
Short-term benefits and post-retirement benefits	231,029	200,305
Directors' meeting attendance fee	60,000	54,500
	<u>291,029</u>	<u>254,805</u>

The Directors' meeting attendance fee and other related party transactions are subject to Shareholders' approval at the forthcoming Annual General Meeting.

#### 25 Dividend

The Board of Directors has proposed a cash dividend of RO 0.0145 per share (2019 : RO 0.020 per share) for the year 2020 amounting to RO 435,000 (2019 : RO 600,000) to be distributed to the shareholders. This dividend is subject to approval by the shareholders at the Annual General Meeting on 28th March 2021.



## MUSCAT GASES COMPANY SAOG

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)

#### 26 Contingencies and commitments

	<u>2020</u>	<u>2019</u>
	<u>RO</u>	<u>RO</u>
Capital commitments	230,495	207,905
Payment guarantees	898,899	1,235,012
Performance bonds	18,433	18,433
	-----	-----

#### 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 Financial instruments and related 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, lease liabilities 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. Management reviews and agrees policies for managing each of these risks which are summarised below:

##### a) 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.

##### *(i) 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.

##### *(ii) 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. Management has estimated the effect on profit for the year due to increases or decreases in interest rates to be insignificant.

## MUSCAT GASES COMPANY SAOG

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)

#### 28 Financial instruments and related risk management (continued)

##### b) 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.

##### *Credit risk on financial assets*

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 credit worthy 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:

	<u>2020</u>	<u>2019</u>
	<u>RO</u>	<u>RO</u>
Trade receivable	2,421,332	2,026,673
Amount due from related parties	10,019	-
Advance to suppliers	122,811	421,907
Bank balances	4,518,863	2,531,298
Other receivables	8,833	3,321
	<u>7,081,858</u>	<u>4,983,199</u>

The age of trade receivables and related expected credit losses at reporting date was :

	<u>2020</u>		<u>2019</u>	
	<u>Gross</u>	<u>Impairment</u>	<u>Gross</u>	<u>Impairment</u>
	<u>RO</u>	<u>RO</u>	<u>RO</u>	<u>RO</u>
Not past due	2,164,891	17,682	1,770,173	13,031
Past due 120 days - 1 year	65,519	1,592	165,669	5,453
More than 1 year	190,922	6,281	90,831	3,449
	<u>2,421,332</u>	<u>25,555</u>	<u>2,026,673</u>	<u>21,933</u>

**MUSCAT GASES COMPANY SAOG**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)

**28 Financial instruments and related risk management (continued)**

**c) 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.

The 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 table below analyses the Company's financial liabilities as at the end of the reporting period, based on the contractual maturity dates.

	<b>Less than 6 months RO</b>	<b>6 months to 1 year RO</b>	<b>More than 1 year RO</b>	<b>Total RO</b>
<b>At 31 December 2020</b>				
Term loans	115,561	115,561	582,951	814,073
Lease liabilities	10,817	10,817	219,878	241,512
Trade payables	2,159,301	-	-	2,159,301
Amount due to related parties	25,887	-	-	25,887
Other payables	11,296	-	-	11,296
	<u>2,322,862</u>	<u>126,378</u>	<u>802,829</u>	<u>3,252,069</u>
	<b>Less than 6 months RO</b>	<b>6 months to 1 year RO</b>	<b>More than 1 year RO</b>	<b>Total RO</b>
<b>At 31 December 2019</b>				
Term loans	101,354	101,354	797,718	1,000,425
Lease liabilities	11,455	11,454	250,336	273,245
Trade payables	1,397,455	-	-	1,397,455
Amount due to related parties	54,739	-	-	54,739
Other payables	28,078	-	-	28,078
	<u>1,593,081</u>	<u>112,808</u>	<u>1,048,054</u>	<u>2,753,942</u>

## MUSCAT GASES COMPANY SAOG

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)

#### 29 Operating segments

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, sale of cooking gases and related installation and maintenance services. The geographical information in respect of the operating segment is as follows:

The Company's total sales and trade receivables to external customers are as follows:

	Trade receivables		Sales	
	<u>2020</u> <u>RO</u>	<u>2019</u> <u>RO</u>	<u>2020</u> <u>RO</u>	<u>2019</u> <u>RO</u>
Sultanate of Oman	1,461,011	670,710	7,018,262	6,778,945
United Arab Emirates	960,321	1,355,963	9,095,980	5,054,503
	<u>2,421,332</u>	<u>2,026,673</u>	<u>16,114,242</u>	<u>11,833,448</u>

#### 30 Fair value of financial instruments

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 2020.

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).

#### 31 Events after the reporting period

On 06 January 2021, the Company has acquired 100% share capital of Al Aman Industrial & House Company LLC, a sole proprietorship company for an amount of RO 1.404 million. Al Aman Industrial & House Company LLC is in the business of LPG refilling and has plants in Barka, Sohar and Buraimi.

#### 32 Impact of COVID 19 outbreak

Due to COVID 19 pandemic and its widespread impact on the global economy, the financial impact on the business remains uncertain. Management of the Company is planning to take reasonable measures to protect its interests and minimize the impact on the business. However, due to uncertainty beyond Management's control, the financial impact of the situation cannot be ascertained.