

**MUSCAT GASES COMPANY SAOG  
AND ITS SUBSIDIARIES**

**SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
31 DECEMBER 2021**

**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 AND ITS SUBSIDIARIES**

**CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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

### **Report on the audit of the consolidated and separate financial statements**

#### **Qualified opinion**

We have audited the consolidated and separate financial statements (the 'financial statements') of Muscat Gases Company SAOG (the 'Parent Company'), and its subsidiaries (the 'Group') which comprise the statement of financial position as at 31 December 2021, 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, except for the possible effects of the matter described in the 'Basis for qualified opinion', section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group and the separate financial position of the Parent Company as at 31 December 2021, and their respective financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

#### **Basis for qualified opinion**

As disclosed in note 8 to the consolidated and separate financial statements, the Parent Company's inventories at 31 December 2021 include LPG (Liquified Petroleum Gas) amounting to RO 718,942 stored in bulk tankers. This item of the inventory is not stated at the lower of cost or at the net realizable value by management, which constitutes a departure from IFRSs. The Parent's Company's records indicate that this item of inventory is stated at a value which is much higher than the actual landed cost. Had the management stated this item of inventory at the lower of cost or at the net realizable value, an amount of RO 475,584 would have been required to write the inventories down to their cost. Accordingly cost of sales is understated by RO 475,584, and net income and shareholder's equity are overstated by RO 475,584.

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 Group 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 qualified opinion.

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

**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.

Key audit matter	How our audit addressed the key audit matter
<b><i>Revenue recognition (refer note: 21)</i></b>	
<p>We refer to the Group's significant accounting policies in note 3 and the revenue related disclosures in note 21 of the consolidated financial statements.</p> <p>The Parent Company and the Group recognises revenue when it satisfies its performance obligation, in accordance with the principles of IFRS 15.</p> <p>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 Group'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)**

Key audit matter	How our audit addressed the key audit matter
<i>Goodwill recognition and testing of impairment (refer note: 5 and 6)</i>	
<p>As disclosed in note 5 and note 6 to the consolidated financial statements, the Group has acquired 100% investment amounting to RO 1,404,000 in Al Aman Industrial and House Gas SPC (“the Subsidiary”). Goodwill amounting to RO 996,800 had arisen on account of acquisition of the Subsidiary.</p> <p>We considered this area as a key audit matter as this transaction is significant and outside the normal course of the business for the Parent Company and the Group. Further, due to the requirement of carrying out annual impairment testing for such goodwill, the estimation of which requires significant judgment, and could therefore have a material impact on the separate and consolidated financial results of the Parent Company and the Group.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>▪ Assessing the appropriateness of the management’s accounting for investments.</li> <li>▪ Evaluating the rationale of this transaction as it is significant and outside the normal course of business for the Parent Company and the Group;</li> <li>▪ Verifying the basis and the reasonableness of underlying assumptions used for computation of Goodwill;</li> <li>▪ Enquiring with management and verifying the assessment of impairment as on 31 December 2021 for the Subsidiary.</li> <li>▪ Reviewing the methodology used and assess the reasonableness of estimates used for carrying out the impairment testing.</li> <li>▪ Assessing the disclosure of the acquisition of subsidiary 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: 9)</i></p> <p>The Group's trade receivables (net of allowance for credit loss on receivables) of RO 3,150,891 represents a significant balance in the consolidated statement of financial position. In accordance with the requirements of IFRS 9 the Group 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>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 consolidated financial statements.</p> <p>Further, the estimation of allowance for expected credit loss requires significant judgment.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>▪ Requesting and obtaining independent balance confirmations from the customers on sample basis;</li> <li>▪ Testing the accuracy of the aging of trade receivables;</li> <li>▪ Assessing the operating effectiveness of the credit process;</li> <li>▪ Verifying the data underlying the expected credit loss computation;</li> <li>▪ Reviewing the methodology used and assess the reasonableness of assumptions used in preparing the estimate.</li> </ul>

**Other information included in the Group's 2021 Annual Report**

Those charged with governance and management are responsible for the other information. Other information consists of the information included in the Group's 2021 Annual Report other than the financial statements and our auditor's report thereon. We obtained 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 2021 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.



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

### **Other information included in the Group's 2021 Annual Report (continued)**

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 the 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**

Those charged with governance are 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 relevant requirements 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, those charged with governance are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

### **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.





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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 Group 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to 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.

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

**Report on other legal and regulatory requirements**

Further, we report that the financial statements of the Group as at and for the year ended 31 December 2021 comply, in all material respects, with the applicable provisions of the Commercial Companies Law of the Sultanate of Oman, and the 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  
03 March 2022





**MUSCAT GASES COMPANY SAOG AND ITS SUBSIDIARIES**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

		<u>Group</u> <u>2021</u> <u>RO</u>	<u>Parent</u> <u>Company</u> <u>2021</u> <u>RO</u>	<u>Parent</u> <u>Company</u> <u>2020</u> <u>RO</u>
<b>ASSETS</b>	<b>Note</b>			
<b>Non-current assets</b>				
Property, plant and equipment	4	3,078,475	2,622,800	2,749,566
Goodwill	5	996,800	-	-
Investment in subsidiaries	6	-	1,901,475	-
Right-of-use assets	7	211,285	211,285	239,944
Trade receivables	9	406,107	406,107	531,063
		<u>4,692,667</u>	<u>5,141,667</u>	<u>3,520,573</u>
<b>Current assets</b>				
Inventories	8	1,155,131	1,127,349	232,260
Trade and other receivables	9	2,957,102	3,034,588	2,051,995
Cash and bank balances	10	2,459,438	2,419,246	4,540,051
		<u>6,571,671</u>	<u>6,581,183</u>	<u>6,824,306</u>
<b>Total assets</b>		<u><u>11,264,338</u></u>	<u><u>11,722,850</u></u>	<u><u>10,344,879</u></u>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Share capital	11	3,000,000	3,000,000	3,000,000
Statutory reserve	12	1,009,975	1,000,000	1,000,000
Special reserve	13	1,457,067	1,457,067	1,457,067
Land revaluation reserve		753,887	753,887	753,887
Retained earnings		124,850	65,409	436,728
<b>Total equity</b>		<u>6,345,779</u>	<u>6,276,363</u>	<u>6,647,682</u>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Non-current portion of term loans	14	348,279	348,279	582,951
Non-current portion of lease liabilities	15	199,797	199,797	219,878
Employees' end of service benefits	16	70,845	69,868	61,200
Deferred tax liability	19	154,740	153,225	148,520
		<u>773,661</u>	<u>771,169</u>	<u>1,012,549</u>
<b>Current liabilities</b>				
Term loans	14	227,700	227,700	231,122
Bank borrowings	17	438,827	438,827	-
Lease liabilities	15	26,051	26,051	21,634
Trade and other payables	18	3,411,172	3,952,608	2,383,315
Income tax payable	19	41,148	30,132	48,577
		<u>4,144,898</u>	<u>4,675,318</u>	<u>2,684,648</u>
<b>Total liabilities</b>		<u>4,918,559</u>	<u>5,446,487</u>	<u>3,697,197</u>
<b>Total equity and liabilities</b>		<u><u>11,264,338</u></u>	<u><u>11,722,850</u></u>	<u><u>10,344,879</u></u>
<b>Net assets per share</b>	20	<u>0.212</u>	<u>0.209</u>	<u>0.222</u>

These financial statements were approved and authorised for issue by the Board of Directors on 03-03-2022 and signed on their behalf by:

CHAIRMAN

DIRECTOR

CHIEF EXECUTIVE OFFICER

The notes on pages 13 to 50 form part of these financial statements.



**MUSCAT GASES COMPANY SAOG AND ITS SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2021**

	<u>Note</u>	<u>Group</u> <u>2021</u> <u>RO</u>	<u>Parent</u> <u>Company</u> <u>2021</u> <u>RO</u>	<u>Parent</u> <u>Company</u> <u>2020</u> <u>RO</u>
Revenue	21	17,880,989	16,761,608	16,114,242
Cost of sales	22	<u>(17,033,923)</u>	<u>(16,091,342)</u>	<u>(15,233,234)</u>
<b>Gross profit</b>		<b>847,066</b>	<b>670,266</b>	<b>881,008</b>
Other income	23	206,938	264,217	219,675
Allowance for inventories (net)	8	-	-	24,578
Allowance for expected credit loss (net)	9	(2,317)	(2,317)	(3,622)
Administrative and general expenses	24	<u>(795,952)</u>	<u>(758,715)</u>	<u>(744,119)</u>
<b>Profit from operations</b>		<b>255,735</b>	<b>173,451</b>	<b>377,520</b>
Share of (loss)/profit of an associate		-	-	(253,003)
Gain on disposal of investment in an associate		-	-	453,610
Finance charges	25	<u>(82,309)</u>	<u>(81,972)</u>	<u>(98,183)</u>
<b>Profit for the year before taxation</b>		<b>173,426</b>	<b>91,479</b>	<b>479,944</b>
Income tax	19	<u>(40,329)</u>	<u>(27,798)</u>	<u>(64,473)</u>
<b>Profit for the year</b>		<b><u>133,097</u></b>	<b><u>63,681</u></b>	<b><u>415,471</u></b>
<b>Other comprehensive (loss)/income</b>				
Revaluation of land		-	-	(420,000)
Deferred tax (on revaluation of land)	19	-	-	63,000
<b>Profit and total comprehensive income for the year</b>		<b><u>133,097</u></b>	<b><u>63,681</u></b>	<b><u>58,471</u></b>
<b>Total comprehensive income for the year attributable to the owners of the Parent Company</b>				
		<b><u>133,097</u></b>	<b><u>63,681</u></b>	<b><u>58,471</u></b>
<b>Basic earnings per share</b>	20	<b><u>0.004</u></b>	<b><u>0.002</u></b>	<b><u>0.014</u></b>

The notes on pages 13 to 50 form part of these financial statements.

**MUSCAT GASES COMPANY SAOG AND ITS SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2021**

<b>Group</b>	<b>Share capital <u>RO</u></b>	<b>Statutory reserve <u>RO</u></b>	<b>Special reserve <u>RO</u></b>	<b>Land revaluation reserve <u>RO</u></b>	<b>Retained earnings <u>RO</u></b>	<b>Total <u>RO</u></b>
<b>Parent company balances as on 1 January 2021</b>	3,000,000	1,000,000	1,457,067	753,887	436,728	6,647,682
Dividend paid for the year 2020	-	-	-	-	(435,000)	(435,000)
Profit for the year	-	-	-	-	133,097	133,097
Transfer to legal reserve	-	9,975	-	-	(9,975)	-
<b>At 31 December 2021</b>	<b>3,000,000</b>	<b>1,009,975</b>	<b>1,457,067</b>	<b>753,887</b>	<b>124,850</b>	<b>6,345,779</b>

The notes on pages 13 to 50 form part of these financial statements.

**MUSCAT GASES COMPANY SAOG AND ITS SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2021**

<b>Parent Company</b>	<b>Share capital RO</b>	<b>Statutory reserve RO</b>	<b>Special reserve RO</b>	<b>Land revaluation reserve RO</b>	<b>Retained earnings RO</b>	<b>Total RO</b>
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>
<b>At 1 January 2021</b>	<b>3,000,000</b>	<b>1,000,000</b>	<b>1,457,067</b>	<b>753,887</b>	<b>436,728</b>	<b>6,647,682</b>
Dividend paid for the year 2020	-	-	-	-	(435,000)	(435,000)
Profit for the year	-	-	-	-	63,681	63,681
<b>At 31 December 2021</b>	<u><b>3,000,000</b></u>	<u><b>1,000,000</b></u>	<u><b>1,457,067</b></u>	<u><b>753,887</b></u>	<u><b>65,409</b></u>	<u><b>6,276,363</b></u>

The notes on pages 13 to 50 form part of these financial statements.

**MUSCAT GASES COMPANY SAOG AND ITS SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

	<u>Note</u>	<u>Group</u> <u>2021</u> <u>RO</u>	<u>Parent</u> <u>Company</u> <u>2021</u> <u>RO</u>	<u>Parent</u> <u>Company</u> <u>2020</u> <u>RO</u>
<b>Cash flows from operating activities</b>				
Profit for the year before taxation		173,426	91,479	479,944
Adjustments for:				
Interest income		(125,138)	(125,138)	(110,161)
Gain on disposal of property, plant and equipment		(38,494)	(8,244)	(45,155)
Depreciation on property, plant and equipment	4	253,125	203,285	299,350
Depreciation on right-of-use assets	7	28,659	28,659	28,737
Share of loss from associate	6	-	-	253,003
Gain on disposal of investment in an associate	6	-	-	(453,610)
Allowance for slow-moving inventories (net)	8	-	-	(24,578)
Allowance for expected credit loss (net)	9	2,317	2,317	3,622
Accrual of employees' end of service benefits	16	15,141	14,164	13,514
Finance charges	25	82,309	81,972	98,183
<b>Cash flows from operations before working capital changes</b>		<u>391,345</u>	<u>288,494</u>	<u>542,849</u>
Increase in inventories		(922,871)	(895,089)	(31,832)
Increase in trade and other receivables		(782,468)	(859,954)	(111,335)
Increase in trade and other payables		1,027,837	1,569,293	695,322
<b>Cash (used in)/generated from operations</b>		<u>(286,157)</u>	<u>102,744</u>	<u>1,095,004</u>
Income tax paid	19	(41,538)	(41,538)	(43,813)
Employees' end of service benefits paid	16	(5,496)	(5,496)	(8,575)
<b>Net cash (used in)/from operating activities</b>		<u>(333,191)</u>	<u>55,710</u>	<u>1,042,616</u>
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment	4	(634,073)	(103,808)	(330,551)
Proceeds from disposal of property, plant and equipment	4	90,533	35,533	45,155
Proceeds from disposal of investment in an associate	6	-	-	2,050,000
Investment in subsidiaries		-	(1,901,475)	-
Goodwill on acquisition		(996,780)	-	-
Interest received		125,138	125,138	110,161
<b>Net cash (used in)/from investing activities</b>		<u>(1,415,182)</u>	<u>(1,844,612)</u>	<u>1,874,765</u>
<b>Cash flows from financing activities</b>				
Term loans repayments		(238,094)	(238,094)	(186,352)
Finance charges on lease liabilities		16,348	16,348	17,951
Lease liabilities paid		(32,012)	(32,012)	(45,934)
Abatement received		-	-	(3,750)
Dividends paid		(435,000)	(435,000)	(600,000)
Finance charges paid		(82,309)	(81,972)	(98,183)
<b>Net cash used in financing activities</b>		<u>(771,067)</u>	<u>(770,730)</u>	<u>(916,268)</u>
<b>Net change in cash and cash equivalents during the year</b>		<u>(2,519,440)</u>	<u>(2,559,632)</u>	<u>2,001,113</u>
Cash and cash equivalents at the beginning of the year		4,540,051	4,540,051	2,538,938
<b>Cash and cash equivalents at the end of the year</b>		<u>2,020,611</u>	<u>1,980,419</u>	<u>4,540,051</u>
<b>Cash and cash equivalents consists of :</b>				
Cash and bank balances	10	2,459,438	2,419,246	4,540,051
Bank overdraft	17	(438,827)	(438,827)	-
		<u>2,020,611</u>	<u>1,980,419</u>	<u>4,540,051</u>

The notes on pages 13 to 50 form part of these financial statements.  
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## MUSCAT GASES COMPANY SAOG AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

#### 1 a) Legal status and principal activities

Muscat Gases Company SAOG ("the Parent 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 Parent Company are marketing and selling of cooking gases.

The separate and consolidated financial statements include the results of operations and financial position of Muscat Gases Company SAOG and its subsidiaries (together referred to as "the Group").

The Parent Company holds 100% of the share capital of Al Aman Industrial and House Gas SPC, 99.99% of the share capital of Muscat Power Pioneer LLC and 99% of the share capital of United Marketing Solutions LLC, while the remaining share capital is held by the subsidiaries by way of cross-holdings. Accordingly, these subsidiaries are entirely owned by the Parent Company.

These are the first consolidated financial statements prepared for the year ended 31 December 2021 and therefore, there are no comparative group figures to present.

#### 1 b) Structure of the Group

The structure of the Group is as follows:

Name of the subsidiary	Country of incorporation	Shareholding percentage	Share capital (RO)	Principal activities
Al Aman Industrial and House Gas SPC (Sole Proprietorship Company)	Sultanate of Oman	100%	200,000	Marketing and sale of LPG
Muscat Power Pioneer LLC	Sultanate of Oman	99.99%	250,000	Installation and maintenance of gas systems
United Marketing Solutions LLC	Sultanate of Oman	99%	250,000	Promotion and marketing of goods and E-commerce

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

##### Basis of preparation

The separate and consolidated financial statements have been prepared under the historical cost convention and going concern assumption, modified for certain assets and liabilities which are stated at their fair values as required by the IFRS. The preparation of separate and consolidated financial statements is in conformity with IFRS that requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Group's accounting policies.

##### Functional and presentation currency

The separate and consolidated financial statements are presented in Omani Rial (RO), which is the functional and reporting currency for the separate and consolidated financial statements.

## MUSCAT GASES COMPANY SAOG AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)

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

##### Statement of compliance

The separate and consolidated 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 Interpretation Committee (IFRIC), the relevant requirements of the Commercial Companies Law of the Sultanate of Oman, and the applicable Rules and Guidelines on Disclosure issued by the Capital Market Authority (CMA) of the Sultanate of Oman.

##### New standards, amendments and interpretations to existing IFRS effective 1 January 2021

The Group has adopted all new Standards and amendments for the first time for the annual reporting period beginning from 1 January 2021, while has accounted for and disclosed only the relevant and applicable Standards and amendments:

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

In March 2021, Standard setters of IFRS issued Covid 19 Related Rent Concessions (Amendment to IFRS 16) that extends the practical expedient to apply to reduction in lease payments originally due on or before 30 June 2021.

This amendment is not relevant to the Group as it did not receive such rent concessions.

- Amendments to IFRS 4, IFRS 7, IFRS 9, IFRS 16 and IAS 39 Interest Rate Benchmark Reform;

This amendment is not relevant to the financial statements of the Group.

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

The forthcoming requirements of new standards and amendments to existing standards are applicable for future reporting periods.

<b>Standards/Amendments to Standards</b>	<b>Effective date</b>
Amendments to IFRS 16 Covid 19 Related Rent Concessions beyond 30 June 2021	01 January 2022
Amendments to IAS 37: Onerous Contracts – Cost of Fulfilling a Contract	01 January 2022
Annual Improvements to IFRS Standards 2018-2020	01 January 2022
Amendments to IAS 16: Property, Plant and Equipment—Proceeds before Intended Use	01 January 2022

## MUSCAT GASES COMPANY SAOG AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)

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

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

<b>Standards/Amendments to Standards</b>	<b>Effective date</b>
Amendments to IFRS 3: Reference to the Conceptual Framework	01 January 2022
Amendments to IAS 1: Classification of Liabilities as Current or Non-current	01 January 2023
IFRS 17 Insurance Contracts and Amendments to IFRS 17	01 January 2023
Amendments to IAS 8: Definition of Accounting Estimates	01 January 2023
Amendment to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies	01 January 2023
Amendment to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	01 January 2023
Amendment to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred indefinitely

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.

#### 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 Group to all the years presented, unless otherwise stated.

##### **Consolidation**

###### *Basis of consolidation*

The separate and consolidated financial statements incorporate the financial statements of the Parent Company and its subsidiaries, from the date that control effectively commenced until the date that control effectively ceased. Control is achieved when the Parent Company has the power to govern the financial and operating policies of the subsidiary so as to obtain benefits from its activities.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated.

## MUSCAT GASES COMPANY SAOG AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)

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

##### Investment in subsidiaries

Subsidiaries are all entities over which the Parent Company has control. The Parent Company controls an entity 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.

The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully separate and consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such remeasurement are recognised in the separate and consolidated statement of comprehensive income.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 in statement of comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within separate and consolidated shareholders' equity.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in separate and consolidated shareholders' equity. Gains or losses on disposals to non-controlling interests are also recorded in separate and consolidated shareholders' equity.

## MUSCAT GASES COMPANY SAOG AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)

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

##### **Investment in subsidiaries (continued)**

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to statement of comprehensive income.

##### **Goodwill**

Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill is not amortised but is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on disposal of an entity includes the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to each cash generating units for the purpose of impairment testing. The allocation is made to those cash generating units or groups of cash generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes.

##### **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 Group expects to be entitled in exchange for those goods or services. The Group 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 Group 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 Group considers the effects of variable consideration.

##### **Interest income**

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



## MUSCAT GASES COMPANY SAOG AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)

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

##### Property, plant and equipment

Property, plant and equipment held for use in the production or supply of goods or services, or for administrative purposes, are initially 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 Group 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 Group over the estimated useful life of the asset.

The estimated useful economic lives of the assets are:

	Years
Plant buildings	25
Plant and machinery	5-20
Motor vehicles	4-20
Furniture and fixtures	4-6
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 Group's policies.

##### Leases

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

## MUSCAT GASES COMPANY SAOG AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)

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

##### Leases (continued)

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 Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The 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 Group 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.

##### 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.

##### Impairment of non-financial assets

At each reporting date, the Group 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.

## MUSCAT GASES COMPANY SAOG AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)

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

##### 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.

###### *Business model assessment*

The Group determines its business model at the level that best reflects how it manages the Group's financial assets to achieve its business objective. The Group'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 Group's assessment.

## MUSCAT GASES COMPANY SAOG AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)

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

##### Financial instruments (continued)

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

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 Group's original expectations, the Group 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 Group 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 Group 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.

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

###### *Debt instruments at FVOCI*

The Group 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.

## MUSCAT GASES COMPANY SAOG AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)

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

##### Financial instruments (continued)

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

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 Group does not have debt instruments at FVOCI.

##### *Equity instruments at FVOCI*

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

The Group 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 Group does not have financial assets at fair value through profit or loss.

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

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



## MUSCAT GASES COMPANY SAOG AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)

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

##### Financial instruments (continued)

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

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

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

##### iii) Hedge accounting

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

The Group 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 Group 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 Group'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 AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (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 Group.

##### **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 Group 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 AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)

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

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

The Group 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 Group 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 Parent Company follows the Commercial Companies Law, and other latest relevant directives issued by the Capital Market Authority, with regards to determining the amount to be paid as Directors' remuneration. Directors' remuneration is charged to the separate and consolidated statement of comprehensive income in the year to which it relates.

##### **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 Group's accounting policies. The Group 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 reviews*

IFRS requires management to undertake an annual test for impairment of indefinite lived assets and, for finite lived assets, to test for impairment if events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment testing is an area involving management judgment, requiring inter alia an assessment as to whether the carrying value of assets can be supported by the net present value of future cash flows derived from such assets using cash flow projections which have been discounted at an appropriate rate.

In calculating the net present value of the future cash flows, certain assumptions are required to be made in respect of highly uncertain matters including management's expectations of:

- a) growth in earnings before interest, tax, depreciation and amortisation (EBITDA), calculated as adjusted operating profit before depreciation and amortisation;
- b) timing and quantum of future capital expenditure;
- c) long-term growth rates; and
- d) selection of discount rates to reflect the risks involved.

Changing the assumptions selected by management, in particular the discount rate and growth rate assumptions used in the cash flow projections, could significantly affect the Group's impairment evaluation and hence results.

## MUSCAT GASES COMPANY SAOG AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)

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

##### Estimates and judgments (continued)

###### *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.

###### *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.

###### *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 Group uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Group’s past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

## MUSCAT GASES COMPANY SAOG AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)

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

##### **Estimates and judgments (continued)**

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

###### *Assessment for useful lives of property, plant and equipment*

The Group'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 Group's management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group 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 Group's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

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

##### **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 Group 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

## MUSCAT GASES COMPANY SAOG AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)

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

##### **Current vs. Non-current classification (continued)**

- 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 Group classifies all other liabilities as non-current.

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



MUSCAT GASES COMPANY SAOG AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)

4 Property, plant and equipment

Group	Land RO	Plant buildings RO	Plant and machinery RO	Motor vehicles RO	Furniture and fixtures RO	Office equipment RO	Total RO
Parent company balances as on 1 January 2021	1,355,000	624,408	1,904,387	2,290,486	76,441	166,901	6,417,623
Additions on acquisition through business combination	150,000	59,550	148,007	43,500	1,090	5,053	407,200
Additions	-	-	100,962	114,334	1,989	9,588	226,873
Disposals	-	-	-	(66,600)	-	-	(66,600)
At 31 December 2021	<u>1,505,000</u>	<u>683,958</u>	<u>2,153,356</u>	<u>2,381,720</u>	<u>79,520</u>	<u>181,542</u>	<u>6,985,096</u>
Depreciation							
Parent company balances as on 1 January 2021	-	482,608	1,688,299	1,350,492	38,476	108,182	3,668,057
Charge for the year	-	28,026	48,255	148,960	10,406	17,478	253,125
Relating to disposals	-	-	-	(14,561)	-	-	(14,561)
At 31 December 2021	<u>-</u>	<u>510,634</u>	<u>1,736,554</u>	<u>1,484,891</u>	<u>48,882</u>	<u>125,660</u>	<u>3,906,621</u>
Net book value							
At 31 December 2021	<u>1,505,000</u>	<u>173,324</u>	<u>416,802</u>	<u>896,829</u>	<u>30,638</u>	<u>55,882</u>	<u>3,078,475</u>

**MUSCAT GASES COMPANY SAOG AND ITS SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)**

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

<b>Parent Company</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>
<b>Cost</b>							
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>
At 1 January 2021	1,355,000	624,408	1,904,387	2,290,486	76,441	166,901	6,417,623
Additions	-	-	55,266	38,489	1,619	8,434	103,808
Disposals	-	-	-	(39,100)	-	-	(39,100)
At 31 December 2021	<u>1,355,000</u>	<u>624,408</u>	<u>1,959,653</u>	<u>2,289,875</u>	<u>78,060</u>	<u>175,335</u>	<u>6,482,331</u>
<b>Depreciation</b>							
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	-	<u>482,608</u>	<u>1,688,299</u>	<u>1,350,492</u>	<u>38,476</u>	<u>108,182</u>	<u>3,668,057</u>
At 1 January 2021	-	482,608	1,688,299	1,350,492	38,476	108,182	3,668,057
Charge for the year	-	16,116	28,703	131,545	10,248	16,673	203,285
Relating to disposals	-	-	-	(11,811)	-	-	(11,811)
At 31 December 2021	-	<u>498,724</u>	<u>1,717,002</u>	<u>1,470,226</u>	<u>48,724</u>	<u>124,855</u>	<u>3,859,531</u>
<b>Net book value</b>							
At 31 December 2021	<u>1,355,000</u>	<u>125,684</u>	<u>242,651</u>	<u>819,649</u>	<u>29,336</u>	<u>50,480</u>	<u>2,622,800</u>
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>

## MUSCAT GASES COMPANY SAOG AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)

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

- a) The Parent Company's plants in Rusayl, Izki and Mussanah are built on right-of-use land leased from various lessors.
- b) Land of the Parent Company 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 of the Parent Company 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 19) 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 19) was RO 357,000.

The Parent 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 Parent Company's accounting policy.

- d) Depreciation on property, plant and equipment of the Parent Company amounting to RO 174,945 (2020: RO 264,785) is charged to 'cost of sales' (note 22) and the balance depreciation of RO 28,340 (2020 : RO 34,565) is included in 'administrative and general expenses' (note 24).
- e) The motor vehicles of the Parent Company with a cost of RO 963,687 (2020: RO 1,002,786) and net book value of RO 588,170 (2020 RO 707,022) are jointly registered in the name of the Parent Company and an islamic bank (note 14).

#### 5 Goodwill

Goodwill had arisen on account of acquisition of Al Aman Industrial and House Gas SPC during the year. In accordance with IAS 36 'Impairment of Assets', management has performed an impairment assessment of the goodwill and has concluded that, based on the future projected cash flows, no impairment is considered necessary at the end of the reporting period.

#### 6 Investment in subsidiaries

		Country of incorporation	Shareholding percentage	Parent Company 2021
Al Aman Industrial and House Gas SPC	Sale of LPG	Oman	100.00%	<b>1,404,000</b>
Muscat Power Pioneer LLC	Gas installation works	Oman	99.99%	<b>249,975</b>
United Marketing Solutions LLC	E-Commerce	Oman	99.00%	<b>247,500</b>
				<b>1,901,475</b>

- a) Investment in subsidiaries have been set-off against the share capital and reserves of the subsidiaries in the consolidated financial statements.
- b) The investments in subsidiaries are carried at cost. Management of the Parent Company has performed an impairment testing of its investment in the subsidiaries and has concluded that no impairment is considered necessary.

**MUSCAT GASES COMPANY SAOG AND ITS SUBSIDIARIES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)

**7 Right-of-use assets**

	<b><u>Group and Parent Company</u></b>		
	<b><u>Land</u></b>	<b><u>Buildings</u></b>	<b><u>Total</u></b>
	<b><u>right-of-use</u></b>	<b><u>right-of-use</u></b>	<b><u>RO</u></b>
	<b><u>RO</u></b>	<b><u>RO</u></b>	<b><u>RO</u></b>
<b>Cost</b>			
At 1 January 2020 and December 2020	222,535	74,805	297,340
<b>At 1 January 2021 and 31 December 2021</b>	<b>222,535</b>	<b>74,805</b>	<b>297,340</b>
<b>Accumulated depreciation</b>			
At 1 January 2020	13,706	14,953	28,659
Charge for the year	13,743	14,994	28,737
At 31 December 2020	27,449	29,947	57,396
<b>At 1 January 2021</b>	<b>27,449</b>	<b>29,947</b>	<b>57,396</b>
Charge for the year	13,706	14,953	28,659
<b>At 31 December 2021</b>	<b>41,155</b>	<b>44,900</b>	<b>86,055</b>
<b>Net book value</b>			
<b>At 31 December 2021</b>	<b>181,380</b>	<b>29,905</b>	<b>211,285</b>
At 31 December 2020	195,086	44,858	239,944

The Parent Company leases several assets including land and buildings.

- a) The Parent 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 Parent 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 of the Parent Company amounted to RO 28,659 (2020 : RO 28,737) and the finance charges on lease liabilities amounted to RO 16,348 (2020: RO 17,951).
- d) Depreciation on right-of-use assets amounting to RO 13,706 of the Parent Company, constituting 48%,(2020 : RO 13,743, constituting 48%) is charged to 'cost of sales' (note 22) and the balance depreciation of RO 14,953, constituting 52% (2020 : RO 14,994, constituting 52%) is included in 'administrative and general expenses' (note 24).

## MUSCAT GASES COMPANY SAOG AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)

#### 8 Inventories

	<u>Group</u> <u>2021</u> <u>RO</u>	<u>Parent</u> <u>Company</u> <u>2021</u> <u>RO</u>	<u>Parent</u> <u>Company</u> <u>2020</u> <u>RO</u>
Gas cylinders	250,244	236,603	136,799
Raw-materials and spare parts	178,692	171,804	53,718
LPG bulk	726,195	718,942	47,875
	<u>1,155,131</u>	<u>1,127,349</u>	<u>238,392</u>
Less: allowance for spare parts and slow-moving inventories	-	-	(6,132)
	<u>1,155,131</u>	<u>1,127,349</u>	<u>232,260</u>

Gas cylinders of the Parent Company include LPG cylinders amounting to RO 133,790 (2020: RO 96,180), given to non-corporate customers on loan basis against post-dated cheques as security.

The movement in allowance for inventories:

	<u>Group and Parent</u> <u>Company</u> <u>2021</u> <u>RO</u>	<u>Parent</u> <u>Company</u> <u>2020</u> <u>RO</u>
At 1 January	6,132	48,000
(Reversal)/charge for the year	-	(24,578)
Write off during the year	<u>(6,132)</u>	<u>(17,290)</u>
At 31 December	<u>-</u>	<u>6,132</u>

#### 9 Trade and other receivables

	<u>Group</u> <u>2021</u> <u>RO</u>	<u>Parent</u> <u>Company</u> <u>2021</u> <u>RO</u>	<u>Parent</u> <u>Company</u> <u>2020</u> <u>RO</u>
Trade receivables	3,178,763	3,168,647	2,421,332
Less: trade receivable classified as non-current assets	(406,107)	(406,107)	(531,063)
Less: allowances for expected credit losses	(27,872)	(27,872)	(25,555)
Net trade receivables	<u>2,744,784</u>	<u>2,734,668</u>	<u>1,864,714</u>
Amount due from related parties (note 26)	-	99,393	10,019
Advance to suppliers	129,957	129,957	122,811
Prepaid expenses	57,468	47,776	45,618
Other receivables	24,893	22,794	8,833
	<u>2,957,102</u>	<u>3,034,588</u>	<u>2,051,995</u>

**MUSCAT GASES COMPANY SAOG AND ITS SUBSIDIARIES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)

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

The non-current receivables of the Parent Company amounting to RO 406,107 (2020 : 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 Group to obtain collateral over receivables.

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

	<b>Group and Parent Company</b>	Parent Company
	<b><u>2021</u></b>	<u>2020</u>
	<b><u>RO</u></b>	<u>RO</u>
At 1 January	25,555	21,933
Charge for the year	2,317	3,622
At 31 December	<u>27,872</u>	<u>25,555</u>

As at 31 December 2021, the ageing of trade receivables of the Parent Company is as follows :

	<b>Total</b>	<b>0-120</b>	<b>120-180</b>	<b>180-365</b>	<b>&gt; 365</b>
		<b>Days</b>	<b>Days</b>	<b>Days</b>	<b>Days</b>
	<b><u>RO</u></b>	<b><u>RO</u></b>	<b><u>RO</u></b>	<b><u>RO</u></b>	<b><u>RO</u></b>
Gross carrying amount	3,168,647	2,794,710	97,703	179,451	96,783
Expected credit losses	(27,872)	(12,289)	(2,070)	(4,289)	(9,224)
	<u>3,140,775</u>	<u>2,782,421</u>	<u>95,633</u>	<u>175,162</u>	<u>87,559</u>

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

	<b>Total</b>	<b>0-120</b>	<b>120-180</b>	<b>180-365</b>	<b>&gt; 365</b>
		<b>Days</b>	<b>Days</b>	<b>Days</b>	<b>Days</b>
	<b><u>RO</u></b>	<b><u>RO</u></b>	<b><u>RO</u></b>	<b><u>RO</u></b>	<b><u>RO</u></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>

At 31 December 2021, trade receivables amounting to RO 10,116, of a subsidiary company, are not past due. As per the historical experiences of management, all the receivables are collectible.



## MUSCAT GASES COMPANY SAOG AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)

#### 10 Cash and bank balances

	<u>Group</u>	<u>Parent</u>	<u>Parent</u>
	<u>2021</u>	<u>2021</u>	<u>2020</u>
	<u>RO</u>	<u>RO</u>	<u>RO</u>
Cash at bank	347,417	318,104	646,597
Cash in hand	61,165	50,286	21,188
Term deposits	2,050,856	2,050,856	3,872,266
	<u>2,459,438</u>	<u>2,419,246</u>	<u>4,540,051</u>

Deposits are with commercial banks and finance company in Oman, and it carries interest of 5% per annum (2020 : 4.45% to 5% per annum).

#### 11 Share capital

- The authorised share capital of the Parent Company comprises 60,000,000 ordinary shares of 100 Baizas each (2020: 60,000,000 ordinary shares of 100 Baizas each). The issued and fully paid-up share capital is RO 3,000,000 (2020: RO 3,000,000) comprising 30,000,000 shares of 100 Baizas each (2020: 30,000,000 shares of 100 Baizas each).
- The Parent Company has one class of ordinary shares which carries no right to fixed income.
- At the end of the reporting period, shareholders who own 10% or more of the Parent Company's share capital, and the number of shares they hold are as follows:

	<u>2021</u>		<u>2020</u>	
	<u>Number of</u>	<u>Shareholding</u>	<u>Number of</u>	<u>Shareholding</u>
	<u>shares</u>	<u>percentage</u>	<u>shares</u>	<u>percentage</u>
		%		%
Takamul Investment Co. SAOC	9,799,000	32.66	9,799,000	32.66
Civil Service Employees Pension Fund	4,523,504	15.08	4,500,000	15.00
Al Saud Co. Ltd / Ubar	3,027,525	10.09	3,027,525	10.09
Financial Investments				

#### 12 Statutory reserve

In accordance with the provisions of the Commercial Companies Law of the Sultanate of Oman, an amount equivalent to 10% of the individual companies (Parent Company and subsidiaries) net profit before appropriations is required to be transferred to a non-distributable reserve until such time as a minimum of one-third of the issued and fully paid-up share capital is set aside. As the statutory reserve of the Parent Company has reached one-third of the issued share capital, no amount has been transferred to the statutory reserve for the year ended 31 December 2021.

#### 13 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 of the Parent Company. This reserve is not available for distribution.

**MUSCAT GASES COMPANY SAOG AND ITS SUBSIDIARIES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)

**14 Term loans**

	<b>Group and Parent</b>	Parent
	<b><u>Company</u></b>	<b><u>Company</u></b>
	<b><u>2021</u></b>	<b><u>2020</u></b>
	<b><u>RO</u></b>	<b><u>RO</u></b>
Term loans	575,979	814,073
Less: current maturity	(227,700)	(231,122)
Non-current liabilities	<u>348,279</u>	<u>582,951</u>

- a) Term loans represent the loan taken from a bank under islamic financing facility with a profit share of 5.5% per annum (2020: 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:

	<b>Group and Parent</b>	Parent
	<b><u>Company</u></b>	<b><u>Company</u></b>
	<b><u>2021</u></b>	<b><u>2020</u></b>
	<b><u>RO</u></b>	<b><u>RO</u></b>
Due less than 1 year	227,700	231,122
Due between 1 and 2 years	182,126	225,840
Due between 2 and 5 years	166,153	357,111
	<u>575,979</u>	<u>814,073</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:

	<b>Group and Parent</b>	Parent
	<b><u>Company</u></b>	<b><u>Company</u></b>
	<b><u>2021</u></b>	<b><u>2020</u></b>
	<b><u>RO</u></b>	<b><u>RO</u></b>
Due less than 1 year	252,308	273,334
Due between 1 and 2 years	197,263	252,308
Due between 2 and 5 years	206,052	378,087
	<u>655,623</u>	<u>903,729</u>

**MUSCAT GASES COMPANY SAOG AND ITS SUBSIDIARIES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)

**15 Lease liabilities**

	<b>Group and Parent Company</b>	Parent Company
	<b><u>2021</u></b>	<u>2020</u>
	<b><u>RO</u></b>	<u>RO</u>
Lease liabilities	225,848	241,512
Less: current maturity	(26,051)	(21,634)
Non-current liabilities	<u>199,797</u>	<u>219,878</u>

a) The movement in lease liabilities is as follows :

	<b>Group and Parent Company</b>	Parent Company
	<b><u>RO</u></b>	<u>RO</u>
At the beginning of the year	241,512	273,245
Finance charges during the year	16,348	17,951
Payments during the year	(32,012)	(45,934)
Abatement received	-	(3,750)
At 31 December	<u>225,848</u>	<u>241,512</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:

	<b>Group and Parent Company</b>	Parent Company
	<b><u>RO</u></b>	<u>RO</u>
Due less than 1 year	26,051	21,634
Due between 1 and 2 years	19,006	24,242
Due between 2 and 5 years	7,789	26,836
Due above 5 years	173,002	168,800
	<u>225,848</u>	<u>241,512</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:

	<b>Group and Parent Company</b>	Parent Company
	<b><u>RO</u></b>	<u>RO</u>
Due less than 1 year	40,860	25,860
Due between 1 and 2 years	31,801	40,860
Due between 2 and 5 years	60,004	67,973
Due above 5 years	335,159	380,162
	<u>467,824</u>	<u>514,855</u>

## MUSCAT GASES COMPANY SAOG AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)

#### 16 Employees' end of service benefits

Movement in expatriate employees' end of service benefits:

	<u>Group</u> <u>2021</u> <u>RO</u>	<u>Parent</u> <u>Company</u> <u>2021</u> <u>RO</u>	<u>Parent</u> <u>Company</u> <u>2020</u> <u>RO</u>
At 1 January	61,200	61,200	56,261
Benefits recognized during the year	15,141	14,164	13,514
Paid during the year	(5,496)	(5,496)	(8,575)
At 31 December	<u>70,845</u>	<u>69,868</u>	<u>61,200</u>

#### 17 Bank borrowings

	<u>Group and Parent</u> <u>Company</u> <u>2021</u> <u>RO</u>	<u>Parent</u> <u>Company</u> <u>2020</u> <u>RO</u>
Overdraft account	<u>438,827</u>	<u>-</u>

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 2.252 million (2020: RO 3.546 million). Overdrafts obtained from commercial banks are at interest rate of 5% (2020: 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.

#### 18 Trade and other payables

	<u>Group</u> <u>2021</u> <u>RO</u>	<u>Parent</u> <u>Company</u> <u>2021</u> <u>RO</u>	<u>Parent</u> <u>Company</u> <u>2020</u> <u>RO</u>
Trade payables	3,013,923	2,906,618	2,159,301
Amount due to related parties (note 26)	35,041	694,075	25,887
Accruals	159,085	159,085	186,831
Other payables	203,123	192,830	11,296
	<u>3,411,172</u>	<u>3,952,608</u>	<u>2,383,315</u>

**MUSCAT GASES COMPANY SAOG AND ITS SUBSIDIARIES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)

**19 Income tax**

**Statement of comprehensive income**

The tax charge for the year comprises:

	<b><u>Group</u></b>	<b><u>Parent</u></b>	<b><u>Parent</u></b>
	<b><u>2021</u></b>	<b><u>2021</u></b>	<b><u>2020</u></b>
	<b><u>RO</u></b>	<b><u>RO</u></b>	<b><u>RO</u></b>
<i>Current tax</i>			
Current year tax	20,226	9,210	38,034
Prior period tax	13,883	13,883	10,543
	<u>34,109</u>	<u>23,093</u>	<u>48,577</u>
<i>Deferred tax</i>			
Current year	6,220	4,705	15,896
Tax charge for the year	<u>40,329</u>	<u>27,798</u>	<u>64,473</u>

**Statement of financial position**

	<b><u>Group</u></b>	<b><u>Parent</u></b>	<b><u>Parent</u></b>
	<b><u>2021</u></b>	<b><u>2021</u></b>	<b><u>2020</u></b>
	<b><u>RO</u></b>	<b><u>RO</u></b>	<b><u>RO</u></b>
Non-current liability :			
Deferred tax liability	154,740	153,225	148,520
Current liability :			
Current year tax	20,226	9,210	38,034
Prior period tax	20,922	20,922	10,543
	<u>41,148</u>	<u>30,132</u>	<u>48,577</u>

## MUSCAT GASES COMPANY SAOG AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)

#### 19 Income tax (continued)

- a) The Parent Company and the Subsidiaries are liable to income tax at the rate of 15% on the taxable profit (2020: 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>Group</u> <u>2021</u> <u>RO</u>	<u>Parent</u> <u>Company</u> <u>2021</u> <u>RO</u>	<u>Parent</u> <u>Company</u> <u>2020</u> <u>RO</u>
Profit for the year before tax	173,426	91,479	479,944
Tax @ 15%	31,333	13,722	71,992
Tax effect of items non-deductible for tax purposes	251	178	49,999
Income tax exempt	-	-	(68,061)
Prior year tax	9,193	9,193	10,543
Tax effect of deferred tax	(448)	4,705	-
	<u>40,329</u>	<u>27,798</u>	<u>64,473</u>

- b) Income tax assessment has been completed for the Parent Company up to the tax year 2016 and the Subsidiary up to the tax year 2020. Management is of the opinion that the amount of additional taxes, if any, that may become payable on finalisation of the pending tax assessments would not be significant to the Group's financial position at 31 December 2021.

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

#### Group

	<u>01.01.2021</u> <u>RO</u>	<b>Recognized in the Statement of Comprehensive Income</b> <u>RO</u>	<u>31.12.2021</u> <u>RO</u>
Provisions	(4,753)	8,466	3,713
Revaluation of land	103,635	-	103,635
Tax effect of depreciation	49,872	6,082	55,954
Right of use asset	(234)	(1,949)	(2,183)
Others	-	(6,379)	(6,379)
Net deferred tax liabilities	<u>148,520</u>	<u>6,220</u>	<u>154,740</u>



**MUSCAT GASES COMPANY SAOG AND ITS SUBSIDIARIES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)

**19 Income tax** (continued)

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

**Parent**

	<u>01.01.2021</u> <u>RO</u>	<b>Recognized in the Statement of Comprehensive Income</b> <u>RO</u>	<u>31.12.2021</u> <u>RO</u>
Provisions	(4,753)	572	(4,181)
Revaluation of land	103,635	-	103,635
Tax effect of depreciation	49,872	6,082	55,954
Right of use asset	(234)	(1,949)	(2,183)
Net deferred tax liabilities	<u>148,520</u>	<u>4,705</u>	<u>153,225</u>

**20 Earnings, net assets per share**

a) Earnings per share

The par value of each share is RO 0.100 (2020: 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, of the Parent Company, during the year.

	<u>Group</u> <u>2021</u> <u>RO</u>	<u>Parent</u> <u>Company</u> <u>2021</u> <u>RO</u>	<u>Parent</u> <u>Company</u> <u>2020</u> <u>RO</u>
Net profit attributable to shareholders (RO)	<u>133,097</u>	<u>63,681</u>	<u>415,471</u>
Weighted average number of shares outstanding (No.)	<u>30,000,000</u>	<u>30,000,000</u>	<u>30,000,000</u>
Basic and diluted earnings per share (RO)	<u>0.004</u>	<u>0.002</u>	<u>0.014</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>Group</u> <u>2021</u> <u>RO</u>	<u>Parent</u> <u>Company</u> <u>2021</u>	<u>Parent</u> <u>Company</u> <u>2020</u>
Shareholders' equity (RO)	<u>6,345,779</u>	<u>6,276,363</u>	<u>6,647,682</u>
Number of shares outstanding at year end (No.)	<u>30,000,000</u>	<u>30,000,000</u>	<u>30,000,000</u>
Net assets per share (RO)	<u>0.212</u>	<u>0.209</u>	<u>0.222</u>

## MUSCAT GASES COMPANY SAOG AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)

#### 21 Revenue

Disaggregation of revenue from contracts with customers :

The Group'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>Group</u> <u>2021</u> <u>RO</u>	<u>Parent</u> <u>Company</u> <u>2021</u> <u>RO</u>	<u>Parent</u> <u>Company</u> <u>2020</u> <u>RO</u>
Sultanate of Oman	6,855,353	5,735,972	7,018,262
United Arab Emirates	11,025,636	11,025,636	9,095,980
	<u>17,880,989</u>	<u>16,761,608</u>	<u>16,114,242</u>

##### b) Product and service lines

	<u>Group</u> <u>2021</u> <u>RO</u>	<u>Parent</u> <u>Company</u> <u>2021</u> <u>RO</u>	<u>Parent</u> <u>Company</u> <u>2020</u> <u>RO</u>
LPG- Refilling	5,637,757	4,517,963	5,063,633
LPG- Bulk	12,124,410	12,124,410	10,256,194
New cylinders	50,114	50,114	58,446
Deodorized LPG (MGAP)	25,693	25,693	35,595
Supply, installation and maintenance services	43,015	43,428	700,374
	<u>17,880,989</u>	<u>16,761,608</u>	<u>16,114,242</u>

##### c) Timing of revenue recognition

	<u>Group</u> <u>2021</u> <u>RO</u>	<u>Parent</u> <u>Company</u> <u>2021</u> <u>RO</u>	<u>Parent</u> <u>Company</u> <u>2020</u> <u>RO</u>
Revenue recognised at a point in time	17,837,561	16,718,180	15,413,868
Revenue recognised over a period of time	43,428	43,428	700,374
	<u>17,880,989</u>	<u>16,761,608</u>	<u>16,114,242</u>

**MUSCAT GASES COMPANY SAOG AND ITS SUBSIDIARIES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)

**22 Cost of sales**

	<u>Group</u>	<u>Parent</u>	<u>Parent</u>
	<u>2021</u>	<u>Company</u>	<u>Company</u>
	<u>RO</u>	<u>2021</u>	<u>2020</u>
		<u>RO</u>	<u>RO</u>
Raw materials consumed	14,725,036	13,982,959	13,154,831
Salaries and related costs	636,368	588,106	557,726
Vehicles expenses	462,220	469,328	542,270
Depreciation of property, plant and equipment (note 4)	221,100	174,945	264,785
Depreciation of right-of-use assets (note 5)	13,706	13,706	13,743
Cylinder replacement and testing charges	94,294	83,032	75,998
Sales commission	317,025	250,344	148,182
Others	564,174	528,922	475,699
	<u>17,033,923</u>	<u>16,091,342</u>	<u>15,233,234</u>

**23 Other income**

	<u>Group</u>	<u>Parent</u>	<u>Parent</u>
	<u>2021</u>	<u>Company</u>	<u>Company</u>
	<u>RO</u>	<u>2021</u>	<u>2020</u>
		<u>RO</u>	<u>RO</u>
Interest income on bank deposits	125,138	125,138	110,161
TSA income	-	-	2,250
Propane tolling charges	16,503	16,503	12,306
Gain on disposal of property, plant and equipment	38,494	8,244	45,155
Scrap sales	15,565	15,121	14,381
Gain on foreign currency exchange	-	-	14,605
Abatement received	-	-	3,750
Management fees	-	88,182	-
Miscellaneous income	11,238	11,029	17,067
	<u>206,938</u>	<u>264,217</u>	<u>219,675</u>

## MUSCAT GASES COMPANY SAOG AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)

#### 24 Administrative and general expenses

	<u>Group</u>	<u>Parent</u> <u>Company</u>	<u>Parent</u> <u>Company</u>
	<u>2021</u>	<u>2021</u>	<u>2020</u>
	<u>RO</u>	<u>RO</u>	<u>RO</u>
Salaries and related costs	467,542	467,149	458,527
Legal and professional charges	57,912	46,259	44,372
Directors' sitting fees (note 26)	33,500	33,500	60,000
Travelling and marketing expenses	45,016	44,851	26,504
Depreciation of property, plant and equipment (note 4)	39,235	28,340	34,565
Depreciation of right-of-use assets (note 5)	14,953	14,953	14,994
Insurance	9,021	7,939	8,014
Communication expenses	21,739	20,623	19,160
Printing and stationery	6,480	5,562	6,056
Vehicle expenses	21,332	21,316	9,116
Advertisement expenses	13,998	10,506	4,540
Repairs and maintenance	16,379	13,955	841
Miscellaneous expenses	48,845	43,762	57,430
	<u>795,952</u>	<u>758,715</u>	<u>744,119</u>

#### 25 Finance charges

	<u>Group</u>	<u>Parent</u> <u>Company</u>	<u>Parent</u> <u>Company</u>
	<u>2021</u>	<u>2021</u>	<u>2020</u>
	<u>RO</u>	<u>RO</u>	<u>RO</u>
Finance charges on lease liabilities	16,348	16,348	17,951
Interest on term loans	37,385	37,385	54,776
Interest on bank overdraft	15,321	15,321	9,630
Other interest and bank charges	13,255	12,918	15,826
	<u>82,309</u>	<u>81,972</u>	<u>98,183</u>

#### 26 Related party transactions

- a) Related parties represent subsidiary 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 2021, the Group has not recorded any impairment in respect of amounts owed by related parties (2020: Nil).

**MUSCAT GASES COMPANY SAOG AND ITS SUBSIDIARIES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)

**26 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>Group</u>	<u>Parent</u> <u>Company</u>	Parent <u>Company</u>
	<u>2021</u>	<u>2021</u>	<u>2020</u>
	<u>RO</u>	<u>RO</u>	<u>RO</u>
United Marketing Solutions LLC	-	86,044	-
Muscat Power Pioneer LLC	-	13,349	10,019
	-----	-----	-----
	-	99,393	10,019
	-----	-----	-----

ii) Amount due to related parties:

	<u>Group</u>	<u>Parent</u> <u>Company</u>	Parent <u>Company</u>
	<u>2021</u>	<u>2021</u>	<u>2020</u>
	<u>RO</u>	<u>RO</u>	<u>RO</u>
Oman Oil Marketing Co. SAOG (Shareholder)	35,041	35,040	25,887
Al Aman Industrial & House Gas SPC	-	161,560	-
Muscat Power Pioneer LLC	-	249,975	-
United Marketing Solutions LLC	-	247,500	-
	-----	-----	-----
	35,041	694,075	25,887
	-----	-----	-----

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

	<u>Group</u>	<u>Parent</u> <u>Company</u>	Parent <u>Company</u>
	<u>2021</u>	<u>2021</u>	<u>2020</u>
	<u>RO</u>	<u>RO</u>	<u>RO</u>
Revenue and other services	-	104,231	10,019
Purchase of goods and services	364,203	380,633	386,496
Management fees	-	88,182	-
Property, plant and equipment purchased for subsidiaries	-	74,529	-
Expenses incurred on behalf of subsidiaries	-	76,061	-
	-----	-----	-----

e) Key management personnel compensation for the year comprises:

	<u>Group</u>	<u>Parent</u> <u>Company</u>	Parent <u>Company</u>
	<u>2021</u>	<u>2021</u>	<u>2020</u>
	<u>RO</u>	<u>RO</u>	<u>RO</u>
Short-term benefits and post-retirement benefits	252,630	252,630	231,029
Directors' meeting attendance fee	33,500	33,500	60,000
	-----	-----	-----
	286,130	286,130	291,029
	-----	-----	-----

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



## MUSCAT GASES COMPANY SAOG AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)

#### 27 Dividend

The Board of Directors has not proposed any dividend for year 2021. (2020 : RO 0.0145 per share, amounting to RO 435,000).

#### 28 Contingencies and commitments

	<u>Group and Parent Company</u>	
	<u>2021</u>	<u>2020</u>
	<u>RO</u>	<u>RO</u>
Capital commitments	73,306	230,495
Payment guarantees	551,735	898,899
Performance bonds	-	18,433
	-----	-----

#### 29 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 Group's approach to capital management during the year. The Group is not subject to externally imposed capital requirements.

#### 30 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 Group'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 Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

##### (i) Currency risk

The Group's functional and presentation currency is Rial Omani and the Group'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.

## MUSCAT GASES COMPANY SAOG AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)

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

##### a) Market risk (continued)

###### (ii) Interest rate risk

The Group manages its interest rate risk through using fixed rate debts and deposits. The Group 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.

##### b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables 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 Group's bank accounts are placed with reputed financial institutions.

The Group has no significant concentration of credit risk in respect of trade and other receivables with exposure spread over a large number of customers. The Group 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 Group 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>Group</u>	<u>Parent</u>	Parent
	<u>2021</u>	<u>Company</u>	<u>Company</u>
	<u>RO</u>	<u>2021</u>	<u>2020</u>
		<u>RO</u>	<u>RO</u>
Trade receivable	3,178,763	3,168,647	2,421,332
Amount due from related parties	-	99,393	10,019
Advance to suppliers	129,957	129,957	122,811
Bank balances	2,398,273	2,368,960	4,518,863
Other receivables	24,893	22,794	8,833
	<u>5,731,886</u>	<u>5,789,751</u>	<u>7,081,858</u>

**MUSCAT GASES COMPANY SAOG AND ITS SUBSIDIARIES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)

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

**b) Credit risk (continued)**

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

Group	2021			
	Gross RO		Impairment RO	
Not past due	2,804,826		12,289	
Past due 120 days - 1 year	277,154		6,359	
More than 1 year	96,783		9,224	
	<u>3,178,763</u>		<u>27,872</u>	

  

Parent Company	2021		2020	
	Gross RO	Impairment RO	Gross RO	Impairment RO
Not past due	2,794,710	12,289	2,164,891	17,682
Past due 120 days - 1 year	277,154	6,359	65,519	1,592
More than 1 year	96,783	9,224	190,922	6,281
	<u>3,168,647</u>	<u>27,872</u>	<u>2,421,332</u>	<u>25,555</u>

**c) Liquidity risk**

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

The Group 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 Group's and Parent Company's financial liabilities as at the end of the reporting period, based on the contractual maturity dates.

Group	Less than 6 months RO	6 months to 1 year RO	More than 1 year RO	Total RO
<b>At 31 December 2021</b>				
Term loans	113,850	113,850	348,279	575,979
Borrowings	438,827	-	-	438,827
Lease liabilities	13,026	13,026	199,797	225,848
Trade payables	3,013,923	-	-	3,013,923
Amount due to related parties	35,041	-	-	35,041
Other payables	203,123	-	-	203,123
	<u>3,817,790</u>	<u>126,876</u>	<u>548,076</u>	<u>4,492,741</u>

## MUSCAT GASES COMPANY SAOG AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)

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

#### c) Liquidity risk (continued)

Parent Company	Less than 6 months RO	6 months to 1 year RO	More than 1 year RO	Total RO
<b>At 31 December 2021</b>				
Term loans	113,850	113,850	348,279	575,979
Borrowings	438,827	-	-	438,827
Lease liabilities	13,026	13,026	199,797	225,848
Trade payables	2,906,618	-	-	2,906,618
Amount due to related parties	694,075	-	-	694,075
Other payables	192,830	-	-	192,830
	<u>4,359,226</u>	<u>126,876</u>	<u>548,076</u>	<u>5,034,177</u>
	Less than 6 months RO	6 months to 1 year RO	More than 1 year RO	Total RO
<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>

### 31 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 Group 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 Group's total sales and trade receivables to external customers are as follows:

	Trade receivables		Sales	
	<u>2021</u> RO	<u>2020</u> RO	<u>2021</u> RO	<u>2020</u> RO
Sultanate of Oman	1,195,003	1,461,011	6,855,353	7,018,262
United Arab Emirates	1,983,760	960,321	11,025,636	9,095,980
	<u>3,178,763</u>	<u>2,421,332</u>	<u>17,880,989</u>	<u>16,114,242</u>

## MUSCAT GASES COMPANY SAOG AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)

#### 31 Operating segments (continued)

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

	Trade receivables		Sales	
	<u>2021</u> <u>RO</u>	<u>2020</u> <u>RO</u>	<u>2021</u> <u>RO</u>	<u>2020</u> <u>RO</u>
Sultanate of Oman	1,184,887	1,461,011	5,735,972	7,018,262
United Arab Emirates	1,983,760	960,321	11,025,636	9,095,980
	<u>3,168,647</u>	<u>2,421,332</u>	<u>16,761,608</u>	<u>16,114,242</u>

#### 32 Fair value of financial instruments

Management believes that the fair values of all financial assets and liabilities of the Group are not different from their carrying amounts at 31 December 2021.

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).

#### 33 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 Group is taking 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.