

Separate and Consolidated Financial Statements and
Independent Auditor's Report

Muscat Gases Company SAOG and its Subsidiaries

31 December 2022

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Independent Auditor's Report

To the Shareholders of
Muscat Gases Company SAOG
PO Box 11
Postal Code 124
Sultanate of Oman

Report on the Audit of the Separate and Consolidated Financial Statements

Qualified Opinion

We have audited the separate and consolidated financial statements of Muscat Gases Company SAOG (the "Parent Company") and its subsidiaries (together referred to as the "Group"), which comprise the separate and consolidated statement of financial position as at 31 December 2022, and separate and consolidated the statement of profit or loss and other comprehensive income, separate and consolidated statement of changes in equity and separate and consolidated statement of cash flows for the year then ended, and notes to the separate and consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying separate and consolidated financial statements present fairly, in all material respects, the financial position of the Parent Company and the Group as at 31 December 2022, and their financial performance and their 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 separate and consolidated financial statements, the Parent Company's and the Group's inventories include LPG (Liquified Petroleum Gas) stored in bulk tankers. This item of the inventory is not stated at the lower of cost and net realizable value in the current as well as the previous year, which constitutes a departure from IFRSs. Accordingly, an estimated amount of RO 904,953 would have been required to write down the inventories to their cost in the separate and consolidated statement of financial position as at 31 December 2022 (2021: estimated write down of RO 608,316). The cost of sales and net loss for the current year are understated in the separate and consolidated statement of profit or loss and other comprehensive income by an estimated amount of RO 296,637 (2021: understated by RO 608,316). The equity at the reporting date is correspondingly overstated by an estimated amount of RO 904,953 (2021: overstated by an estimated amount of RO 608,316).

Independent Auditor's Report (continued)

Basis for Qualified Opinion (continued)

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 Separate and Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standard)* IESBA Code, together with the ethical requirements that are relevant to our audit of the separate and consolidated 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.

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
<p>Goodwill recognition and testing of impairment</p> <p>As disclosed in note 5 to the separate and consolidated financial statements, Goodwill of RO 996,800 had arisen on account of acquisition of 100% investment in Al Aman Industrial and House Gas SPC ("the Subsidiary") during year ended 31 December 2021.</p> <p>In accordance with IAS 36 Impairment of Assets, an entity is required to test goodwill acquired in a business combination for impairment at least annually.</p> <p>An impairment is recognised in the consolidated statement of profit or loss when the recoverable amount is less than the carrying amount. The determination of the recoverable amount is based on discounted future cash flows and benchmarking the value with market multiples.</p> <p>In addition, the recoverable amount is based on the use of important assumptions, estimated or assessment made by management, in particular future cash flow projections, the estimate of discount rates and long term growth rates.</p> <p>Due to significance of goodwill and involvement of estimation and uncertainty in the recoverable amount calculation, this has been considered as a key audit matter.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> • Obtained understanding of management process over the impairment assessment of goodwill; • Obtained management's value-in-use calculation including future cash flows projections were tested with arithmetical accuracy and underlying value-in-use calculations; • Assessed the reasonableness of key assumptions used in the calculations, such as sales growth rates, gross and net profit margins, terminal growth rate and discount rates. When assessing key assumptions, we made discussions with management to evaluate the basis for determining the assumptions, and compared with available external sources; • Performed sensitivity analysis around some assumptions to ascertain that selected adverse changes to discount rate and terminal growth rate would not cause the carrying amount of goodwill to exceed the recoverable amount.

Independent Auditor's Report (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
<p>Trade receivables and allowance for credit losses on trade receivables (Note 9)</p> <p>The Group's trade receivables (net of allowance for credit loss on receivables) of RO 3,278,765 and RO 3,318,510 of Parent Company and the Group, respectively, represents a significant balance in the separate and 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>Due to the significance of trade receivables and the involvement of estimation and uncertainty in the ECL calculation, this has been considered as a key audit matter.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> • Obtained an understanding of the Group's process for measurement of ECL; • Evaluated the reasonableness of the key judgments and estimates relating to calculation of probability of default and forward-looking factors made in the ECL model; • Analysed the ageing of receivables and verified its accuracy; and • Obtained the list of outstanding receivables and assessed the recoverability of these through inquiry with management and by obtaining sufficient corroborative evidence to support the conclusions.

Other Matter

The separate and consolidated financial statements of the Parent Company and the Group for the year ended 31 December 2021 were audited by another auditor who expressed a qualified opinion on those statements on 3 March 2022.

Other Information

Management is responsible for the other information. The other information comprises the Chairman's report, Management Discussion and Analysis report and Corporate Governance report but does not include these separate and consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the separate and consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate and consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, 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.

Independent Auditor's Report (continued)

Responsibilities of Management and Those Charged with Governance for the Separate and Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the separate and consolidated financial statements in accordance with IFRSs, the relevant requirements of the Capital Market Authority and the Commercial Companies Law of the Sultanate of Oman, 2019 and for such internal control as management determines is necessary to enable the preparation of separate and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate and consolidated financial statements, management is 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 Separate and Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate and consolidated 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 separate and consolidated 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 separate and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 separate and consolidated 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 separate and consolidated financial statements, including the disclosures, and whether the separate and consolidated 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 consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Independent Auditor's Report (continued)

Auditor's Responsibilities for the Audit of the Separate and Consolidated Financial Statements (continued)

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, action taken to eliminate threats or safeguard applied.

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

Report on Other Legal and Regulatory Requirements

In our opinion, the separate and consolidated financial statements of the Parent Company and the Group for the year ended 31 December 2022 comply, in all material respects, with the relevant disclosure requirements of the Commercial Companies Law of the Sultanate of Oman, 2019 and disclosure requirements issued by the Capital Market Authority.



Nasser Al Mugheiry
Licence No. L1024587
ABU TIMAM
(Chartered Certified Accountants)



1 March 2023

Muscat Gases Company SAOG and its Subsidiaries

Separate and consolidated statement of financial position
As at 31 December 2022

	Note	Parent Company		Group	
		31 December 2022 RO	31 December 2021 RO	31 December 2022 RO	31 December 2021 RO
ASSETS					
Non-current assets					
Property, plant and equipment	4	2,991,712	2,622,800	3,198,791	3,078,475
Goodwill	5	-	-	996,800	996,800
Investment in subsidiaries	6	1,901,475	1,901,475	-	-
Right-of-use assets	7	241,551	211,285	241,551	211,285
Long term trade receivables	9	281,151	406,107	281,151	406,107
Total non-current assets		5,415,889	5,141,667	4,718,293	4,692,667
Current assets					
Inventories	8	1,495,440	1,127,349	1,596,924	1,155,131
Trade and other receivables	9	3,619,731	3,034,588	3,242,302	2,957,102
Cash and bank balances	10	2,235,750	2,419,246	2,249,085	2,459,438
Total current assets		7,350,921	6,581,183	7,088,311	6,571,671
Total assets		12,766,810	11,722,850	11,806,604	11,264,338
EQUITY AND LIABILITIES					
Equity					
Share capital	11	3,000,000	3,000,000	3,000,000	3,000,000
Statutory reserve	12	1,000,000	1,000,000	1,009,975	1,009,975
Special reserve	13	1,457,067	1,457,067	1,457,067	1,457,067
Revaluation reserve		807,666	753,887	807,666	753,887
(Accumulated losses) / retained earnings		(172,109)	65,409	(105,860)	124,850
Total equity		6,092,624	6,276,363	6,168,848	6,345,779
Liabilities					
Non-current liabilities					
Term loans	14	168,270	348,279	168,270	348,279
Lease liabilities	15	244,983	199,797	244,983	199,797
Employees' end of service benefits	16	79,605	69,868	82,119	70,845
Deferred tax liabilities - net	19	147,149	153,225	144,695	154,740
Total non-current liabilities		640,007	771,169	640,067	773,661
Current liabilities					
Current portion of term loans	14	184,118	227,700	184,118	227,700
Bank overdraft	17	337,342	438,827	337,342	438,827
Current portion of lease liabilities	15	28,143	26,051	28,143	26,051
Trade and other payables	18	5,464,358	3,952,608	4,425,562	3,411,172
Income tax payable	19	20,218	30,132	22,524	41,148
Total current liabilities		6,034,179	4,675,318	4,997,689	4,144,898
Total liabilities		6,674,186	5,446,487	5,637,756	4,918,559
Total equity and liabilities		12,766,810	11,722,850	11,806,604	11,264,338
Net assets per share	20	0.203	0.209	0.206	0.212

These separate and consolidated financial statements on pages 6 to 38 were approved and authorised for issue by the Board of Directors on 1 March 2023 and signed on its behalf by:



CHAIRMAN



DIRECTOR



CHIEF EXECUTIVE OFFICER

The notes on pages 11 to 38 form part of these separate and consolidated financial statements.

The report of the Auditor is set forth on page 1.

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Muscat Gases Company SAOG and its Subsidiaries

Separate and consolidated statement of profit or loss and other comprehensive income
For the year ended 31 December 2022

	Note	Parent Company		Group	
		Year ended 31 December 2022 RO	Year ended 31 December 2021 RO	Year ended 31 December 2022 RO	Year ended 31 December 2021 RO
Revenue	21	19,568,390	16,511,264	19,913,402	17,563,964
Cost of revenue	22	(19,045,979)	(15,840,998)	(19,313,733)	(16,716,898)
Gross profit		522,411	670,266	599,669	847,066
Other income	23	165,722	264,217	134,264	206,938
Allowance for expected credit losses	9	(113,453)	(2,317)	(113,453)	(2,317)
Administrative and general expenses	24	(782,851)	(758,715)	(822,944)	(795,952)
Loss / (profit) from operations		(208,171)	173,451	(202,464)	255,735
Finance charges	25	(71,442)	(81,972)	(72,004)	(82,309)
(Loss) / profit for the year before taxation		(279,613)	91,479	(274,468)	173,426
Tax credit / (expense)	19	42,095	(27,798)	43,758	(40,329)
(Loss) / profit for the year		(237,518)	63,681	(230,710)	133,097
Other comprehensive income					
<i>Items that will not be reclassified subsequently to profit or loss:</i>					
Revaluation of land	4	90,000	-	90,000	-
Related deferred tax	19	(36,221)	-	(36,221)	-
Total other comprehensive income for the year		53,779	-	53,779	-
Total comprehensive (loss) / income for the year		(183,739)	63,681	(176,931)	133,097
(Loss) / earnings per share	20	(0.008)	0.002	(0.008)	0.004

The notes on pages 11 to 38 form part of these separate and consolidated financial statements.

The report of the Auditor is set forth on page 1.

Muscat Gases Company SAOG and its Subsidiaries

Separate and consolidated statement of changes in equity
For the year ended 31 December 2022

Parent Company

	Share capital RO	Statutory reserve RO	Special reserve RO	Revaluation reserve RO	(Accumulated losses) / retained earnings RO	Total RO
At 1 January 2021	3,000,000	1,000,000	1,457,067	753,887	436,728	6,647,682
Profit for the year	-	-	-	-	63,681	63,681
Other comprehensive income for the year	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	63,681	63,681
<i>Transactions with owners</i>						
Dividend paid (Note 27)	-	-	-	-	(435,000)	(435,000)
At 31 December 2021	3,000,000	1,000,000	1,457,067	753,887	65,409	6,276,363
At 1 January 2022	3,000,000	1,000,000	1,457,067	753,887	65,409	6,276,363
Loss for the year	-	-	-	-	(237,518)	(237,518)
Other comprehensive income for the year	-	-	-	53,779	-	53,779
Total comprehensive income / (loss) for the year	-	-	-	53,779	(237,518)	(183,739)
At 31 December 2022	3,000,000	1,000,000	1,457,067	807,666	(172,109)	6,092,624

The notes on pages 11 to 38 form part of these separate and consolidated financial statements.

The report of the Auditor is set forth on page 1.

Muscat Gases Company SAOG and its Subsidiaries

Separate and consolidated statement of changes in equity
For the year ended 31 December 2022

Group	Share capital RO	Statutory reserve RO	Special reserve RO	Revaluation reserve RO	(Accumulated losses) / retained earnings RO	Total RO
At 1 January 2021	3,000,000	1,000,000	1,457,067	753,887	436,728	6,647,682
Profit for the year	-	-	-	-	133,097	133,097
Other comprehensive income for the year	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	133,097	133,097
Transfer to legal reserve	-	9,975	-	-	(9,975)	-
Transactions with owners	-	-	-	-	(435,000)	(435,000)
Dividend paid (Note 27)	-	-	-	-	124,850	6,345,779
At 31 December 2021	3,000,000	1,009,975	1,457,067	753,887	124,850	6,345,779
At 1 January 2022	3,000,000	1,009,975	1,457,067	753,887	124,850	6,345,779
Loss for the year	-	-	-	-	(230,710)	(230,710)
Other comprehensive income for the year	-	-	-	53,779	-	53,779
Total comprehensive income / (loss) for the year	-	-	-	53,779	(230,710)	(176,931)
At 31 December 2022	3,000,000	1,009,975	1,457,067	807,666	(105,860)	6,168,848

The notes on pages 11 to 38 form part of these separate and consolidated financial statements.

The report of the Auditor is set forth on page 1.

Muscat Gases Company SAOG and its Subsidiaries

Separate and consolidated statement of cash flows
For the year ended 31 December 2022

	Note	Parent Company		Group	
		Year ended 31 December 2022 RO	Year ended 31 December 2021 RO	Year ended 31 December 2022 RO	Year ended 31 December 2021 RO
Cash flows from operating activities					
(Loss) / profit for the year before taxation		(279,613)	91,479	(274,468)	173,426
Adjustments for:					
Interest income	23	(95,894)	(125,138)	(95,894)	(125,138)
Gain on disposal of property, plant and equipment	23	-	(8,244)	-	(38,494)
Depreciation on property, plant and equipment	4	251,796	203,285	270,259	253,125
Depreciation on right-of-use assets	7	38,125	28,659	38,125	28,659
Allowance for expected credit losses	9	113,453	2,317	113,453	2,317
Charge for employees' end of service benefits	16	17,754	14,164	20,268	15,141
Finance charges	25	71,442	81,972	72,004	82,309
Abatement received		(3,750)	-	(3,750)	-
Operating cashflows before working capital changes		113,313	288,494	139,997	391,345
Working capital changes:					
Inventories		(368,091)	(895,089)	(441,793)	(922,871)
Trade and other receivables		(813,475)	(859,954)	(273,697)	(782,468)
Trade and other payables		1,517,846	1,569,293	1,020,486	1,027,837
Cash generated from / (used in) operations		449,593	102,744	444,993	(286,157)
Income tax paid	19	(10,116)	(41,538)	(21,132)	(41,538)
Employees' end of service benefits paid	16	(8,017)	(5,496)	(8,994)	(5,496)
Net cash generated from / (used in) operating activities		431,460	55,710	414,867	(333,191)
Cash flows from investing activities					
Purchase of property, plant and equipment	4	(290,873)	(103,808)	(300,575)	(634,073)
Proceeds from disposal of property, plant and equipment	4	-	35,533	-	90,533
Investment in subsidiaries	6	-	(1,901,475)	-	(996,780)
Interest received		95,894	125,138	95,894	125,138
Net movement in term deposit		342,372	1,829,894	342,372	1,829,894
Net cash generated from / (used in) investing activities		147,393	(14,718)	137,691	414,712
Cash flows from financing activities					
Repayment of term loans		(223,591)	(238,094)	(223,591)	(238,094)
Lease rentals paid		(43,305)	(32,012)	(43,305)	(32,012)
Dividends paid	27	-	(435,000)	-	(435,000)
Finance charges paid		(51,596)	(65,624)	(52,158)	(65,961)
Net cash used in financing activities		(318,492)	(770,730)	(319,054)	(771,067)
Net change in cash and cash equivalents during the year		260,361	(729,738)	233,504	(689,546)
Cash and cash equivalents at the beginning of the year		(61,953)	667,785	(21,761)	667,785
Cash and cash equivalents at the end of the year		198,408	(61,953)	211,743	(21,761)
Cash and cash equivalents consists of :					
Cash in bank	10	484,053	318,104	497,041	347,417
Cash in hand	10	45,191	50,286	45,538	61,165
Call deposit		6,506	8,484	6,506	8,484
Bank overdraft	17	(337,342)	(438,827)	(337,342)	(438,827)
		198,408	(61,953)	211,743	(21,761)

Note: During the year, there was a non-cash transaction whereby property, plant and equipment was transferred from Al Aman Industrial and House Gas SPC to Muscat Gases Company SAOG amounting to RO 239,835.

The notes on pages 11 to 38 form part of these separate and consolidated financial statements.

The report of the Auditor is set forth on page 1.

Muscat Gases Company SAOG and its Subsidiaries

Notes to the separate and consolidated financial statements
For the year ended 31 December 2022

1 Legal status and principal activities

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

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

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 wholly owned by the Parent Company.

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	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

During the year, the Group through the Board of Directors’ resolution dated 14 April 2022, approved the transfer of entire assets, liabilities, and operations of Al Aman Industrial and House Gas SPC to the Parent Company. Accordingly, all the assets and liabilities at that date was transferred to the Parent Company at the carrying value except for the land due to legal formalities required to transfer it in the Parent Company’s name.

2 Basis of preparation and adoption of new and revised Standards or Interpretations

Basis of preparation

The separate and consolidated financial statements have been prepared under the historical cost convention basis except for land that has been measured at fair value.

Functional and presentation currency

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

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), the provision of the Commercial Companies Law of 2019, as amended, and the relevant applicable disclosure requirement of the Capital Market Authority (CMA) of the Sultanate of Oman.

Muscat Gases Company SAOG and its Subsidiaries

Notes to the separate and consolidated financial statements
For the year ended 31 December 2022 (continued)

2 Basis of preparation and adoption of new and revised Standards or Interpretations (continued)

New Standards, Amendments and Interpretations that are effective for the annual period beginning on or after 1 January 2022

Some accounting pronouncement, which have become effective from 1 January 2022 and have therefore been adopted do not have a significant impact on the Group's financial results or position.

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

At the date of authorisation of these separate and consolidated financial statements, several new, but not yet effective, Standards and amendments to existing Standards, and Interpretations have been published by the IASB or IFRIC. None of these Standards or amendments to existing Standards have been adopted early by the Group and no Interpretations have been issued that are applicable and need to be taken into consideration by the Group at either reporting date.

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

3 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the separate and consolidated financial statements are set out below. These accounting policies have been consistently applied by the Group to all the years presented.

3.1 Consolidation

Basis of consolidation

The 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.

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 consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are change in one or more of the three elements of control.

Muscat Gases Company SAOG and its Subsidiaries

Notes to the separate and consolidated financial statements
For the year ended 31 December 2022 (continued)

3 Summary of significant accounting policies (continued)

3.1 Consolidation (continued)

Investment in subsidiaries (continued)

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 consolidated statement of profit or loss and other comprehensive income.

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 the consolidated shareholders' equity. Gains or losses on disposals to non-controlling interests are also recorded in the consolidated shareholders' equity.

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 profit or loss and other comprehensive income.

In separate financial statements, the investment in subsidiaries is carried at cost less impairment, if any.

3.2 Goodwill

Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill is not amortised but is tested for impairment at least 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.

Muscat Gases Company SAOG and its Subsidiaries

Notes to the separate and consolidated financial statements
For the year ended 31 December 2022 (continued)

3 Summary of significant accounting policies (continued)

3.3 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.

Maintenance services

Since these services are made available to the customers on 'as and when needed' basis, the revenue arising there from is recognised on a straight - line basis over the period of time such services are performed.

3.4 Interest income

Interest and other income is accounted for under the accrual basis of accounting. Interest accrued using the effective interest method.

3.5 Property, plant and equipment

Property, plant and equipment 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.

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major repairs, is capitalised. Subsequent expenditure is capitalise only when it increases the future economic benefits of the related item of property, plant & equipment and measured reliably. All other expenditures are recognised in separate and consolidated statement of profit or loss when incurred.

The Group uses the revaluation model, where by land will be measured at fair value at the date of the revaluation. The revaluation will be performed every 3 - 5 years by an independent valuer.

When an asset is revalued, any increase in the carrying amount arising on revaluation is credited under revaluation reserve in other comprehensive income, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss. A revaluation deficit is recognised in profit or loss except to the extent that it offsets an existing surplus on the same asset recognised in the revaluation reserve.

After initial recognition, the items of property, plant and equipment (except land) are carried, in the separate and consolidated 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 profit or loss.

Depreciation is calculated on a straight-line basis, which reflects the pattern in which the asset's future economic benefits are expected to be consumed by the Group over the estimated useful life of the asset.

Muscat Gases Company SAOG and its Subsidiaries

Notes to the separate and consolidated financial statements
For the year ended 31 December 2022 (continued)

3 Summary of significant accounting policies (continued)

3.5 Property, plant and equipment (continued)

The estimated useful economic lives of the assets are:

	Years
Plant buildings	25
Plant and machinery	5 - 20
Motor vehicles	5 - 20
Furniture and fixtures	6
Office equipment	4 - 10

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 profit or loss.

Capital work-in-progress

Capital work-in-progress is stated at cost less impairment, if any. When commissioned, capital work-in-progress is transferred to appropriate property, plant and equipment category and depreciated in accordance with the Group's policies.

3.6 Leases

The Group assesses whether a contract is or contains a lease, at inception of the contract. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset for a period of time in exchange for consideration'. To apply this definition, the Group assesses whether, the contract meets three key evaluation which are whether;

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use considering its rights within the defined scope of the contract; and
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

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.

Right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct cost incurred by the Group and any lease payments made in advance of the lease commencement date (net of any incentives received).

Muscat Gases Company SAOG and its Subsidiaries

Notes to the separate and consolidated financial statements
For the year ended 31 December 2022 (continued)

3 Summary of significant accounting policies (continued)

3.6 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.

Subsequent to initial measurement, the liability will be reduced for payment made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are any change in in-substance fixed

3.7 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.

3.8 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 separate and consolidated statement of profit or loss. 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.

3.9 Financial instruments

Recognition, initial measurement and de-recognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial liabilities are not recognised unless one of the parties has performed its part of the contract or a contract is the derivative contract.

All financial assets and liabilities are initially measured at cost which is the fair value of the consideration given or received. Transaction cost that are directly attributable to the acquisition or issue of the financial assets and liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of financial assets or liabilities, as appropriate, on initial recognition.

Muscat Gases Company SAOG and its Subsidiaries

Notes to the separate and consolidated financial statements
For the year ended 31 December 2022 (continued)

3 Summary of significant accounting policies (continued)

3.9 Financial instruments (continued)

Recognition, initial measurement and de-recognition (continued)

Financial assets are de-recognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is de-recognised when it is extinguished, discharged, cancelled or expires.

Classification and subsequent measurement of financial assets

There are three principal classification categories for financial assets:

- Financial assets at amortized cost;
- Financial assets at fair value through other comprehensive income (FVTOCI); and
- Financial assets at fair value through profit or loss (FVTPL)

The Group determines the classification of financial assets based on the business model it uses to manage the financial assets and the contractual cash flow characteristics of the financial assets.

Business model assessment

The Group determines its business model at the level that best reflects how it manages group of 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 a number of observable factors. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in
- the risks that affect the performance of the business model and how those risks are the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations
- about future sales activity.

Contractual cash flow characteristics test

The Group assesses whether the financial instruments' cash flows represent Solely Payments of Principal and Interest (the 'SPPI'). The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. The Group reclassifies a financial asset when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent.

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets to collect its contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. Gains or losses are also recognised in the statement of profit or loss when financial assets are derecognised or impaired.

Muscat Gases Company SAOG and its Subsidiaries

Notes to the separate and consolidated financial statements
For the year ended 31 December 2022 (continued)

3 Summary of significant accounting policies (continued)

3.9 Financial instruments (continued)

Financial assets at fair value through other comprehensive income (FVTOCI)

Financial asset is classified at FVTOCI only if meets both the following conditions (and is not designated as FVTPL):

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition, for an equity investment that is not held for trading, the Fund may irrevocably elect to present subsequent changes in fair value in OCI. Only dividend income is recognised in statement of profit or loss. This election is made in investment-by-investment basis. FVTOCI financial assets are subsequently measured at fair value with gains and losses arising due to change in fair value recognised in OCI.

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

All other financial assets are classified at fair value through profit or loss (FVTPL). Assets in this category are measured at fair value with gains or losses recognised in statement of profit or loss.

The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists or cannot be relied upon.

Impairment of financial assets

IFRS 9's impairment requirements use forward-looking information to recognise expected credit losses - the 'expected credit loss (ECL) model'. Instruments within the scope of the impairment requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

Recognition of credit losses requires the Company to consider a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1');
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2'); and
- 'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Muscat Gases Company SAOG and its Subsidiaries

Notes to the separate and consolidated financial statements
For the year ended 31 December 2022 (continued)

3 Summary of significant accounting policies (continued)

Financial instruments (continued)

Impairment of financial assets (continued)

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

Classification and subsequent measurement of financial liabilities

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in the statement of profit or loss and other comprehensive income under its line items 'finance costs /(income) – net'.

3.10 Cash and cash equivalents

For the purpose of the separate and consolidated statement of cash flows, cash and cash equivalent consist of cash in hand, bank balances and short term deposits with an original maturity of three months or less from the date of placement, net of outstanding bank overdraft, which are subject to an insignificant risk of change in value and are held for the purpose of meeting short term cash commitments.

3.11 Employees' 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 2003 and Social Security Law, 1991. 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.

Government of Oman Social Insurance Scheme (the Scheme)

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

Non-Omani employee terminal benefits

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

3.12 Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognized in the separate and consolidated 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.

Muscat Gases Company SAOG and its Subsidiaries

Notes to the separate and consolidated financial statements
For the year ended 31 December 2022 (continued)

3 Summary of significant accounting policies (continued)

3.12 Income tax (continued)

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 provided using the balance sheet liability method on all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes at the reporting date.

Deferred tax is measured at the tax rates that are expected to apply to the period when the assets is realised or the liability is settled, based on law that have been enacted after 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.

3.13 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made.

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

Any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision. All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

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

Possible inflows of economic benefits to the Group that do not yet meet the recognition criteria of an asset are considered contingent assets.

3.14 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 separate and consolidated statement of profit or loss.

Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction (not retranslated). Non-monetary items measured at fair value are translated using the exchange rate at the date when fair value was determined.

Muscat Gases Company SAOG and its Subsidiaries

Notes to the separate and consolidated financial statements
For the year ended 31 December 2022 (continued)

3 Summary of significant accounting policies (continued)

3.15 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.

3.16 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 profit or loss and comprehensive income in the year to which it relates.

3.17 Significant management judgement in applying accounting policies and estimation uncertainty

The preparation of separate and consolidated 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. Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the year in which the estimate are revised and in future period effected. The areas requiring a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the separate and consolidated financial statements are set out below.

Impairment of non-financial assets

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 separate and consolidated financial statements
For the year ended 31 December 2022 (continued)

3 Summary of significant accounting policies (continued)

3.17 Significant management judgement in applying accounting policies and estimation uncertainty (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.

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.

Assessment for useful lives of depreciable assets

The Group's management determines the estimated useful lives of its depreciable assets 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 separate and consolidated financial statements continue to be prepared on the going concern basis.

Muscat Gases Company SAOG and its Subsidiaries

Notes to the separate and consolidated financial statements
For the year ended 31 December 2022 (continued)

3 Summary of significant accounting policies (continued)

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

Taxation

Uncertainties exist with respect to the interpretation of tax regulations and the amount and timing of future taxable income. Given the wide range of business relationships and nature of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The 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.

3.18 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 separate and consolidated financial statements.

Muscat Gases Company SAOG and its Subsidiaries

Notes to the separate and consolidated financial statements
For the year ended 31 December 2022 (continued)

4 Property, plant and equipment

Parent Company

Cost / revalued amount	Land RO	Plant buildings RO	Plant and machinery RO	Motor vehicles RO	Furniture and fixtures RO	Office equipment RO	Capital work-in-progress RO	Total RO
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	1,355,000	624,408	1,959,653	2,289,875	78,060	175,335	-	6,482,331
At 1 January 2022	1,355,000	624,408	1,959,653	2,289,875	78,060	175,335	-	6,482,331
Additions	-	-	105,275	3,150	430	-	182,018	290,873
Transfers (Note 1)	-	47,640	174,151	12,800	942	4,302	-	239,835
Revaluation surplus	90,000	-	-	-	-	-	-	90,000
At 31 December 2022	1,445,000	672,048	2,239,079	2,305,825	79,432	179,637	182,018	7,103,039
Accumulated depreciation								
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
Disposals	-	-	-	(11,811)	-	-	-	(11,811)
At 31 December 2021	-	498,724	1,717,002	1,470,226	48,724	124,855	-	3,859,531
At 1 January 2022	-	498,724	1,717,002	1,470,226	48,724	124,855	-	3,859,531
Charge for the year	-	26,509	64,470	132,249	10,504	18,064	-	251,796
At 31 December 2022	-	525,233	1,781,472	1,602,475	59,228	142,919	-	4,111,327
Net book value								
At 31 December 2022	1,445,000	146,815	457,607	703,350	20,204	36,718	182,018	2,991,712
At 31 December 2021	1,355,000	125,684	242,651	819,649	29,336	50,480	-	2,622,800

Muscat Gases Company SAOG and its Subsidiaries

Notes to the separate and consolidated financial statements
For the year ended 31 December 2022 (continued)

4 Property, plant and equipment (continued)

Group

	Land RO	Plant buildings RO	Plant and machinery RO	Motor vehicles RO	Furniture and fixtures RO	Office equipment RO	Capital work-in- progress RO	Total RO
Cost / revalued amount								
At 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	1,505,000	683,958	2,153,356	2,381,720	79,520	181,542	-	6,985,096
At 1 January 2022	1,505,000	683,958	2,153,356	2,381,720	79,520	181,542	-	6,985,096
Additions	-	-	105,275	3,150	877	9,255	182,018	300,575
Revaluation surplus	90,000	-	-	-	-	-	-	90,000
At 31 December 2022	1,595,000	683,958	2,258,631	2,384,870	80,397	190,797	182,018	7,375,671
Accumulated depreciation								
At 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
Disposals	-	-	-	(14,561)	-	-	-	(14,561)
At 31 December 2021	-	510,634	1,736,554	1,484,891	48,882	125,660	-	3,906,621
At 1 January 2022	-	510,634	1,736,554	1,484,891	48,882	125,660	-	3,906,621
Charge for the year	-	26,509	64,470	147,419	10,600	21,261	-	270,259
At 31 December 2022	-	537,143	1,801,024	1,632,310	59,482	146,921	-	4,176,880
Net book value								
At 31 December 2022	1,595,000	146,815	457,607	752,560	20,915	43,876	182,018	3,198,791
At 31 December 2021	1,505,000	173,324	416,802	896,829	30,638	55,882	-	3,078,475

Muscat Gases Company SAOG and its Subsidiaries

Notes to the separate and consolidated financial statements
For the year ended 31 December 2022 (continued)

4 Property, plant and equipment (continued)

The Parent Company's plants in Rusayl, Izki and Mussanah are built on right-of-use land leased from various lessors.

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.

Land of the Parent Company is revalued on 31 December 2022 by an independent valuer, M/s Muscat Surveyors LLC on an open market basis. This resulted in an upward revaluation of RO 90,000 and the amount added to revaluation reserve net of deferred tax liability. If the land had been carried at cost, the carrying amount would have been RO 512,628 (2021: RO 512,628).

Depreciation on property, plant and equipment of the Parent Company amounting to RO 223,251 (2021: RO 174,945) is charged to 'cost of revenue' (Note 22) and the balance depreciation of RO 28,545 (2021: RO 28,340) is included in 'administrative and general expenses' (Note 24).

Depreciation on property, plant and equipment of the Group amounting to RO 239,452 (2021: RO 221,100) is charged to 'cost of sales' (Note 22) and the balance depreciation of RO 30,807 (2021: RO 39,235) is included in 'administrative and general expenses' (Note 24).

The motor vehicles of the Parent Company with a cost of RO 955,979 (2021: RO 963,687) and net book value of RO 496,504 (2021: RO 588,170) are jointly registered in the name of the Parent Company and an Islamic bank (Note 14).

5 Goodwill

Goodwill arose on the acquisition of Al Aman Industrial and House Gas SPC business by the Parent Company during 2021, being the fair value of consideration paid over net assets acquired.

The goodwill of RO 996,800 arising from the acquisition is attributable to the operations of Al Aman Industrial and House Gas SPC LPG plants (the Cash-Generating Unit or CGU) and the synergies expected to arise from the economies of scale in combining the operations of the Group with those of the subsidiary. A CGU to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired.

The recoverable amount of a CGU is determined based on the higher of fair value less costs to sell and value-in-use. The value-in-use calculations are based on financial budgets approved by management covering a 5 years' period and a discount rate of 12.99 % per annum (2021: 12.99 %). The Group believes that an average terminal growth rate of 1 % (2021: 1 %) per annum is reasonable for cash flow projection purposes as it is determined based on expectations of future changes in the market.

The valuation indicates sufficient headroom such that a 50 basis point change in the terminal growth and discount rate has not resulted in an impairment of the goodwill.

6 Investment in subsidiaries

	Parent Company	
	31 December 2022	31 December 2021
Al Aman Industrial and House Gas SPC	1,404,000	1,404,000
Muscat Power Pioneer LLC	249,975	249,975
United Marketing Solutions LLC	247,500	247,500
	<u>1,901,475</u>	<u>1,901,475</u>

7 Right-of-use assets

	Parent Company and Group		
	Lands RO	Buildings RO	Total RO
Cost			
At 1 January 2021 and December 2021	222,535	74,805	297,340
At 1 January 2022	<u>222,535</u>	<u>74,805</u>	<u>297,340</u>
Addition during the year	68,391	-	68,391
At 31 December 2022	<u>290,926</u>	<u>74,805</u>	<u>365,731</u>
Accumulated depreciation			
At 1 January 2021	27,449	29,947	57,396
Charge for the year	13,706	14,953	28,659
At 31 December 2021	41,155	44,900	86,055
At 1 January 2022	<u>41,155</u>	<u>44,900</u>	<u>86,055</u>
Charge for the year	23,172	14,953	38,125
At 31 December 2022	<u>64,327</u>	<u>59,853</u>	<u>124,180</u>
Net book value			
At 31 December 2022	<u>226,599</u>	<u>14,952</u>	<u>241,551</u>
At 31 December 2021	181,380	29,905	211,285

Muscat Gases Company SAOG and its Subsidiaries

Notes to the separate and consolidated financial statements
For the year ended 31 December 2022 (continued)

7 Right-of-use assets (continued)

The Parent Company has four leases from various lessors. The lease term for the land is in the range of 5 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)
Lease land at Buraimi and Duqm	25 years

Depreciation on right-of-use assets amounting to RO 23,172 of the Parent Company and the Group (2021: RO 13,706) is charged to 'cost of revenue' (Note 22) and depreciation of RO 14,953 (2021: RO 14,953) is included in 'administrative and general expenses' (Note 24).

8 Inventories

	Parent Company		Group	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
	RO	RO	RO	RO
Gas cylinders	316,212	236,603	320,644	250,244
Raw-materials and spare parts	233,902	171,804	330,954	178,692
LPG bulk	945,326	718,942	945,326	726,195
	<u>1,495,440</u>	<u>1,127,349</u>	<u>1,596,924</u>	<u>1,155,131</u>

Gas cylinders of the Parent Company include LPG cylinders amounting to RO 187,995 (2021: RO 133,790), given to non-corporate customers on loan basis against post-dated cheques as security.

The movement in allowance for inventories:

	Parent Company		Group	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
	RO	RO	RO	RO
At 1 January	-	6,132	-	6,132
Write-off during the year	-	(6,132)	-	(6,132)
At 31 December	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

9 Trade and other receivables

	Parent Company		Group	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
	RO	RO	RO	RO
Trade receivables	3,420,090	3,168,647	3,459,835	3,178,763
Less: trade receivable classified as non-current assets	(281,151)	(406,107)	(281,151)	(406,107)
Less: allowances for expected credit losses	(141,325)	(27,872)	(141,325)	(27,872)
Net trade receivables	<u>2,997,614</u>	<u>2,734,668</u>	<u>3,037,359</u>	<u>2,744,784</u>
Amount due from related parties (Note 26)	504,727	99,393	-	-
Advance to suppliers	215	129,957	85,040	129,957
Prepayments	17,021	47,776	18,665	57,468
Other receivables	100,154	22,794	101,238	24,893
	<u>3,619,731</u>	<u>3,034,588</u>	<u>3,242,302</u>	<u>2,957,102</u>

The non-current receivables of the Parent Company amounting to RO 281,151 (2021: RO 406,107) 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:

	Parent Company		Group	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
	RO	RO	RO	RO
At 1 January	27,872	25,555	27,872	25,555
Charge for the year	113,453	2,317	113,453	2,317
At 31 December	<u>141,325</u>	<u>27,872</u>	<u>141,325</u>	<u>27,872</u>

Muscat Gases Company SAOG and its Subsidiaries

Notes to the separate and consolidated financial statements
For the year ended 31 December 2022 (continued)

9 Trade and other receivables (continued)

As at 31 December 2022, the ageing of trade receivables of the Parent Company is as follows :

	Total RO	0-120 Days RO	120-180 Days RO	180-365 Days RO	More than 365 Days RO
Gross carrying amount	3,420,090	2,401,382	399,717	195,870	423,121
Expected credit losses	(141,325)	(12,289)	(2,070)	(4,289)	(122,677)
	<u>3,278,765</u>	<u>2,389,093</u>	<u>397,647</u>	<u>191,581</u>	<u>300,444</u>

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

	Total RO	0-120 Days RO	120-180 Days RO	180-365 Days RO	More than 365 Days RO
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>

At 31 December 2022, trade receivables amounting to RO 39,745 (2021: RO 10,116) of subsidiary companies, are not past due. As per the historical experiences of management, all the receivables are collectible.

10 Cash and bank balances

	Parent Company		Group	
	31 December 2022 RO	31 December 2021 RO	31 December 2022 RO	31 December 2021 RO
Cash at bank	484,053	318,104	497,041	347,417
Cash in hand	45,191	50,286	45,538	61,165
Call account	6,506	8,484	6,506	8,484
Term deposits	1,700,000	2,042,372	1,700,000	2,042,372
	<u>2,235,750</u>	<u>2,419,246</u>	<u>2,249,085</u>	<u>2,459,438</u>

Deposits are with commercial banks and finance company in Oman, and they carry interest of 4.5 % to 5 % per annum (2021 : 5 % per annum).

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

11 Share capital

The authorised share capital of the Parent Company comprises 60,000,000 ordinary shares of 100 Baizas each (2021: 60,000,000 ordinary shares of 100 Baizas each). The issued and fully paid-up share capital is RO 3,000,000 (2021: RO 3,000,000) comprising 30,000,000 shares of 100 Baizas each (2021: 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:

	2022		2021	
	Number of shares	Shareholding percentage %	Number of shares	Shareholding percentage %
Takamul Investment Co. SAOC	9,799,000	32.66	9,799,000	32.66
Civil Service Employees Pension Fund	4,523,504	15.08	4,523,504	15.08
Al Saud Co. Ltd. / Ubar Financial Investments	3,027,525	10.09	3,027,525	10.09

12 Statutory reserve

In accordance with the provisions of the Commercial Companies Law of 2019, as amended, 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 was required to be transferred to the statutory reserve for the year ended 31 December 2022.

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Notes to the separate and consolidated financial statements
For the year ended 31 December 2022 (continued)

13 Special reserve

This represents the balance amount transferred from the share premium in accordance with the Commercial Companies Law of 2019, as amended, and decision of the Board of Directors of the Parent Company. This reserve is not available for distribution.

14 Term loans

	Parent Company		Group	
	31 December 2022 RO	31 December 2021 RO	31 December 2022 RO	31 December 2021 RO
Term loans	352,388	575,979	352,388	575,979
Less: current portion of term loan	(184,118)	(227,700)	(184,118)	(227,700)
Non-current portion of term loan	<u>168,270</u>	<u>348,279</u>	<u>168,270</u>	<u>348,279</u>

Term loans represent the loan taken from a bank under Islamic financing facility with a profit share of 5.5% per annum (2021: 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.

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:

	Parent Company		Group	
	31 December 2022 RO	31 December 2021 RO	31 December 2022 RO	31 December 2021 RO
Due less than 1 year	184,118	227,700	184,118	227,700
Due between 1 and 2 years	168,270	182,126	168,270	182,126
Due between 2 and 5 years	-	166,153	-	166,153
	<u>352,388</u>	<u>575,979</u>	<u>352,388</u>	<u>575,979</u>

15 Lease liabilities

	Parent Company		Group	
	31 December 2022 RO	31 December 2021 RO	31 December 2022 RO	31 December 2021 RO
Lease liabilities	273,126	225,848	273,126	225,848
Less: current portion of lease liabilities	(28,143)	(26,051)	(28,143)	(26,051)
Non-current portion of lease liabilities	<u>244,983</u>	<u>199,797</u>	<u>244,983</u>	<u>199,797</u>

The movement in lease liabilities is as follows :

	Parent Company		Group	
	31 December 2022 RO	31 December 2021 RO	31 December 2022 RO	31 December 2021 RO
At 1 January	225,848	241,512	225,848	241,512
Addition during the year	74,487	-	74,487	-
Finance charges for the year (Note 25)	19,846	16,348	19,846	16,348
Payments during the year	(43,305)	(32,012)	(43,305)	(32,012)
Abatement received during the year	(3,750)	-	(3,750)	-
At 31 December	<u>273,126</u>	<u>225,848</u>	<u>273,126</u>	<u>225,848</u>

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

	Parent Company		Group	
	31 December 2022 RO	31 December 2021 RO	31 December 2022 RO	31 December 2021 RO
Due less than 1 year	28,143	26,051	28,143	26,051
Due between 1 and 2 years	12,090	19,006	12,090	19,006
Due between 2 and 5 years	15,889	7,789	15,889	7,789
Due above 5 years	<u>217,004</u>	<u>173,002</u>	<u>217,004</u>	<u>173,002</u>
	<u>273,126</u>	<u>225,848</u>	<u>273,126</u>	<u>225,848</u>

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Notes to the separate and consolidated financial statements
For the year ended 31 December 2022 (continued)

16 Employees' end of service benefits

	Parent Company		Group	
	31 December 2022 RO	31 December 2021 RO	31 December 2022 RO	31 December 2021 RO
At 1 January	69,868	61,200	70,845	61,200
Charge for the year	17,754	14,164	20,268	15,141
Paid during the year	(8,017)	(5,496)	(8,994)	(5,496)
At 31 December	<u>79,605</u>	<u>69,868</u>	<u>82,119</u>	<u>70,845</u>

17 Bank overdraft

The Company has credit facilities from a commercial bank and an Islamic bank comprising overdraft, term loans, loan against trust receipts, letters of credit, acceptances and letters of guarantees in the aggregate amount of approximately RO 2.162 million (2021: RO 2.252 million). Overdraft obtained from commercial bank is at interest rate of 5% (2021: 5%) per annum.

18 Trade and other payables

	Parent Company		Group	
	31 December 2022 RO	31 December 2021 RO	31 December 2022 RO	31 December 2021 RO
Trade payables	4,124,083	2,906,618	4,182,924	3,013,923
Amount due to related parties (Note 26)	1,163,704	694,075	35,676	35,041
Accruals	102,686	159,085	103,489	159,085
Advance from customers	52,559	41,237	81,075	41,237
Other payables	21,326	151,593	22,398	161,886
	<u>5,464,358</u>	<u>3,952,608</u>	<u>4,425,562</u>	<u>3,411,172</u>

All amounts are short term. The carrying values of trade and other payables are considered to be a reasonable approximation of fair values.

19 Income taxes

Recognised in separate and consolidated statement of profit or loss and other comprehensive income

	Parent Company		Group	
	Year ended 31 December 2022 RO	Year ended 31 December 2021 RO	Year ended 31 December 2022 RO	Year ended 31 December 2021 RO
<i>Current tax</i>				
Current year tax	-	9,210	2,306	20,226
Prior period tax	202	13,883	202	13,883
	<u>202</u>	<u>23,093</u>	<u>2,508</u>	<u>34,109</u>
<i>Deferred tax</i>				
Current year	(42,297)	4,705	(46,266)	6,220
Tax (credit) / charge for the year	<u>(42,095)</u>	<u>27,798</u>	<u>(43,758)</u>	<u>40,329</u>

Presented in separate and consolidated statement of financial position

	Parent Company		Group	
	31 December 2022 RO	31 December 2021 RO	31 December 2022 RO	31 December 2021 RO
<i>Non-current liability</i>				
Deferred tax liabilities - net	<u>147,149</u>	<u>153,225</u>	<u>144,695</u>	<u>154,740</u>
<i>Current liability</i>				
Current year tax	-	9,210	2,306	20,226
Prior years tax	20,218	20,922	20,218	20,922
	<u>20,218</u>	<u>30,132</u>	<u>22,524</u>	<u>41,148</u>

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19 Income tax (continued)

The Parent Company and the Subsidiaries are liable to income tax at the rate of 15% on the taxable profit (2021: 15%). The total tax charge for the year can be reconciled to the income taxes calculated on the accounting profit as follows :

	Parent Company		Group	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
	RO	RO	RO	RO
(Loss) / profit for the year before taxation	<u>(279,613)</u>	<u>91,479</u>	<u>(274,468)</u>	<u>173,426</u>
Tax @ 15%	-	13,722	-	26,014
Tax effect of items non-deductible for tax purposes	(16,487)	178	(22,824)	251
Prior year tax	202	13,883	202	13,883
Tax impact on unused tax loss	(25,455)	-	(23,155)	-
Others	(355)	15	2,019	181
	<u>(42,095)</u>	<u>27,798</u>	<u>(43,758)</u>	<u>40,329</u>

Income tax assessment has been completed for the Parent Company up to the tax year 2018 and the subsidiaries 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 2022.

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

Group	At 1 January 2022	Charged to profit or loss	Charges to other comprehensive income	At 31 December 2022
	RO	RO	RO	RO
Provisions	(4,181)	(17,017)	-	(21,198)
Revaluation of land	103,635	-	36,221	139,856
Tax effect of depreciation	63,848	(3,537)	-	60,311
Right-of-use asset (net of lease liabilities)	(2,183)	(2,557)	-	(4,740)
Unabsorbed tax losses	(6,379)	(23,155)	-	(29,534)
Net deferred tax liabilities	<u>154,740</u>	<u>(46,266)</u>	<u>36,221</u>	<u>144,695</u>
Parent Company	At 1 January 2022	Charged to profit or loss	Charges to other comprehensive income	At 31 December 2022
	RO	RO	RO	RO
Provisions	(4,181)	(17,017)	-	(21,198)
Revaluation of land	103,635	-	36,221	139,856
Tax effect of depreciation	55,954	2,732	-	58,686
Right-of-use asset (net of lease liabilities)	(2,183)	(2,557)	-	(4,740)
Unabsorbed tax losses	-	(25,455)	-	(25,455)
Net deferred tax liabilities	<u>153,225</u>	<u>(42,297)</u>	<u>36,221</u>	<u>147,149</u>
Group	At 1 January 2021	Charged to profit or loss	Charges to other comprehensive income	At 31 December 2021
	RO	RO	RO	RO
Provisions	(4,753)	572	-	(4,181)
Revaluation of land	103,635	-	-	103,635
Tax effect of depreciation	49,872	13,976	-	63,848
Right-of-use asset (net of lease liabilities)	(234)	(1,949)	-	(2,183)
Unabsorbed tax losses	-	(6,379)	-	(6,379)
Net deferred tax liabilities	<u>148,520</u>	<u>6,220</u>	<u>-</u>	<u>154,740</u>
Parent Company	At 1 January 2021	Charged to profit or loss	Charges to other comprehensive income	At 31 December 2021
	RO	RO	RO	RO
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 (net of lease liabilities)	(234)	(1,949)	-	(2,183)
Net deferred tax liabilities	<u>148,520</u>	<u>4,705</u>	<u>-</u>	<u>153,225</u>

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For the year ended 31 December 2022 (continued)

20 (Loss) / earnings per share and net assets per share

20.1 (Loss) / earnings per share

The basic (loss) / 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.

	Parent Company		Group	
	Year ended 31 December 2022	Year ended 31 December 2021	Year ended 31 December 2022	Year ended 31 December 2021
Net profit attributable to shareholders (RO)	<u>(237,518)</u>	<u>63,681</u>	<u>(230,710)</u>	<u>133,097</u>
Weighted average number of shares outstanding (Numbers)	<u>30,000,000</u>	<u>30,000,000</u>	<u>30,000,000</u>	<u>30,000,000</u>
Basic and diluted earnings per share (RO)	<u>(0.008)</u>	<u>0.002</u>	<u>(0.008)</u>	<u>0.004</u>

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

20.2 Net assets per share

Net assets per share are calculated by dividing the equity attributable to the owners of the Parent Company at the end of the reporting period by the number of shares outstanding at the end of the reporting period, as follows :

	Parent Company		Group	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Net assets (RO)	<u>6,092,624</u>	<u>6,276,363</u>	<u>6,168,848</u>	<u>6,345,779</u>
Number of shares outstanding at 31 December (Numbers)	<u>30,000,000</u>	<u>30,000,000</u>	<u>30,000,000</u>	<u>30,000,000</u>
Net assets per share (RO)	<u>0.203</u>	<u>0.209</u>	<u>0.206</u>	<u>0.212</u>

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.

Product and service lines

	Parent Company		Group	
	Year ended 31 December 2022 RO	Year ended 31 December 2021 RO	Year ended 31 December 2022 RO	Year ended 31 December 2021 RO
LPG - Refilling	<u>5,915,585</u>	<u>4,517,963</u>	<u>5,917,361</u>	<u>5,637,757</u>
LPG - Bulk	<u>13,386,441</u>	<u>12,124,410</u>	<u>13,386,531</u>	<u>12,124,410</u>
New cylinders	<u>142,148</u>	<u>50,114</u>	<u>143,281</u>	<u>50,114</u>
Deodorized LPG (MGAP)	<u>28,465</u>	<u>25,693</u>	<u>28,465</u>	<u>25,693</u>
Vending machine, tanks and spare parts	<u>92,012</u>	<u>-</u>	<u>92,011</u>	<u>-</u>
Supply, installation and maintenance services	<u>160,028</u>	<u>43,428</u>	<u>502,042</u>	<u>43,015</u>
Less : Sales Discount	<u>(156,289)</u>	<u>(250,344)</u>	<u>(156,289)</u>	<u>(317,025)</u>
	<u>19,568,390</u>	<u>16,511,264</u>	<u>19,913,402</u>	<u>17,563,964</u>

Timing of revenue recognition

	Parent Company		Group	
	Year ended 31 December 2022 RO	Year ended 31 December 2021 RO	Year ended 31 December 2022 RO	Year ended 31 December 2021 RO
Revenue recognised at point in time	<u>19,408,362</u>	<u>16,467,836</u>	<u>19,411,360</u>	<u>17,520,536</u>
Revenue recognised over period of time	<u>160,028</u>	<u>43,428</u>	<u>502,042</u>	<u>43,428</u>
	<u>19,568,390</u>	<u>16,511,264</u>	<u>19,913,402</u>	<u>17,563,964</u>

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For the year ended 31 December 2022 (continued)

22 Cost of revenue

	Parent Company		Group	
	Year ended 31 December 2022 RO	Year ended 31 December 2021 RO	Year ended 31 December 2022 RO	Year ended 31 December 2021 RO
Raw materials consumed	17,085,964	13,982,959	17,232,009	14,725,036
Salaries and related costs	607,682	588,106	729,169	636,368
Vehicles expenses	538,305	469,328	542,612	462,220
Depreciation of property, plant and equipment (Note 4)	223,251	174,945	239,452	221,100
Depreciation of right-of-use assets (Note 5)	23,172	13,706	23,172	13,706
Cylinder replacement and testing charges	68,142	83,032	68,142	94,294
Others	499,463	528,922	479,177	564,174
	<u>19,045,979</u>	<u>15,840,998</u>	<u>19,313,733</u>	<u>16,716,898</u>

23 Other income

	Parent Company		Group	
	Year ended 31 December 2022 RO	Year ended 31 December 2021 RO	Year ended 31 December 2022 RO	Year ended 31 December 2021 RO
Interest income on bank deposits	95,894	125,138	95,894	125,138
Propane tolling charges	13,578	16,503	13,578	16,503
Gain on disposal of property, plant and equipment	-	8,244	-	38,494
Scrap sales	13,052	15,121	13,052	15,565
Management fees	31,458	88,182	-	-
Miscellaneous income	11,740	11,029	11,740	11,238
	<u>165,722</u>	<u>264,217</u>	<u>134,264</u>	<u>206,938</u>

24 Administrative and general expenses

	Parent Company		Group	
	Year ended 31 December 2022 RO	Year ended 31 December 2021 RO	Year ended 31 December 2022 RO	Year ended 31 December 2021 RO
Salaries and related costs	516,239	467,149	518,073	467,542
Legal and professional charges	43,523	46,259	49,557	57,912
Directors' sitting fees (Note 26)	42,400	33,500	42,400	33,500
Travelling and marketing expenses	32,629	44,851	37,839	45,016
Depreciation of property, plant and equipment (note 4)	28,545	28,340	30,807	39,235
Depreciation of right-of-use assets (Note 5)	14,953	14,953	14,953	14,953
Insurance	3,458	7,939	3,458	9,021
Communication expenses	22,220	20,623	23,993	21,739
Printing and stationery	5,602	5,562	5,854	6,480
Vehicle expenses	19,461	21,316	24,531	21,332
Advertisement expenses	6,687	10,506	7,750	13,998
Repairs and maintenance	15,197	13,955	19,754	16,379
Miscellaneous expenses	31,937	43,762	43,975	48,845
	<u>782,851</u>	<u>758,715</u>	<u>822,944</u>	<u>795,952</u>

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For the year ended 31 December 2022 (continued)

25 Finance charges

	Parent Company		Group	
	Year ended 31 December 2022 RO	Year ended 31 December 2021 RO	Year ended 31 December 2022 RO	Year ended 31 December 2021 RO
Finance charges on lease liabilities (Note 15)	19,846	16,348	19,846	16,348
Interest on term loans	25,469	37,385	25,469	37,385
Interest on bank overdraft	14,558	15,321	14,558	15,321
Other interest and bank charges	11,569	12,918	12,131	13,255
	<u>71,442</u>	<u>81,972</u>	<u>72,004</u>	<u>82,309</u>

26 Related party transactions

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

Outstanding balances at the year-end arise in the normal course of business. Outstanding balances at the reporting date are unsecured and settlement occurs in cash. For the year ended 31 December 2022, the Group has not recorded any impairment in respect of amounts owed by related parties (2021: Nil).

Balances with related parties included in the separate and consolidated statement of financial position are as follows:

Amount due from related parties:

	Parent Company		Group	
	31 December 2022 RO	31 December 2021 RO	31 December 2022 RO	31 December 2021 RO
United Marketing Solutions LLC	98,747	86,044	-	-
Muscat Power Pioneer LLC	405,980	13,349	-	-
	<u>504,727</u>	<u>99,393</u>	<u>-</u>	<u>-</u>

Amount due to related parties:

	Parent Company		Group	
	31 December 2022 RO	31 December 2021 RO	31 December 2022 RO	31 December 2021 RO
Oman Oil Marketing Co. SAOG (Shareholder)	35,676	35,041	35,676	35,041
Al Aman Industrial & House Gas SPC	409,883	161,560	-	-
Muscat Power Pioneer LLC	490,645	249,974	-	-
United Marketing Solutions LLC	227,500	247,500	-	-
	<u>1,163,704</u>	<u>694,075</u>	<u>35,676</u>	<u>35,041</u>

Transactions with related parties included in the separate and consolidated statement of profit or loss are as follows:

	Parent Company		Group	
	Year ended 31 December 2022 RO	Year ended 31 December 2021 RO	Year ended 31 December 2022 RO	Year ended 31 December 2021 RO
Revenue and other services	91,489	104,231	-	-
Purchase of goods and services	1,575,442	380,633	440,499	364,203
Property, plant and equipment transfer from subsidiary	239,535	-	-	-
Management fees	27,858	88,182	-	-
Rent from subsidiaries	3,600	-	-	-
Property, plant and equipment purchased for subsidiaries	-	74,529	-	-
Expenses incurred on behalf of subsidiaries	277,229	76,061	-	-

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Notes to the separate and consolidated financial statements
For the year ended 31 December 2022 (continued)

26 Related party transactions (continued)

e) Key management personnel compensation for the year comprises:

	Parent Company		Group	
	Year ended 31 December 2022 RO	Year ended 31 December 2021 RO	Year ended 31 December 2022 RO	Year ended 31 December 2021 RO
Short-term benefits and post-retirement benefits	250,513	252,630	250,513	252,630
Directors' sitting fees	42,400	33,500	42,400	33,500
	<u>292,913</u>	<u>286,130</u>	<u>292,913</u>	<u>286,130</u>

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

27 Dividend

The Board of Directors has not proposed a cash dividend for the year ended 31 December 2022 (2021: 0%).

During the year, the Parent Company has paid a cash-dividends of RO Nil per share (2021: RO 0.0145 baizas per share pertaining to year 2020), amounting to Nil (2021: RO 435,000 pertaining to year 2020).

28 Contingencies and commitments

	Parent Company		Group	
	31 December 2022 RO	31 December 2021 RO	31 December 2022 RO	31 December 2021 RO
Capital commitments	-	73,306	-	73,306
Payment guarantees	50,000	551,735	50,000	551,735
Performance bonds	<u>300</u>	<u>-</u>	<u>300</u>	<u>-</u>

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 Group 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 separate and consolidated statement of financial position include cash and bank balances, term loan, borrowings, 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 risks arising from the Group's financial instruments are market risk, credit risk and liquidity 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.

(ii) Interest rate risk

The Group manages its interest rate risk through using fixed rate debts and deposits. The Group have only bank overdraft bearing liability with floating interest rates. Management has estimated the effect on profit for the year for the Parent Company and the Group due to increases or decreases in interest rates by 100 basis points to be RO 3,733 (2021: RO 4,388).

(iii) Other price risk

The Group is not exposed to any other price risk.

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Notes to the separate and consolidated financial statements
For the year ended 31 December 2022 (continued)

30 Financial instruments and related risk management (continued)

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 separate and consolidated statement of financial position represents the maximum exposure to credit risk.

Credit risk on financial assets

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:

	Parent Company		Group	
	31 December 2022 RO	31 December 2021 RO	31 December 2022 RO	31 December 2021 RO
Trade receivables	3,420,090	3,168,647	3,459,835	3,168,647
Amount due from related parties	504,727	99,393	-	-
Bank balances	2,184,053	2,368,960	2,197,041	2,398,273
Other receivables	100,154	22,794	101,238	24,893
	<u>6,209,024</u>	<u>5,659,794</u>	<u>5,758,114</u>	<u>5,591,813</u>

Expected credit loss on trade receivables

The Group applies the IFRS 9 simplified model of recognising lifetime expected credit losses for all trade receivables as these items do not have a significant financing component.

In measuring the expected credit losses, the trade receivables have been assessed on a collective basis as they possess shared credit risk characteristics.

Trade receivables are written-off (i.e., de-recognised) when there is no reasonable expectation of recovery. Failure to engage with the Group on alternative payment arrangement amongst other is considered indicators of no reasonable expectation of recovery.

Loss rates are calculated using a "roll rate" method based on the probability of a receivable progressing through successive stages of delinquency to write off.

Loss rates are based on actual credit loss experience over the years. These are then adjusted for the current economy outlook of the geographical region to which the receivables belong.

Expected credit loss on cash balances held with banks

The credit risk in respect of cash balances held with banks are managed via diversification of balances held with major reputable financial institutions.

To measure the expected credit loss, the Parent Company assess the probability of default by the counter as a result of default event that are possible within 12 months after reporting date. The Parent Company also assess the financial position of the counter party if it has sufficient liquid asset to pay off the balance if repayment is made on demand. In addition, the Parent Company also determines the loss given default of the amounts due from related parties.

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.

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For the year ended 31 December 2022 (continued)

30 Financial instruments and related risk management (continued)

c) Liquidity risk (continued)

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	Carrying value	Less than 6 months	6 months to 1 year	More than 1 year	Total
At 31 December 2022	RO	RO	RO	RO	RO
Term loans	352,388	94,337	94,337	172,950	361,623
Bank overdraft	337,342	337,342	-	-	337,342
Lease liabilities	273,126	20,430	20,430	380,162	421,022
Trade payables	4,182,924	4,182,924	-	-	4,182,924
Amount due to related parties	35,676	35,676	-	-	35,676
Accruals and other payables	125,887	125,887	-	-	125,887
	<u>5,307,343</u>	<u>4,796,596</u>	<u>114,767</u>	<u>553,112</u>	<u>5,464,474</u>
	Carrying value	Less than 6 months	6 months to 1 year	More than 1 year	Total
At 31 December 2021	RO	RO	RO	RO	RO
Term loans	575,979	126,154	126,154	403,315	655,623
Bank overdraft	438,827	438,827	-	-	438,827
Lease liabilities	225,848	20,430	20,430	426,964	467,824
Trade payables	3,013,923	3,013,923	-	-	3,013,923
Amount due to related parties	35,041	35,041	-	-	35,041
Other payables	320,971	320,971	-	-	320,971
	<u>4,610,589</u>	<u>3,955,346</u>	<u>146,584</u>	<u>830,279</u>	<u>4,932,209</u>
	Carrying value	Less than 6 months	6 months to 1 year	More than 1 year	Total
Parent Company	RO	RO	RO	RO	RO
At 31 December 2022					
Term loans	352,388	94,337	94,337	172,950	361,623
Bank overdraft	337,342	337,342	-	-	337,342
Lease liabilities	273,126	20,430	20,430	380,162	421,022
Trade payables	4,124,083	4,124,083	-	-	4,124,083
Amount due to related parties	1,163,704	1,163,704	-	-	1,163,704
Accruals and other payables	124,012	124,012	-	-	124,012
	<u>6,374,655</u>	<u>5,863,908</u>	<u>114,767</u>	<u>553,112</u>	<u>6,531,786</u>
	Carrying value	Less than 6 months	6 months to 1 year	More than 1 year	Total
At 31 December 2021	RO	RO	RO	RO	RO
Term loans	575,979	126,154	126,154	403,315	655,623
Bank overdraft	438,827	438,827	-	-	438,827
Lease liabilities	225,848	20,430	20,430	426,964	467,824
Trade payables	2,906,618	2,906,618	-	-	2,906,618
Amount due to related parties	694,075	694,075	-	-	694,075
Other payables	310,678	310,678	-	-	310,678
	<u>5,152,025</u>	<u>4,496,782</u>	<u>146,584</u>	<u>830,279</u>	<u>5,473,645</u>

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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:

Group	Trade receivables		Sales	
	31 December 2022 RO	31 December 2021 RO	Year ended 31 December 2022 RO	Year ended 31 December 2021 RO
Sultanate of Oman	1,379,065	1,195,003	7,033,023	6,613,535
United Arab Emirates	2,080,770	1,983,760	12,880,379	10,950,429
	<u>3,459,835</u>	<u>3,178,763</u>	<u>19,913,402</u>	<u>17,563,964</u>

Parent Company	Trade receivables		Sales	
	31 December 2022 RO	31 December 2021 RO	Year ended 31 December 2022 RO	Year ended 31 December 2021 RO
Sultanate of Oman	1,339,320	1,184,887	6,688,011	5,560,835
United Arab Emirates	2,080,770	1,983,760	12,880,379	10,950,429
	<u>3,420,090</u>	<u>3,168,647</u>	<u>19,568,390</u>	<u>16,511,264</u>

32 Fair value measurements

Fair value is the price that would be received to sell an asset or paid to transfer liability in an orderly transaction between market participants at the measurement date. Consequently differences can arise between carrying value and the fair value estimates.

Underlying the definition of fair value is the assumption that the Company is going concern without any intention or requirement to curtail materially the state of its operations or to undertake a transaction on adverse terms.

Non-financial assets measured at fair value in the statement of financial position are grouped into three levels of fair value hierarchy. This grouping is determined based on the lowest level of significant inputs used in fair value measurement, as follows:

level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

level 2: 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: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Management believes that the fair value of assets and liabilities approximate their carrying amounts as at the date of separate and consolidated financial statements.

The following table shows the levels within the hierarchy of non-financial assets measured at fair value on a recurring basis:

	Parent Company		Group	
	31 December 2022 RO	31 December 2021 RO	31 December 2022 RO	31 December 2021 RO
Land	<u>1,445,000</u>	<u>1,355,000</u>	<u>1,595,000</u>	<u>1,505,000</u>

Assets	Valuation technique	Significant unobservable Inputs	Sensitivity of inputs to the fair value
Land	Open market basis considers the selling land within a reasonably recent period of time in determining the fair value of land being revalued. This involves evaluation of event active market prices of similar assets, making appropriate adjustments for difference in size, nature and location of the land.	Price per square feet of land	Estimated fair value increase / (decrease) if : price per square feet increase / (decrease)

33 Comparative figures

Comparative figures for the previous year have been reclassified / re-arranged wherever necessary to conform with the presentation in the current year's separate and consolidated financial statements.