

# **National Gas Company SAOG and its subsidiaries**

**PARENT COMPANY AND CONSOLIDATED UN-AUDITED FINANCIAL  
STATEMENT**

**HALF YEAR ENDED 30 JUNE 2018**

# NATIONAL GAS COMPANY SAOG AND ITS SUBSIDIARIES

## STATEMENT OF COMPREHENSIVE INCOME

For the half year ended 30 June 2018

	Notes	Parent Company		Group	
		2018 RO	2017 RO	2018 RO	2017 RO
Sales	22	7,200,901	5,809,340	41,790,884	37,118,933
Cost of sales	23	(6,529,287)	(5,023,392)	(36,231,240)	(32,598,155)
<b>Gross profit</b>		<b>671,614</b>	<b>785,948</b>	<b>5,559,644</b>	<b>4,520,778</b>
Administrative expenses	24	(559,463)	(620,579)	(2,991,810)	(2,637,256)
<b>Operating profit</b>		<b>112,151</b>	<b>165,369</b>	<b>2,567,834</b>	<b>1,883,522</b>
Other income	26	195,587	129,413	291,373	131,802
Gain on closure of a subsidiary	6	-	-	-	-
Share of results from joint ventures	7	-	-	25,021	24,619
Finance cost		(96,012)	(52,988)	(424,340)	(476,524)
<b>Profit before taxation</b>		<b>211,726</b>	<b>241,794</b>	<b>2,459,888</b>	<b>1,563,419</b>
Taxation	27	(31,759)	(35,762)	(534,580)	(374,935)
<b>Profit for the half year</b>		<b>179,967</b>	<b>206,032</b>	<b>1,925,308</b>	<b>1,188,484</b>
<b>Other comprehensive (expense) income</b>					
<i>Items that may be reclassified subsequently to profit or loss (net of tax):</i>					
Movement in fair value of available-for-sale investments		(231,014)	(107,459)	(231,014)	(107,459)
Defer Tax Liability on Land Revaluation		-	(91,064)	-	(91,064)
Exchange difference on translation of foreign operation		-	-	1,719,669	753,671
Net other comprehensive (expense) income to be reclassified to profit or loss in subsequent periods		(231,014)	(198,523)	1,488,655	555,148
<b>Other comprehensive income (expense) for the half year</b>		<b>(231,014)</b>	<b>(198,523)</b>	<b>1,488,655</b>	<b>555,148</b>
<b>Total comprehensive income / (expense) for the half year</b>		<b>(51,047)</b>	<b>7,509</b>	<b>3,413,963</b>	<b>1,743,632</b>
<b>Profit attributable to:</b>					
Equity holders of the Parent		179,967	206,032	1,159,057	709,020
Non-controlling interest		-	-	766,251	479,464
<b>Total profit for the half year</b>		<b>179,967</b>	<b>206,032</b>	<b>1,925,308</b>	<b>1,188,484</b>
<b>Total comprehensive income attributable to:</b>					
Equity holders of the Parent		(51,047)	7,509	2,458,735	1,008,901
Non-controlling interest		-	-	1,657,583	734,731
<b>Total comprehensive income for the half year</b>		<b>(51,047)</b>	<b>7,509</b>	<b>3,413,963</b>	<b>1,743,632</b>
<b>Basic and diluted earnings per share attributable to ordinary equity holders of the Parent</b>					
	28	<b>0.003</b>	0.003	<b>0.017</b>	0.010

The attached notes 1 to 35 form part of these financial statements.

# NATIONAL GAS COMPANY SAOG AND ITS SUBSIDIARIES

## STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Notes	Parent Company		Group	
		2018 RO	2017 RO	2018 RO	2017 RO
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	4	5,234,888	5,316,755	23,593,666	21,681,073
Available-for-sale investments	5	1,134,405	1,464,791	1,134,405	1,464,791
Investment in subsidiaries	6	9,583,442	9,599,177	-	-
Goodwill	6	-	-	8,030,250	7,569,836
Other investments	7	75,000	75,000	638,604	592,220
Dues from an associate	20	29,999	33,562	29,999	33,562
<b>Total non-current assets</b>		<b>16,057,734</b>	<b>16,489,285</b>	<b>33,426,924</b>	<b>31,341,482</b>
<b>Current assets</b>					
Inventories	8	670,826	602,015	1,510,940	1,249,271
Trade and other receivables	9	5,267,580	4,132,869	14,789,981	12,067,685
Cash and bank balances	10	325,670	308,371	4,689,367	3,576,425
		<b>6,264,076</b>	<b>5,043,255</b>	<b>20,990,288</b>	<b>16,893,381</b>
Non-current assets classified as held for sale	7	90,265	95,000	90,265	95,000
<b>Total current assets</b>		<b>6,354,341</b>	<b>5,138,255</b>	<b>21,080,553</b>	<b>16,988,381</b>
<b>Total assets</b>		<b>22,412,075</b>	<b>21,627,540</b>	<b>54,507,477</b>	<b>48,329,863</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Capital and reserves</b>					
Share capital	11	7,000,000	6,000,000	7,000,000	6,000,000
Share premium	11(a)	2,787,632	3,787,632	2,787,632	3,787,632
Legal reserve	12	1,763,190	1,696,191	1,763,190	1,696,191
Other reserve	13	300,000	300,000	536,283	523,188
Investment revaluation reserve		526,665	841,884	526,665	841,884
Revaluation reserve	14	2,575,349	2,575,349	2,575,349	2,575,349
Foreign currency translation reserve		-	-	(1,925,438)	(2,496,321)
Retained earnings		879,535	576,545	6,272,009	4,517,642
<b>Equity attributable to equity holders of parent</b>		<b>15,832,371</b>	<b>15,777,601</b>	<b>19,535,690</b>	<b>17,445,565</b>
<b>Non-controlling interest</b>		<b>-</b>	<b>-</b>	<b>7,961,113</b>	<b>6,260,775</b>
<b>Total equity</b>		<b>15,832,371</b>	<b>15,777,601</b>	<b>27,496,803</b>	<b>23,706,340</b>
<b>LIABILITIES</b>					
Non-current portion of term loans	17	131,955	531,955	811,999	3,844,851
Accrual for staff terminal benefits	16	265,124	270,235	320,509	313,282
Deferred tax liability	27	472,810	480,750	2,788,474	2,891,045
<b>Total non-current liabilities</b>		<b>869,889</b>	<b>1,282,940</b>	<b>3,920,982</b>	<b>7,049,178</b>
<b>Current liabilities</b>					
Accounts payable and accruals	18	1,782,962	1,494,437	9,105,475	5,620,576
Bank overdrafts	10	1,730,443	1,633,903	1,730,443	1,633,903
Short term loans	19	1,732,094	998,917	8,393,401	7,278,299
Current portion of term loans	17	400,000	400,000	3,234,350	3,071,842
Provision for taxation	27	64,316	39,742	626,023	(30,275)
<b>Total current liabilities</b>		<b>5,709,815</b>	<b>4,566,999</b>	<b>23,089,692</b>	<b>17,574,345</b>
<b>Total liabilities</b>		<b>6,579,704</b>	<b>5,849,939</b>	<b>27,010,674</b>	<b>24,623,523</b>
<b>Total equity and liabilities</b>		<b>22,412,075</b>	<b>21,627,540</b>	<b>54,507,477</b>	<b>48,329,863</b>
<b>Net assets per share</b>	21	<b>0.226</b>	0.225	<b>0.279</b>	0.249

The Financial Statements were approved and authorised for issue by the Board of Directors on 26 July 2018 and were signed on their behalf by

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Chairman

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Director

The attached notes 1 to 35 form part of these financial statements.

## NATIONAL GAS COMPANY SAOG AND ITS SUBSIDIARIES

### STATEMENT OF CHANGES IN EQUITY

For the half year ended 30 June 2018

#### Parent Company

	<i>Share capital</i>	<i>Share premium</i>	<i>Legal reserve</i>	<i>Other reserve</i>	<i>Investment revaluation reserve</i>	<i>Revaluation reserve</i>	<i>Retained earnings</i>	<i>Total</i>
	<i>RO</i>	<i>RO</i>	<i>RO</i>	<i>RO</i>	<i>RO</i>	<i>RO</i>	<i>RO</i>	<i>RO</i>
At 1 January 2017	5,500,000	3,787,632	1,675,588	300,000	949,343	2,666,413	1,496,117	16,375,093
Profit for the year	-	-	-	-	-	-	696,053	696,053
Other comprehensive expense	-	-	-	-	(191,664)	(91,064)	-	(282,728)
Total comprehensive (expense) income for the year	-	-	-	-	(191,664)	(91,064)	696,053	413,325
Dividend paid during the year	-	-	-	-	-	-	(605,000)	(605,000)
Issue of bonus shares	500,000	-	-	-	-	-	(500,000)	-
Transfer to legal reserve	-	-	69,605	-	-	-	(69,605)	-
<b>At 31 December 2017</b>	<b>6,000,000</b>	<b>3,787,632</b>	<b>1,745,193</b>	<b>300,000</b>	<b>757,679</b>	<b>2,575,349</b>	<b>1,017,565</b>	<b>16,183,418</b>
At 1 January 2018	6,000,000	3,787,632	1,745,193	300,000	757,679	2,575,349	1,017,565	16,183,418
Profit for the period	-	-	-	-	-	-	179,967	179,967
Other comprehensive expense	-	-	-	-	(231,014)	-	-	(231,014)
Total comprehensive (expense) income for the period	-	-	-	-	(231,014)	-	179,967	(51,047)
Dividend paid during the period	-	-	-	-	-	-	(300,000)	(300,000)
Issue of bonus shares	1,000,000	(1,000,000)	-	-	-	-	-	-
Transfer to legal reserve	-	-	17,997	-	-	-	(17,997)	-
<b>At 30 June 2018</b>	<b>7,000,000</b>	<b>2,787,632</b>	<b>1,763,190</b>	<b>300,000</b>	<b>526,665</b>	<b>2,575,349</b>	<b>879,535</b>	<b>15,832,371</b>

The attached notes 1 to 35 form part of these financial statements.

**NATIONAL GAS COMPANY SAOG AND ITS SUBSIDIARIES**

**STATEMENT OF CHANGES IN EQUITY (continued)**

For the half year ended 30 June 2018

Group	Share capital RO	Share premium RO	Legal reserve RO	Other reserves RO	Investment revaluation reserve RO	Revaluation reserve RO	Warranty reserve RO	Foreign currency translation reserve RO	Retained earnings RO	Equity attributable to equity holders of the parent RO	Non controlling interest RO	Total equity RO
At 1 January 2017	5,500,000	3,787,632	1,675,588	513,682	949,343	2,666,413	-	(2,985,219)	4,934,225	17,041,664	5,526,044	22,567,708
Profit for the year	-	-	-	-	-	-	-	-	1,671,329	1,671,329	1,008,048	2,679,377
Exchange difference on translation	-	-	-	-	-	-	-	1,070,134	-	1,070,134	649,535	1,719,669
Movement in revaluation reserve on account of change in tax rates	-	-	-	-	-	(91,064)	-	-	-	(91,064)	-	(91,064)
Movement of fair value of available for sale investments	-	-	-	-	(191,664)	-	-	-	-	(191,664)	-	(191,664)
Total comprehensive income (expense) for the year	-	-	-	-	(191,664)	(91,064)	-	1,070,134	1,671,329	2,458,735	1,657,583	4,116,318
Issue of bonus shares	500,000	-	-	-	-	-	-	-	(500,000)	-	-	-
Dividend paid during the year	-	-	-	-	-	-	-	-	(605,000)	(605,000)	-	(605,000)
Transfer to reserve	-	-	69,605	-	-	-	-	-	(69,605)	-	-	-
<b>At 31 December 2017</b>	<b>6,000,000</b>	<b>3,787,632</b>	<b>1,745,193</b>	<b>513,682</b>	<b>757,679</b>	<b>2,575,349</b>	<b>-</b>	<b>(1,915,085)</b>	<b>5,430,949</b>	<b>18,895,399</b>	<b>7,183,627</b>	<b>26,079,026</b>
At 1 January 2018	6,000,000	3,787,632	1,745,193	513,682	757,679	2,575,349	-	(1,915,085)	5,430,949	18,895,399	7,183,627	26,079,026
Profit for the period	-	-	-	-	-	-	-	-	1,159,057	1,159,057	766,251	1,925,308
Exchange difference on translation	-	-	-	22,601	-	-	-	(10,353)	-	12,248	11,235	23,483
Movement in revaluation reserve on account of change in tax rates	-	-	-	-	-	-	-	-	-	-	-	-
Movement of fair value of available for sale investments	-	-	-	-	(231,014)	-	-	-	-	(231,014)	-	(231,014)
Total comprehensive income (expense) for the period	-	-	-	22,601	(231,014)	-	-	(10,353)	1,159,057	940,291	777,486	1,717,777
Issue of bonus shares	1,000,000	(1,000,000)	-	-	-	-	-	-	-	-	-	-
Dividend paid during the period	-	-	-	-	-	-	-	-	(300,000)	(300,000)	-	(300,000)
Transfer to reserve	-	-	17,997	-	-	-	-	-	(17,997)	-	-	-
<b>At 30 June 2018</b>	<b>7,000,000</b>	<b>2,787,632</b>	<b>1,763,190</b>	<b>536,283</b>	<b>526,665</b>	<b>2,575,349</b>	<b>-</b>	<b>(1,925,438)</b>	<b>6,272,009</b>	<b>19,535,690</b>	<b>7,961,113</b>	<b>27,496,803</b>

The attached notes 1 to 35 form part of these financial statements.

# NATIONAL GAS COMPANY SAOG AND ITS SUBSIDIARIES

## STATEMENT OF CASH FLOWS

For the half year ended 30 June 2018

	<i>Parent Company</i>		<i>Group</i>	
	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
	<i>RO</i>	<i>RO</i>	<i>RO</i>	<i>RO</i>
<b>Operating activities</b>				
Profit before taxation	211,726	241,794	2,459,888	1,563,418
Adjustments for:				
Share of results of an associate	-	-	(25,021)	(24,619)
Depreciation	189,003	247,263	1,134,748	988,526
Interest income	(88,900)	(9)	(31,046)	(7,786)
Interest paid	96,012	52,987	424,340	476,526
Unrealised loss on foreign exchange	-	-	-	(2,289)
Accrual for staff terminal benefits	26,490	37,284	36,903	49,998
Dividend income	(54,097)	(58,380)	(54,097)	(58,380)
Provision for Tax/Chnages in Deffered Tax				
Liability	-	(507)	-	(507)
Profit on sale of property, plant and equipment	(42,176)	(33,487)	(48,409)	(33,487)
<b>Operating cash flows before working capital changes</b>	<b>338,058</b>	<b>486,945</b>	<b>3,897,306</b>	<b>2,951,400</b>
Working capital changes:				
Inventories	14,758	21,337	(205,373)	(101,550)
Trade and other receivables	(379,427)	(267,684)	1,820,390	83,673
Accounts payable and accruals	407,987	(133,501)	863,459	76,192
<b>Cash flow from operations</b>	<b>381,376</b>	<b>107,097</b>	<b>6,375,782</b>	<b>3,009,715</b>
Payment of staff terminal benefits	(514)	(17,402)	(5,170)	(17,642)
Tax paid	(110,428)	(86,022)	(410,019)	(161,570)
<b>Net cash (used in) from operating activities</b>	<b>270,434</b>	<b>3,673</b>	<b>5,960,593</b>	<b>2,830,503</b>
<b>Investing activities</b>				
Purchase of property, plant and equipment	(250,971)	(170,018)	(2,072,622)	(834,774)
Proceeds from sale of property, plant and equipment	119,364	78,151	127,130	78,151
Amount received from a related party	3,563	-	3,563	-
Dividends received	54,097	58,380	54,097	58,380
Interest received	88,900	9	31,046	7,786
<b>Net cash used in investing activities</b>	<b>14,953</b>	<b>(33,478)</b>	<b>(1,856,786)</b>	<b>(690,457)</b>

The attached notes 1 to 35 form part of these financial statements

**NATIONAL GAS COMPANY SAOG AND ITS SUBSIDIARIES****PARENT COMPANY AND CONSOLIDATED STATEMENT OF CASH FLOWS (continued)**

For the half year ended 30 June 2018

	<i>Parent Company</i>		<i>Group</i>	
	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
	<i>RO</i>	<i>RO</i>	<i>RO</i>	<i>RO</i>
<b>Financing activities</b>				
Repayment of long term loan loans	<b>(200,000)</b>	531,955	<b>(1,609,863)</b>	(783,920)
Dividend paid	<b>(300,000)</b>	(605,000)	<b>(300,000)</b>	(605,000)
Interest paid	<b>(96,012)</b>	(52,987)	<b>(424,340)</b>	(476,526)
Proceeds from short term loan	<b>478,150</b>	402,314	<b>488,025</b>	402,314
<b>Net cash from (used in) financing activities</b>	<b>(117,862)</b>	276,282	<b>(1,846,178)</b>	(1,463,132)
<b>Net changes in cash and cash equivalents</b>	<b>167,525</b>	246,477	<b>2,257,629</b>	676,914
Net movement in foreign currency translation reserve	-	-	<b>(175,134)</b>	9,404
Cash and cash equivalents at 1 January	<b>(1,572,298)</b>	(1,572,009)	<b>876,430</b>	1,256,204
<b>Cash and cash equivalents at 30 June</b>	<b>(1,404,773)</b>	(1,325,532)	<b>2,958,924</b>	1,942,522

The attached notes 1 to 35 form part of these financial statements

# **NATIONAL GAS COMPANY SAOG AND ITS SUBSIDIARIES**

## **NOTES TO THE FINANCIAL STATEMENTS**

**As at 30 June 2018**

### **1 CORPORATE INFORMATION**

National Gas Company SAOG ("the Parent Company" or "the Company") is registered as a joint stock company in the Sultanate of Oman. The Company was incorporated on 9 April 1979. The Company has been established to operate Liquefied Petroleum Gas ("LPG") filling plants, and is engaged in the marketing and selling of LPG.

The Parent Company has controlling interests in five subsidiary companies, the details of which are set out in note 2.2.

#### **2.1 BASIS OF PREPARATION**

These financial statements for the half year ended 30 June 2018 comprise the Parent Company and its subsidiaries (together "the Group"). The separate financial statements represent the financial statements of the Parent Company on a standalone basis. The consolidated and separate financial statements are collectively referred to as "the financial statements". The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), the relevant requirement of Commercial Companies Law of 1974, as amended, and of the Capital Market Authority of the Sultanate of Oman.

The financial statements have been prepared on the historical cost basis except for land, available-for-sale investments and derivative liability that have been measured at fair value. The Group performs equity accounting for its investment in its associates and joint ventures in the consolidated financial statements.

The financial statements have been presented in Rial Omani which is the functional of the Parent Company and reporting currency for these consolidated financial statements.

#### **2.2 BASIS OF CONSOLIDATION**

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at 30 June 2018. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:



# NATIONAL GAS COMPANY SAOG AND ITS SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2018

### 2.2 BASIS OF CONSOLIDATION (continued)

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-Group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interest
- Derecognises the cumulative translation differences recorded in other comprehensive income
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in consolidated income statement
- Reclassifies the Parent Company's share of components previously recognised in other comprehensive income to consolidated income statement or retained earnings, as appropriate.

In the Parent Company's financial statements, the investment in the subsidiary is carried at cost less impairment.

The consolidated financial statements incorporate the following subsidiary companies in which the Group has a controlling interest:

	<b>Principal Activity</b>	<b>Ownership 2018</b>	<b>Ownership 2017</b>
<b>Incorporated in UAE</b>			
NGC Energy FZE *	LPG Distribution	-	100%
NGC Energy	LPG Distribution	<b>100%</b>	100%
NGC Central Gas Systems LLC **	Trading Activity	<b>49%</b>	-
Arabian Oil LLC ***	Trading Activity	<b>49%</b>	-
<b>Incorporated in KSA</b>			
NGC Energy LLC Saudi	LPG Distribution	<b>100%</b>	100%
<b>Incorporated in Mauritius</b>			
Innovative Energy Holdings Mauritius Limited	Investments	<b>100%</b>	100%

\* NGC Energy is a 100% subsidiary which has been formed for taking over commercial activities from NGC Energy FZE from 1 January 2015. Post transfer of business to NGC Energy, liquidation procedures for "NGC Energy FZE" (located in Fujairah Free Zone) were initiated. In 2017, the liquidation process has been completed.

\*\* NGC Central Gas Systems LLC was formed in end 2017 to expand the LPG and Equipment trading business in the region of Abu Dhabi. The parent company holds 49% shares with management control and 100% beneficial ownership in the profits of the entity.

\*\*\* The Company in 2017 acquired 49% shares in Arabian Oil LLC to expand the LPG business in UAE market. NGC will manage the operations of Arabian Oil LLC and will have 80% beneficial ownership in the profits of the company. The commercial activities of the Arabian Oil will commence from 2018.

# **NATIONAL GAS COMPANY SAOG AND ITS SUBSIDIARIES**

## **NOTES TO THE FINANCIAL STATEMENTS**

**As at 30 June 2018**

### **2.2 BASIS OF CONSOLIDATION (continued)**

The Group also holds control over NGC Consolidated Holding SDN BHD Malaysia, through their 100% stake in Innovative Energy Holdings Mauritius Limited. NGC Consolidated Holding SDN BHD Malaysia is a Joint Venture partner in NGC Energy SDN BHD with a holding of 60%.

#### **Transactions with non-controlling interests**

The Group treats transactions with non-controlling interests as transactions with equity owners of the group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, 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 profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

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

The Group's investment in its associate, an entity in which the Group have significant influence, is accounted for using the equity method.

Under the equity method, the investment in an associate is carried in the consolidated statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate. Goodwill relating to the associate are included in the carrying amount of the investment and are neither amortised nor individually tested for impairment.

The consolidated statement of comprehensive income reflects the Group's share of results of operations of the associate. When there has been a change recognised in the statement of comprehensive income or directly in the equity of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the consolidated statement of comprehensive income.

Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The Group's share of profit or loss of associate is shown on the face of the consolidated statement of comprehensive income.

The financial statements of the associate are prepared for the same reporting period as the Parent Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on the its investment in its associate. At each reporting date, the Group determines whether there is an objective evidence that the investment in associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the consolidated income statement.

# **NATIONAL GAS COMPANY SAOG AND ITS SUBSIDIARIES**

## **NOTES TO THE FINANCIAL STATEMENTS**

**As at 30 June 2018**

### **2.2 BASIS OF CONSOLIDATION (continued)**

#### **Investment in an associate (continued)**

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any differences between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognised in the consolidated income statement. In the parent company's financial statements the investment in the associate is carried at cost less impairment.

#### **Interest in joint venture**

A joint venture is a jointly controlled entity, whereby the ventures have a contractual arrangement that establishes joint control over the economic activities of the entity. The Group accounts for its interest in the joint venture using the equity method of accounting. In the Parent Company's financial statements, the investment in joint venture is carried at cost less impairment.

### **2.3 CHANGES IN ACCOUNTING POLICIES**

#### **Standards, amendments and interpretation effective :**

For the half year ended 30 June 2018, the Parent Company and Group has adopted all of the following new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for periods beginning on 1 January 2017.

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

The following new standards and amendments have been issued by the International Accounting Standards Board (IASB) which may impact the financial statements of the Parent Company and Group but are not yet mandatory for the half yearended 30 June 2018 :

#### *IFRS 9: Financial Instruments*

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. The Group plans to adopt the new standard on the required effective date and will not restate comparative information. While the Group is in the process of assessing the impact of the initial application, thus, the impact assessment as of reporting date cannot be reasonably estimated.

# **NATIONAL GAS COMPANY SAOG AND ITS SUBSIDIARIES**

## **NOTES TO THE FINANCIAL STATEMENTS**

**As at 30 June 2018**

### **2.3 CHANGES IN ACCOUNTING POLICIES (continued)**

#### *IFRS 15: Revenue from Contracts with Customers*

IFRS 15 was issued in May 2014, and amended in April 2016, and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Group plans to adopt the new standard on the required effective date using the modified retrospective approach. While the Group is in the process of assessing the impact of the initial application, thus, the impact assessment as of reporting date cannot be reasonably estimated.

#### *IFRS 16: Leases*

The IASB issued IFRS 16 Leases (IFRS 16), which requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). For lessors, there is little change to the existing accounting in IAS 17 Leases. The Company will perform a detailed assessment in the future to determine the extent. The new standard will be effective for annual periods beginning on or after 1 January 2019. Early application is permitted, provided the new revenue standard, IFRS 15, has been applied, or is applied at the same date as IFRS 16. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

## **2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **2.4.1 Revenue recognition**

#### *Revenue from LPG filling*

Sales represent the value of gas and related accessories supplied during the period. Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Company's activities. Revenue is shown net of returns. Sale is recognised when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

#### *Dividend income*

Dividend income is recognised when the right to receive dividend is established.

#### *Interest income*

Interest income is recognised as the interest accrues using the effective interest method.

#### *Contract revenue and profit recognition*

Contract revenue comprises the total value of construction / project work performed during the period. Profit on long term contracts is recognised on the percentage of completion basis. No profit is taken until a contract has progressed to the point where the ultimate realisable profit can be reasonably determined. Provision is made for all losses incurred to the reporting date plus any further losses that are foreseen in bringing contracts to completion.

# **NATIONAL GAS COMPANY SAOG AND ITS SUBSIDIARIES**

## **NOTES TO THE FINANCIAL STATEMENTS**

**As at 30 June 2018**

### **2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **2.4.2 Taxation**

##### *Income tax*

Taxation is provided in accordance with fiscal regulations applicable to each country of operation.

Deferred income taxation is provided using the liability method on all temporary differences at the reporting date. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on laws that have been enacted at the reporting date.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Income tax is recognised in the profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

No tax is applicable for one of the subsidiaries based in the UAE as it is registered as a Free Zone establishment.

#### **2.4.3 Property, plant and equipment**

Property, plant and equipment are initially recorded at cost. Land and buildings are subsequently revalued, on an asset-by-asset basis, to their market values. Valuations of land and buildings are normally carried out every five years, on an open market value, for existing use basis. This period may be reduced for classes of land and buildings in respect of which market conditions have changed significantly.

The carrying amounts, both those revalued and those measured at cost, are reviewed at each reporting date to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed this recoverable amount assets are written down to their recoverable amount.

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 the profit or loss, in which case the increase is recognised in the profit or loss. A revaluation deficit is recognised in the statement of comprehensive income, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property and equipment. All other expenditure is recognised in the Profit or Loss as the expense is incurred.

An annual transfer from the asset revaluation reserve to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the assets and depreciation based on the original cost of the assets. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

# NATIONAL GAS COMPANY SAOG AND ITS SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2018

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

##### *Depreciation*

Land and capital work in progress are not depreciated. The cost or valuation, less estimated residual value, of other property, plant and equipment is depreciated by equal annual instalments over the estimated useful lives of the assets. Capital work in progress is transferred into appropriate asset categories upon the completion of projects and depreciation is provided from that date. The rates of depreciation are based on the following estimated useful lives:

The Company, as part of its assessment of useful lives of fixed assets, has changed the useful life of certain assets to appropriately reflect the depreciation on those assets.

	Years	
Leasehold buildings	20	
Plant and machinery	5-15	(earlier 5-10)
Cylinders	10	
Furniture, fixtures and office equipment	5	
Software	3	
Tractors and trailers	5-10	(earlier 5)
Motor vehicles	4	

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Profit or Loss when the asset is derecognised.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Where the carrying amount of an asset is greater than its estimated recoverable amount it is written down immediately to its recoverable amount.

#### 2.4.4 Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest in the acquiree is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in the consolidated income statement.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or a liability that is a financial instrument and within the scope of IAS 39 Financial Instruments: Recognition and Measurement is measured at fair value with changes in fair value recognised either in consolidated income statement or as a change to other comprehensive income. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with appropriate IFRS. If the contingent consideration is classified as equity, it should not be remeasured and subsequent settlement is accounted within equity.

# NATIONAL GAS COMPANY SAOG AND ITS SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2018

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.4.4 Business combinations and goodwill (continued)

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed of in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

#### 2.4.5 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

##### *Group as a lessee*

Finance leases that transfer substantially all the risks and benefits incidental to ownership of the leased item to the Group, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an operating expense in the profit or loss on a straight-line basis over the lease term.

##### *Group as a lessor*

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

# **NATIONAL GAS COMPANY SAOG AND ITS SUBSIDIARIES**

## **NOTES TO THE FINANCIAL STATEMENTS**

**As at 30 June 2018**

### **2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **2.4.6 Financial assets**

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or financial assets available-for-sale, or derivatives as appropriate. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus transaction cost except, in the case of financial assets recorded at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group's financial assets include quoted and unquoted financial assets available-for-sale, medium term receivables, accounts receivable, bank balances and cash and derivative financial instruments.

##### **2.4.6.1 Subsequent measurement**

The subsequent measurement of financial assets depends on their classification as described below:

###### *Financial assets available-for-sale*

Financial assets available-for-sale are non-derivative financial assets that are designated as available-for-sale or are not classified as financial assets at fair value through profit or loss, financial assets held-to-maturity or loans and receivables.

After initial measurement, financial assets available-for-sale are subsequently measured at fair value with unrealised gains or losses being recognised as other comprehensive income in the cumulative changes in fair value reserve until the investment is derecognised at which time the cumulative gain or loss is recognised in the profit or loss. Investments whose fair value cannot be reliably measured are carried at cost less impairment losses, if any.

###### *Accounts receivable*

Accounts receivable are shown at the balance due, net of provisions for amounts estimated to be uncollectible.

###### *Due from or due to installation contract customers*

The amounts due from or due to installation contract customers is the net amount of costs incurred, plus recognised profits, (less recognised losses) less progress billings for all contracts in progress. For all contracts for which costs are incurred, plus recognised profits (less recognised losses) exceed progress billings, the gross amount is presented as due from installation contract customers. For all contracts for which progress billings exceed costs incurred, plus recognised profits (less recognised losses), the gross amount is presented as due to installation contract customers.



# NATIONAL GAS COMPANY SAOG AND ITS SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2018

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.4.6.2 Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a Group of similar financial assets) is derecognised when:

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

#### 2.4.6.3 Impairment of financial assets

An assessment is made at each reporting date to determine whether there is any objective evidence that a financial asset or a Group of financial assets is impaired. A financial asset or a Group of financial assets is deemed to be impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the Group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtor or a Group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and when observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in economic conditions that correlate with defaults.

##### *Financial assets available-for-sale*

For financial assets available-for-sale, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the profit or loss – is removed from other comprehensive income and recognised in the profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the profit or loss.

# NATIONAL GAS COMPANY SAOG AND ITS SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2018

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.4.7 Financial liabilities

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

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

The Group's financial liabilities include accounts payable and accruals, amounts due to related parties, bank overdrafts and term loans.

##### 2.4.7.1 Subsequent measurement

The measurement of financial liabilities depends on their classification as described below:

###### *Accounts payable and accruals*

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

###### *Term loans*

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the consolidated income statement when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the profit or loss.

##### 2.4.7.2 Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the profit or loss.

#### 2.4.8 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

# **NATIONAL GAS COMPANY SAOG AND ITS SUBSIDIARIES**

## **NOTES TO THE FINANCIAL STATEMENTS**

**As at 30 June 2018**

### **2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **2.4.8 Fair value measurement (continued)**

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the separate financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the separate financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques include discounted cash flow analysis or other valuation models.

#### *Offsetting of financial instruments*

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

#### **2.4.9 Inventories**

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Cost of inventories is determined on the first in first out basis and includes all costs incurred in acquiring the inventories and bringing them to their existing location and condition.

# **NATIONAL GAS COMPANY SAOG AND ITS SUBSIDIARIES**

## **NOTES TO THE FINANCIAL STATEMENTS**

**As at 30 June 2018**

### **2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use.

Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount or CGU.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

Impairment losses of continuing operations are recognised in the profit or loss in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the assets or CGUs recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the assets does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase in other comprehensive income.

#### **2.4.11 Cash and cash equivalents**

For the purpose of consolidated statement of cash flows, cash and cash equivalents consist of cash in hand, bank balances, and short-term deposits with an original maturity of three months or less, net of outstanding bank overdrafts.

#### **2.4.12 Employees' end of service benefits**

The Group's obligation in respect of non-Omani terminal benefits, which is an unfunded defined benefit retirement plan, is the amount of future benefit that such employees have earned in return for their service in the current and prior periods. The obligation is calculated using the projected unit credit method and is discounted to its present value, and is in accordance with Omani Labour Laws.

Contributions to defined contribution retirement plans for Omani employees are in accordance with the Oman Social Insurance Scheme and are recognised as an expense in the profit or loss as incurred.

# **NATIONAL GAS COMPANY SAOG AND ITS SUBSIDIARIES**

## **NOTES TO THE FINANCIAL STATEMENTS**

As at 30 June 2018

### **2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **2.4.13 Provisions**

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

#### **2.4.14 Foreign currencies**

Transactions denominated in foreign currencies are translated to Rials Omani at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Rials Omani at exchange rates ruling at that date. Foreign exchange differences arising on translation are recognised in the profit or loss. Non-monetary assets and liabilities that are measured in terms of historical cost in foreign currency are translated using the exchange rate at the date of the transaction. The functional currency of foreign subsidiaries, based in the United Arab Emirates, Kingdom of Saudi Arabia and Malaysia, are UAE Dirhams, Saudi Riyal and Malaysia Ringgits (RM) respectively. As at the reporting date, the assets and liabilities of these subsidiaries are translated into the presentation currency of the Group (Rial Omani) at the rate of exchange ruling at the reporting date and their statement of profit or loss and other comprehensive income is translated at the average exchange rates for the half year. Foreign exchange differences arising on translation are recognised in the other comprehensive income.

#### **2.4.15 Derivative financial instruments**

Derivatives are initially recognised at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

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

The Directors' remuneration is governed and calculated as set out in the Commercial Companies Law 1974 and the regulations issued by the Capital Market Authority of Oman.

#### **2.4.17 Dividend distribution**

Dividend distribution to the shareholders of the Parent Company are recognised as a liability in the financial statements only in the period in which the dividends are approved by the Parent Company's shareholders.

# **NATIONAL GAS COMPANY SAOG AND ITS SUBSIDIARIES**

## **NOTES TO THE FINANCIAL STATEMENTS**

As at 30 June 2018

### **2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **2.4.18 Non-current assets held for sale**

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale rather than through continuing use. Such non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of reclassification.

Equity accounting for investment in associate ceases once classified and included as held for sale.

Investment in an associate classified as held for sale is disclosed in Note 7 to the financial statements.

### **3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS**

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

#### **Key sources of estimation uncertainty**

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

#### *Useful lives of property, plant and equipment*

Depreciation is charged so as to write off the cost of assets over their estimated useful lives. The calculation of useful lives is based on management's assessment of various factors such as the operating cycles, the maintenance programs, and normal wear and tear using its best estimates.

#### *Allowance for doubtful debts*

Allowance for doubtful debts is based on management's assessment of various factors such as the Group's past experience of collecting receivables from the customers and the age of debts.

#### *Allowance for slow moving inventories*

Allowance for slow moving inventories is based on management's assessment of various factors such as the usability, maintenance programs, and normal wear and tear using best estimates.

#### *Impairment of available-for-sale investments*

The Group determines whether available-for-sale investments are impaired when there has been a significant or prolonged decline in their fair value below cost. This determination of what is significant or prolonged requires judgment. In making this judgment and to record whether impairment occurred, the Group evaluates among other factors, the normal volatility in share price, the financial health of the investee, industry and sector performance, changes in technology and operational and financial cash flows.

# **NATIONAL GAS COMPANY SAOG AND ITS SUBSIDIARIES**

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## **NOTES TO THE FINANCIAL STATEMENTS**

**As at 30 June 2018**

### **3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)**

#### *Impairment of goodwill*

Goodwill are tested for impairment annually and at other times when such indicators exist. This requires an estimation of the value in use of the cash generating units to which goodwill is allocated.

When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Further details of the carrying value, the key assumptions applied in the impairment assessment of goodwill and sensitivity analysis to changes in the assumptions are given in Note 6.

#### *Taxes*

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.

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

## NATIONAL GAS COMPANY SAOG AND ITS SUBSIDIARIES

### NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2018

#### 4 Property, plant and equipment

<i>Parent Company</i>	<i>Freehold land RO</i>	<i>Building RO</i>	<i>Plant and equipment RO</i>	<i>Tractors and trailers RO</i>	<i>Motor vehicles RO</i>	<i>Furniture and fittings RO</i>	<i>Software RO</i>	<i>Cylinders RO</i>	<i>Capital Work-in- Progress (CWIP) RO</i>	<i>Total RO</i>
<b>Cost/Valuation</b>										
<b>At 1 January 2017</b>	3,190,000	2,310,804	3,180,155	1,773,396	489,963	313,673	137,975	-	114,219	11,510,185
<b>Additions</b>	-	2,790	38,588	32,329	12,256	27,899	-	-	237,474	351,336
<b>Transfer from CWIP</b>	-	11,867	68,936	217,592	-	12,404	-	-	(310,799)	-
<b>Disposals</b>	-	-	(19,134)	(139,167)	(35,000)	-	-	-	-	(193,301)
<b>At 31 December 2017</b>	<b>3,190,000</b>	<b>2,325,461</b>	<b>3,268,545</b>	<b>1,884,150</b>	<b>467,219</b>	<b>353,976</b>	<b>137,975</b>	<b>-</b>	<b>40,894</b>	<b>11,668,220</b>
<b>At 1 January 2018</b>	3,190,000	2,325,461	3,268,545	1,884,150	467,219	353,976	137,975	-	40,894	11,668,220
<b>Additions</b>		236,201	16,900	3,562		21,203	5,000		(31,895)	250,971
<b>Transfer from CWIP</b>										-
<b>Disposals</b>		(20,071)		(89,018)	(308,111)					(417,200)
<b>At 30 June 2018</b>	<b>3,190,000</b>	<b>2,541,591</b>	<b>3,285,445</b>	<b>1,798,694</b>	<b>159,108</b>	<b>375,179</b>	<b>142,975</b>	<b>-</b>	<b>8,999</b>	<b>11,501,991</b>



## NATIONAL GAS COMPANY SAOG AND ITS SUBSIDIARIES

### NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2018

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

<i>Parent Company</i>	<i>Freehold land RO</i>	<i>Building RO</i>	<i>Plant and Equipment RO</i>	<i>Tractors and Trailers RO</i>	<i>Motor Vehicles RO</i>	<i>Furniture and Fittings RO</i>	<i>Software RO</i>	<i>Cylinders RO</i>	<i>Capital Work-in- Progress (CWIP) RO</i>	<i>Total RO</i>
<b>Depreciation</b>										
<b>At 1 January 2017</b>	-	1,680,089	2,459,404	1,349,316	324,079	171,526	87,108	-	-	6,071,523
Charge for the year	-	64,001	118,029	151,533	73,650	54,101	33,896	-	-	495,210
Disposals	-	-	(19,134)	(94,487)	(35,000)	-	-	-	-	(148,621)
<b>At 31 December 2017</b>	<b>-</b>	<b>1,744,090</b>	<b>2,558,299</b>	<b>1,406,362</b>	<b>362,729</b>	<b>225,627</b>	<b>121,004</b>	<b>-</b>	<b>-</b>	<b>6,418,112</b>
<b>At 1 January 2018</b>	-	1,744,090	2,558,299	1,406,362	362,729	225,627	121,004	-	-	6,418,112
Charge for the half year	-	35,813	56,401	39,227	22,329	28,110	7,123	-	-	189,003
Disposals	-	(6,483)	-	(85,463)	(248,066)	-	-	-	-	(340,012)
<b>At 30 June 2018</b>	<b>-</b>	<b>1,773,420</b>	<b>2,614,700</b>	<b>1,360,126</b>	<b>136,992</b>	<b>253,737</b>	<b>128,127</b>	<b>-</b>	<b>-</b>	<b>6,267,103</b>
<b>Carrying value</b>										
<b>At 30 June 2018</b>	<b>3,190,000</b>	<b>768,171</b>	<b>670,745</b>	<b>438,568</b>	<b>22,116</b>	<b>121,442</b>	<b>14,848</b>	<b>-</b>	<b>8,999</b>	<b>5,234,888</b>
<b>At 31 December 2017</b>	<b>3,190,000</b>	<b>581,371</b>	<b>710,246</b>	<b>477,788</b>	<b>104,490</b>	<b>128,349</b>	<b>16,971</b>	<b>-</b>	<b>40,894</b>	<b>5,250,108</b>

(a) Buildings at a cost of RO 1,222,774 are constructed on leasehold land.

(b) Land was revalued on 4 September 2014 on an open market value for existing use basis by an independent firm of valuers. The valuation of land as per the valuation as of that date was RO 3,190,000. Management believes valuation is not materially different as of the reporting date.

(c) The Company, as part of its assessment of useful lives of fixed assets, has changed the useful life of certain assets to appropriately reflect the depreciation on those assets. This change has resulted in a net positive impact of RO 22,444 for the period.

## NATIONAL GAS COMPANY SAOG AND ITS SUBSIDIARIES

### NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2018

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

<i>Group</i>	<i>Freehold land RO</i>	<i>Building RO</i>	<i>Plant and equipment RO</i>	<i>Tractors and trailers RO</i>	<i>Motor vehicles RO</i>	<i>Furniture and fittings RO</i>	<i>Software RO</i>	<i>Cylinders RO</i>	<i>Capital Work- in-Progress (CWIP) RO</i>	<i>Total RO</i>
<b>Cost / valuation</b>										
At 1 January 2017	5,291,347	2,555,352	14,128,896	1,773,558	770,811	714,761	139,413	5,257,184	1,461,542	32,092,864
Exchange difference on translation	227,324	9,657	1,153,181	-	7,914	38,685	-	568,701	107,848	2,113,310
Additions	-	5,237	68,165	32,329	94,786	44,205	-	-	1,937,990	2,182,712
Disposals	-	-	(58,647)	(229,167)	(35,000)	(9,653)	-	-	-	(332,467)
Reclassification	-	-	884,614	211,586	(97,220)	116,316	-	709,407	(1,783,207)	41,496
Write-Off	-	-	-	-	-	-	-	-	(156,755)	(156,755)
Transfer from CWIP	-	144,492	331,652	217,592	-	20,577	-	-	(714,313)	-
<b>At 31 December 2017</b>	<b>5,518,671</b>	<b>2,714,738</b>	<b>16,507,861</b>	<b>2,005,898</b>	<b>741,291</b>	<b>924,891</b>	<b>139,413</b>	<b>6,535,292</b>	<b>853,105</b>	<b>35,941,160</b>
At 1 January 2018	5,518,671	2,714,738	16,507,861	2,005,898	741,291	924,891	139,413	6,535,292	853,105	35,941,160
Exchange difference on translation	3,457	147	18,786	-	230	755	-	9,703	1,401	34,479
Additions	-	238,217	41,364	157,389	2,250	23,354	5,000	-	1,605,048	2,072,622
Disposals	-	(20,071)	-	(93,018)	(308,111)	-	-	-	-	(421,199)
Reclassification	-	-	485,165	-	504	6,147	-	1,637,506	(1,972,567)	156,755
Transfer from CWIP	-	-	-	-	-	-	-	-	-	-
<b>At 30 June 2018</b>	<b>5,522,128</b>	<b>2,933,032</b>	<b>17,053,176</b>	<b>2,070,269</b>	<b>436,164</b>	<b>955,147</b>	<b>144,413</b>	<b>8,182,501</b>	<b>486,987</b>	<b>37,783,817</b>

**NATIONAL GAS COMPANY SAOG AND ITS SUBSIDIARIES**

**NOTES TO THE FINANCIAL STATEMENTS**

As at 30 June 2018

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

<i>Group</i>	<i>Freehold land RO</i>	<i>Building RO</i>	<i>Plant and equipment RO</i>	<i>Tractors and trailers RO</i>	<i>Motor vehicles RO</i>	<i>Furniture and fittings RO</i>	<i>Software RO</i>	<i>Cylinders RO</i>	<i>Capital work- in-progress (CWIP) RO</i>	<i>Total RO</i>
<b>Depreciation</b>										
At 1 January 2017	8,379	1,713,823	5,200,870	1,349,313	391,694	403,367	88,445	1,771,228	-	10,927,118
Exchange difference on translation	1,111	2,236	330,188	-	1,150	27,510	-	221,655	-	583,850
Charge for the year	3,976	79,878	963,493	145,187	136,261	137,682	33,896	585,878	-	2,086,251
Disposals	-	-	(32,634)	(133,487)	(35,000)	(9,649)	-	-	-	(210,770)
Reclassification	1	1	1	-	-	1	796	-	-	800
<b>At 31 December 2017</b>	<b>13,467</b>	<b>1,795,938</b>	<b>6,461,918</b>	<b>1,361,013</b>	<b>494,105</b>	<b>558,911</b>	<b>123,137</b>	<b>2,578,761</b>	<b>-</b>	<b>13,387,249</b>
At 1 January 2018	13,467	1,795,938	6,461,918	1,361,013	494,105	558,911	123,137	2,578,761	-	13,387,249
Exchange difference on translation	21	40	5,945	-	31	490	-	4,104	-	10,631
Charge for the half year	2,091	45,563	514,578	69,062	36,413	74,938	8,505	383,598	-	1,134,748
Disposals	-	(6,482)	-	(87,930)	(248,066)	-	-	-	-	(342,478)
Reclassification	-	-	-	-	-	-	-	-	-	-
<b>At 30 June 2018</b>	<b>15,579</b>	<b>1,835,059</b>	<b>6,982,441</b>	<b>1,342,145</b>	<b>282,483</b>	<b>634,339</b>	<b>131,642</b>	<b>2,966,463</b>	<b>-</b>	<b>14,190,150</b>
<b>Carrying value</b>										
At 30 June 2018	5,506,549	1,097,973	10,070,735	728,124	153,681	320,808	12,771	5,216,038	486,987	23,593,666
At 31 December 2017	5,505,204	918,800	10,045,943	644,885	247,186	365,980	16,276	3,956,531	853,105	22,553,910

# NATIONAL GAS COMPANY SAOG AND ITS SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2018

### 5 AVAILABLE FOR SALE INVESTMENTS

	<i>Parent Company</i>		<i>Group</i>	
	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
	<i>RO</i>	<i>RO</i>	<i>RO</i>	<i>RO</i>
At 1 January	1,365,419	1,572,250	1,365,419	1,572,250
Fair value changes	(231,014)	(107,459)	(231,014)	(107,459)
<b>At 30 June</b>	<b>1,134,405</b>	<b>1,464,791</b>	<b>1,134,405</b>	<b>1,464,791</b>

	<i>Parent Company and Group</i>	
	<i>Cost</i>	<i>Fair value</i>
	<i>RO</i>	<i>RO</i>
<b>30 June 2018</b>		
Insurance	29,270	86,479
Industrial	40,000	77,600
Investment	14,143	171,946
Banking	125,984	156,996
Telecommunication Services	24,100	14,880
	374,245	626,504
	<b>607,742</b>	<b>1,134,405</b>
<b>30 June 2017</b>		
Insurance	29,270	210,030
Industrial	40,000	89,200
Investment	14,143	224,051
Banking	132,437	155,886
Telecommunication Services	32,814	22,700
	374,244	762,924
	<b>622,908</b>	<b>1,464,791</b>

### 6 INVESTMENT IN SUBSIDIARIES

	<i>2018</i>	<i>2017</i>
	<i>RO</i>	<i>RO</i>
Innovative Energy Holdings Mauritius Ltd	9,464,204	9,464,204
NGC Energy FZE	-	15,735
NGC Energy Saudi LLC	103,500	103,500
NGC Energy	15,738	15,738
	<b>9,583,442</b>	<b>9,599,177</b>

	<i>Country of incorporation</i>	<i>Ownership interest (%)</i>	
		<i>2018</i>	<i>2017</i>
NGC Energy FZE	UAE	-	100
NGC Energy	UAE	100	100
NGC Energy Saudi LLC	KSA	100	100
Innovative Energy Holdings Mauritius Ltd	Mauritius	100	100
NGC Central Gas Systems LLC	UAE	49	-
Arabian Oil LLC	UAE	49	-

# NATIONAL GAS COMPANY SAOG AND ITS SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2018

### 6 INVESTMENT IN SUBSIDIARIES (continued)

NGC Energy is a 100% subsidiary which has been formed for taking over commercial activities from NGC Energy FZE from 1 January 2015. Post transfer of business to NGC Energy, liquidation procedures for "NGC Energy FZE" (located in Fujairah Free Zone) were initiated and completed during the year which resulted in a distribution of net liquidation proceeds as dividend amounting to RO 501,214, which is now receivable from NGC Energy UAE following a novation agreement.

NGC Central Gas Systems LLC (NGC CGS) is a company formed in UAE with Pro Partner Investment (PPI) as the Emirati partner. The Group holds 49% of the shareholding in NGC CGS and is in the process of entering into an arrangement of gaining 100% beneficial ownership via a management agreement with PPI. The commercial activities of the NGC CGS are expected to commence in 2018.

The Company in 2017 acquired 49% shares in Arabian Oil LLC to expand the LPG business in UAE market. NGC will manage the operations of Arabian Oil LLC and will have 80% beneficial ownership in the profits of the company. The commercial activities of the Arabian Oil will commence from 2018.

#### Goodwill

Goodwill arose on the acquisition of Shell Malaysia Trading's LPG business by NGC Energy SDN BHD, being the fair value of consideration paid over net assets acquired.

Goodwill is allocated, at acquisition, to the Cash-Generating Unit (CGU) that is expected to benefit from the business transfer. 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 year period and a discount rate of 11.75% per annum (2016: 11.75%), reflecting the weighted average cost of debts of the subsidiary. The company believe that an average growth rate of nil (2016: nil) per annum is reasonable for cash flow projection purposes as it is determined based on expectations of future changes in the market.

### 7 OTHER INVESTMENTS

	<i>Parent Company</i>		<i>Group</i>	
	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
	<i>RO</i>	<i>RO</i>	<i>RO</i>	<i>RO</i>
Unigaz LLC - Joint Venture (Note a)	<b>75,000</b>	75,000	<b>638,604</b>	592,220
NGC Buzwair LLC - Associate (Note b) - <i>classified as held for sale</i>	<b>90,265</b>	95,000	<b>90,265</b>	95,000
	<b>165,265</b>	170,000	<b>728,869</b>	687,220

#### a) Investment in Joint Venture

In 2009, the Group acquired a 50% interest in Unigaz LLC, which is engaged in the distribution of gas and maintenance of cooking gas pipes in the Sultanate of Oman.

#### b) Investment in an associate

In 2013, the Group acquired a 49% interest in NGC Buzwair Gases LLC (Buzwair), a company incorporated in the Sultanate of Oman and engaged in the manufacture and marketing of industrial gas and related products through a shareholders agreement dated 10 November 2013. Since Buzwair has not undertaken any substantial business in Oman, the Parent Company and other JV partner have unanimously decided to liquidate Buzwair and have passed the required resolutions. The liquidation proceedings will be undertaken by an independent party duly licensed in Oman. As the fair value less costs to sell was determined to be lower than the carrying amount by RO 4,735 (in the Parent and the Group) impairment loss was recognised in 2017 (Impairment loss recognised in 2016: RO 150,000 in the Parent Company and RO 54,247 in the Group's financial statements).

# NATIONAL GAS COMPANY SAOG AND ITS SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2018

### 7 OTHER INVESTMENTS (continued)

The following table illustrates summarised information of the Group's investment in its joint venture:

	<b>2018</b>	<b>2017</b>
	<b>RO</b>	<b>RO</b>
Share of joint venture's statement of financial position:		
Current assets	<b>535,673</b>	501,325
Non-current assets	<b>347,401</b>	354,056
Current liabilities	<b>(133,380)</b>	(156,085)
Non-current liabilities	<b>(111,090)</b>	(107,077)
	<b>638,604</b>	<b>592,220</b>
Share of statement of income:		
Revenue	<b>361,028</b>	733,908
Profit attributable to Group – includes 50% share of Unigaz LLC	<b>25,021</b>	24,619

### 8 INVENTORIES

	<b>Parent Company</b>		<b>Group</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>RO</b>	<b>RO</b>	<b>RO</b>	<b>RO</b>
LPG	<b>187,082</b>	224,798	<b>849,813</b>	641,627
Finished goods	<b>177,882</b>	149,472	<b>238,875</b>	205,466
Cylinders and accessories	<b>19,455</b>	15,409	<b>21,582</b>	17,536
Plant and other spares	<b>120,913</b>	141,474	<b>186,014</b>	211,707
Project inventory	<b>54,935</b>	33,522	<b>104,097</b>	124,581
Work in progress	<b>110,559</b>	37,340	<b>110,559</b>	48,354
	<b>670,826</b>	602,015	<b>1,510,940</b>	1,249,271

### 9 TRADE AND OTHER RECEIVABLES

	<b>Parent Company</b>		<b>Group</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>RO</b>	<b>RO</b>	<b>RO</b>	<b>RO</b>
Trade receivables	<b>1,787,062</b>	1,318,640	<b>6,836,559</b>	5,616,747
Less: allowance for impairment of receivables	<b>(60,664)</b>	(52,658)	<b>(60,664)</b>	(52,658)
	<b>1,726,398</b>	1,265,982	<b>6,775,895</b>	5,564,089
Advance for purchases	<b>112,421</b>	367,648	<b>209,803</b>	398,342
Claims for Government subsidy	-	-	<b>5,573,173</b>	4,505,686
GST refund	-	-	<b>1,187,365</b>	601,389
Due from related parties (note 20)	<b>2,626,366</b>	1,548,034	-	-
Advances to related parties (note 20)	<b>474,782</b>	790,107	<b>2,434</b>	-
Accrued income	-	43,751	<b>131,844</b>	63,674
Other receivables	<b>219,341</b>	53,987	<b>593,635</b>	704,023
Prepayments	<b>91,266</b>	62,200	<b>224,087</b>	186,986
Tax paid under Appeal	<b>17,006</b>	-	<b>17,006</b>	-
Deposits	-	1,160	<b>74,739</b>	43,496
	<b>5,267,580</b>	4,132,869	<b>14,789,981</b>	12,067,685

**NATIONAL GAS COMPANY SAOG AND ITS SUBSIDIARIES****NOTES TO THE FINANCIAL STATEMENTS**

As at 30 June 2018

**9 TRADE AND OTHER RECEIVABLES (continued)**

Movement in the allowance for impairment of receivables was as follows:

	<i>Parent Company</i>		<i>Group</i>	
	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
	<i>RO</i>	<i>RO</i>	<i>RO</i>	<i>RO</i>
At 1 January	<b>60,664</b>	57,658	<b>60,664</b>	57,658
Add: provided during the year		15,000	-	15,000
Less: written off		(20,000)	-	(20,000)
At 31 June	<b>60,664</b>	<b>52,658</b>	<b>60,664</b>	<b>52,658</b>

**10 CASH AND CASH EQUIVALENTS**

	<i>Parent Company</i>		<i>Group</i>	
	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
	<i>RO</i>	<i>RO</i>	<i>RO</i>	<i>RO</i>
Cash in hand	<b>24,956</b>	60,527	<b>26,070</b>	63,503
Cash at banks				
- current accounts	<b>304,461</b>	245,271	<b>4,667,044</b>	3,510,349
- call deposit accounts	<b>(3,747)</b>	2,573	<b>(3,747)</b>	2,573
<b>Cash and bank balances</b>	<b>325,670</b>	308,371	<b>4,689,367</b>	3,576,425
Bank overdrafts	<b>(1,730,443)</b>	(1,633,903)	<b>(1,730,443)</b>	(1,633,903)
<b>Cash and cash equivalents</b>	<b>(1,404,773)</b>	<b>(1,325,532)</b>	<b>2,958,924</b>	<b>1,942,522</b>

Short term call deposits are placed with commercial banks at an interest rate of 1% per annum (2017: 1% per annum) and have maturities of up to three months from the date of placement.

Bank overdrafts are availed from a commercial bank for working capital requirements on revolving credit basis. Bank overdrafts are unsecured and repayable on demand.

# NATIONAL GAS COMPANY SAOG AND ITS SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2018

### 11 SHARE CAPITAL

The authorised share capital comprises 120,000,000 shares of RO 0.100 each (2017: 120,000,000 of RO 0.100 each). The issued and fully paid-up share capital is RO 7,000,000 comprising 70,000,000 shares of RO 0.100 each (2017: 60,000,000 of RO 0.100 each). The details of major shareholders, who hold 10% or more of the Parent Company's shares, at the reporting date, are as follows:

	<i>No. of shares</i>		<i>% Holding</i>	
	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
	<i>RO</i>	<i>RO</i>	<i>RO</i>	<i>RO</i>
A' Sharqiya Investments SAOG	<u>11,020,038</u>	<u>10,445,748</u>	<u>15.74</u>	17.41
Public Authority of Social Insurance	<u>7,236,382</u>	<u>6,202,614</u>	<u>10.34</u>	10.34

### 11(a) SHARE PREMIUM

The Parent Company during 2014 issued 15,561,414 rights shares of RO 0.375 each (including RO 0.275 each as premium) to the existing shareholders. The related details are set out below:

	<i>RO</i>
Total share premium collected	4,279,386
Less: issue expenses	<u>(13,506)</u>
Share premium balance	4,265,880
Transfer to legal reserve during 2014 (note 12)	(478,248)
Bonus Share	<u>(1,000,000)</u>
Balance as on 30 June 2018	<u>2,787,632</u>

### 12 LEGAL RESERVE

As required by the Commercial Companies Law of the Sultanate of Oman, the Parent Company transfers 10% of its profit for the half year to legal reserve until such time as the legal reserve amounts to at least one third of the Parent Company's share capital. The reserve is not available for distribution.

During the year ended, the Parent Company has transferred RO 17,997/- towards legal reserve representing 10% of profit for the period till June 2018 (2017: RO 20,603/-).

### 13 OTHER RESERVES

- (i) Other reserves include a general reserve for the Parent Company, which is created in accordance with Article 106 of the Commercial Companies Law. The annual appropriation is made at the rate not exceed 20% of the profit for the half year after deduction of taxes and the statutory reserve and the reserve shall not exceed one half of the share capital of the Company. This is a distributable reserve.
- (ii) Other reserves also include the Parent Company's share of the share premium from its subsidiary NGC Energy SDN BHD, Malaysia. The share premium arose from the issuance of shares to the non-controlling interest in the subsidiary and the amount is not available for distribution.

### 14 REVALUATION RESERVE

This represents the surplus on the revaluation of freehold land, net of tax and is not available for distribution until the related assets have been disposed off.

### 15 DIVIDENDS

The share holders at Annual General Meeting held in Mar 2018 approved cash dividend in respect of the year 2017 of RO 0.005 per share (2016 : RO 0.011) amounting to RO 300,000 (2016 : RO 605,000) and issue of bonus shares of 1 share for every 6 shares held (2016 : 9.09 shares for every 100 shares held) in order to increase the share capital of the Parent company to RO 7,000,000 (2016 : RO 6,000,000).



# NATIONAL GAS COMPANY SAOG AND ITS SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2018

### 16 ACCRUAL FOR STAFF TERMINAL BENEFITS

	<i>Parent Company</i>		<i>Group</i>	
	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
	<i>RO</i>	<i>RO</i>	<i>RO</i>	<i>RO</i>
At 1 January	239,148	250,353	288,776	281,943
Charge for the period	26,490	37,284	36,903	48,980
Payment made during the period	(514)	(17,402)	(5,170)	(17,641)
At 30 June	<b>265,124</b>	<b>270,235</b>	<b>320,509</b>	<b>313,282</b>

### 17 TERM LOAN AND BORROWINGS

	<i>Parent Company</i>		<i>Group</i>	
	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
	<i>RO</i>	<i>RO</i>	<i>RO</i>	<i>RO</i>
<b>Non Current</b>				
Term loan 1	531,955	931,955	531,955	931,955
Islamic term loan 2	-	-	3,514,394	5,984,738
Total	<b>531,955</b>	<b>931,955</b>	<b>4,046,349</b>	<b>6,916,693</b>
Current portion of term loan 1	(400,000)	(400,000)	(400,000)	(400,000)
Current portion of Islamic term loan 2	-	-	(2,834,350)	(2,671,842)
Current portion	<b>(400,000)</b>	<b>(400,000)</b>	<b>(3,234,350)</b>	<b>(3,071,842)</b>
Non-current portion	<b>131,955</b>	<b>531,955</b>	<b>811,999</b>	<b>3,844,851</b>

#### *Term loan 1*

During 2017, the Parent Company has availed term loan of RO 931,955, which carries interest @ 5.5% (on reducing balance served separately), and repayable in quarterly installments of RO 100,000 each, starting from quarter ended September 2017.

#### *Term loan 2 - Islamic term loan*

The Islamic term loan and revolving credits are secured by a subsidiary as following:

- First ranking charge over 100% of shares of the subsidiary
- First ranking debentures incorporating fixed and floating charges over all assets of the subsidiary, both present and future.
- Charge and assignment by way of security over the designated bank account.
- First fixed charge over the memorandum of lease for LPG filling plants dated 9 May 2012 respectively.

The Islamic term loan and revolving credits of the subsidiary are also guaranteed by the Parent Company.

The weighted average effective interest rates of the borrowings by the subsidiary are as follows:

	<b>2018</b>	<b>2017</b>
	<b>%</b>	<b>%</b>
Islamic term loan	5.33	5.34
Revolving credits (note 19)	5.44	5.44

**NATIONAL GAS COMPANY SAOG AND ITS SUBSIDIARIES****NOTES TO THE FINANCIAL STATEMENTS**

As at 30 June 2018

**18 ACCOUNTS PAYABLE AND ACCRUALS**

	<i>Parent Company</i>		<i>Group</i>	
	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
	<i>RO</i>	<i>RO</i>	<i>RO</i>	<i>RO</i>
Trade creditors	<b>300,695</b>	168,493	<b>4,052,859</b>	1,151,479
Dividend Payable	-	-	-	-
Directors' remuneration	<b>24,700</b>	22,700	<b>24,700</b>	22,700
Accrued expenses	<b>1,297,328</b>	1,177,504	<b>3,081,167</b>	2,900,128
Other creditors	<b>102,062</b>	125,743	<b>1,395,860</b>	1,130,933
Amount due to related parties	<b>58,177</b>	-	<b>550,889</b>	415,336
	<b><u>1,782,962</u></b>	<u>1,494,440</u>	<b><u>9,105,475</u></b>	<u>5,620,576</u>

**19 SHORT TERM LOANS**

	<i>Parent Company</i>		<i>Group</i>	
	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
	<i>RO</i>	<i>RO</i>	<i>RO</i>	<i>RO</i>
Revolving credits	-	-	<b>6,661,307</b>	6,279,382
Short term loan	<b>1,732,094</b>	998,917	<b>1,732,094</b>	998,917
	<b><u>1,732,094</u></b>	<u>998,917</u>	<b><u>8,393,401</u></b>	<u>7,278,299</u>

Short term loans are unsecured from commercial banks and carry interest at market interest rates.

**20 RELATED PARTY TRANSACTIONS**

The Group has related party relationships with entities over which certain shareholders and Directors are able to exercise significant influence. The Group also has related party relationships with its Directors and senior management. In the ordinary course of business, such related parties provide goods and render services to the Group.

Prices and terms for transactions with related parties, which are entered into in the normal course of business, and are on terms and conditions which are comparable with those that could be obtained from unrelated third parties. Details of related party balances and transactions (including transactions and balances with related parties as a result of common directorship) for the half year ended 30 June 2018 are as follows:

	<i>Parent Company</i>		<i>Group</i>	
	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
	<i>RO</i>	<i>RO</i>	<i>RO</i>	<i>RO</i>
Amount due from subsidiaries and associate – short term	<b>2,626,366</b>	1,548,034	-	-
Advance to subsidiaries	<b>474,782</b>	790,107	<b>2,434</b>	-
Amount due from joint venture	<b>29,999</b>	33,562	<b>29,999</b>	33,562
Short term loans	<b>1,732,094</b>	998,917	<b>1,732,094</b>	998,917
Term loans	<b>531,955</b>	931,955	<b>531,955</b>	931,955
Bank overdrafts	<b>1,730,443</b>	1,633,903	<b>1,730,443</b>	1,633,903

**NATIONAL GAS COMPANY SAOG AND ITS SUBSIDIARIES****NOTES TO THE FINANCIAL STATEMENTS**

As at 30 June 2018

**20 RELATED PARTY TRANSACTIONS (continued)**

Transactions with related parties during the year were as follows:

	<i>Parent Company</i>		<i>Group</i>	
	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
	<i>RO</i>	<i>RO</i>	<i>RO</i>	<i>RO</i>
Sales to subsidiaries	<b>2,798,601</b>	1,199,481	-	-
Rental and other income	<b>66,445</b>	192,209	-	-
Expenses paid	<b>159,331</b>	136,573	-	-
Finance cost	<b>88,533</b>	45,045	-	-

**21 NET ASSETS PER SHARE**

Net assets per share are calculated by dividing the equity attributable to the shareholders of the Parent Company at the reporting date by the number of shares outstanding as follows:

	<i>Parent Company</i>		<i>Group</i>	
	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
	<i>RO</i>	<i>RO</i>	<i>RO</i>	<i>RO</i>
Net assets (RO)	<b>15,832,371</b>	15,777,601	<b>19,535,690</b>	17,445,565
Number of shares outstanding at 30 June 2018	<b>70,000,000</b>	70,000,000	<b>70,000,000</b>	70,000,000
Net assets per share (RO)	<b>0.226</b>	0.225	<b>0.279</b>	0.249

# NATIONAL GAS COMPANY SAOG AND ITS SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2018

### 22 SALES

	<i>Parent Company</i>		<i>Group</i>	
	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
	<i>RO</i>	<i>RO</i>	<i>RO</i>	<i>RO</i>
Sale of LPG	6,140,520	4,671,771	40,331,353	35,925,648
Project income	549,834	560,097	911,317	801,573
Sale of new empty LPG cylinders and accessories	58,754	111,414	58,754	106,865
NC+ and other industrial gas cost	207,678	144,770	260,722	178,687
Lubricant sales	158,727	47,189	202,844	67,919
Other income	50,456	132,873	649	5,288
Vehicle hire charges and rental income	34,932	141,226	25,245	32,953
	<b>7,200,901</b>	<b>5,809,340</b>	<b>41,790,884</b>	<b>37,118,933</b>

### 23 COST OF SALES

	<i>Parent Company</i>		<i>Group</i>	
	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
	<i>RO</i>	<i>RO</i>	<i>RO</i>	<i>RO</i>
Opening stock	224,798	252,064	641,627	600,398
Local purchases	4,548,719	3,090,894	31,050,759	22,519,820
Imports	-	-	-	5,560,270
Closing stock	(187,082)	(224,798)	(849,813)	(641,627)
	<b>4,586,435</b>	<b>3,118,160</b>	<b>31,258,188</b>	<b>28,038,861</b>
<i>Other direct expenses:</i>				
Direct labour	607,003	668,447	984,039	1,023,933
Project costs	414,958	455,712	654,950	607,331
Depreciation	146,690	190,694	1,034,499	889,390
Other direct expenses	163,323	114,723	742,710	698,724
Plant and vehicle maintenance	191,885	155,939	999,735	950,789
Cost of cylinders sold	45,053	86,308	45,053	81,759
NC+ and other industrial gas cost	91,844	61,891	112,115	59,518
Insurance	63,815	56,935	87,556	77,669
Lubricant trading cost	134,623	38,700	171,877	57,212
Fuel and transportation cost	49,664	48,823	53,867	53,869
Lease rent	23,911	17,587	53,033	33,462
Electricity	10,083	9,473	33,618	25,638
	<b>6,529,287</b>	<b>5,023,392</b>	<b>36,231,240</b>	<b>32,598,155</b>

# NATIONAL GAS COMPANY SAOG AND ITS SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2018

### 23 COST OF SALES (continued)

	<i>Parent Company</i>		<i>Group</i>	
	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
	<i>RO</i>	<i>RO</i>	<i>RO</i>	<i>RO</i>
<b>Cost of cylinders</b>				
Opening stock	<b>6,025</b>	11,252	<b>6,025</b>	11,252
Purchases of new cylinder	<b>49,099</b>	81,081	<b>49,099</b>	76,532
Closing stock	<b>(10,071)</b>	(6,025)	<b>(10,071)</b>	(6,025)
	<b>45,053</b>	86,308	<b>45,053</b>	81,759

### 24 ADMINISTRATIVE EXPENSES

	<i>Parent Company</i>		<i>Group</i>	
	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
	<i>RO</i>	<i>RO</i>	<i>RO</i>	<i>RO</i>
Employee related costs	<b>290,847</b>	320,050	<b>909,691</b>	911,337
Office related expenses	<b>76,414</b>	76,936	<b>250,861</b>	243,315
Depreciation	<b>42,313</b>	56,569	<b>100,250</b>	99,137
Directors' remuneration and sitting fees	<b>40,000</b>	40,000	<b>96,923</b>	92,513
Professional charges	<b>26,420</b>	37,784	<b>127,291</b>	216,777
Write-Off of Capital Work in Progress	-	-	-	-
Telephone, telex, postage	<b>28,341</b>	27,444	<b>75,158</b>	71,970
Rent	<b>16,433</b>	17,083	<b>69,220</b>	54,818
Allowances for impairment of debts	-	15,000	-	(2,559)
Business travel expenses	<b>2,467</b>	5,353	<b>59,692</b>	33,283
Repairs and maintenance	<b>6,045</b>	6,669	<b>6,986</b>	7,817
Marketing and publicity expenses	<b>4,910</b>	8,474	<b>59,279</b>	62,744
Preliminary expenses				
General expenses	<b>4,895</b>	3,267	<b>357,462</b>	46,095
Printing and stationery	<b>2,574</b>	2,898	<b>10,733</b>	9,354
Donations	<b>13,088</b>	-	<b>13,088</b>	-
Withholding tax	<b>1,876</b>	1,977	<b>1,876</b>	1,977
Advertisement	<b>2,840</b>	1,075	<b>2,840</b>	1,195
Transportation cost	-	-	<b>813,543</b>	746,708
Insurance	-	-	<b>36,917</b>	40,775
	<b>559,463</b>	620,579	<b>2,991,810</b>	2,637,256

### 25 EMPLOYEE COSTS

	<i>Parent Company</i>		<i>Group</i>	
	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
	<i>RO</i>	<i>RO</i>	<i>RO</i>	<i>RO</i>
Wages and salaries	<b>737,654</b>	724,962	<b>1,437,934</b>	1,389,788
Other employee benefit cost	<b>101,944</b>	194,525	<b>382,917</b>	460,904
Social security cost	<b>31,762</b>	31,726	<b>37,011</b>	35,598
Provision for staff terminal benefits	<b>26,490</b>	37,284	<b>35,868</b>	48,980
	<b>897,850</b>	988,497	<b>1,893,730</b>	1,935,270

# NATIONAL GAS COMPANY SAOG AND ITS SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2018

### 25 EMPLOYEE COSTS (continued)

	<i>Parent Company</i>		<i>Group</i>	
	<i>2018</i> <i>RO</i>	<i>2017</i> <i>RO</i>	<i>2018</i> <i>RO</i>	<i>2017</i> <i>RO</i>
<b>Disclosed as:</b>				
Cost of sales	<b>607,003</b>	668,447	<b>984,039</b>	1,023,933
Administrative expenses	<b>290,847</b>	320,050	<b>909,691</b>	911,337
	<b>897,850</b>	988,497	<b>1,893,730</b>	1,935,270

### 26 OTHER INCOME

	<i>Parent Company</i>		<i>Group</i>	
	<i>2018</i> <i>RO</i>	<i>2017</i> <i>RO</i>	<i>2018</i> <i>RO</i>	<i>2017</i> <i>RO</i>
Dividend income	<b>54,097</b>	58,380	<b>54,097</b>	58,380
Interest income *	<b>88,900</b>	9	<b>31,046</b>	7,786
Bad debt recovery	-	20,000	-	20,000
Profit on sale of property, plant and equipment	<b>42,176</b>	30,143	<b>48,409</b>	9,028
	<b>195,587</b>	129,413	<b>291,373</b>	131,802

The Parent Company from 2017 has started charging interest from its subsidiaries (in GCC), on the amount stands outstanding @ 6% per annum, on the monthly basis.

### 27 INCOME TAX

The tax authorities in Oman follow the legal entity concept. There is no concept of group taxation in Oman. Accordingly each legal entity is taxable separately.

The tax rate applicable to all taxable entities of the Group ranges between from 15% to 24% (2017: 15% to 24%). For the purpose of determining the tax expense for the half year, the accounting profit of each individual legal entity has been adjusted for tax purposes. Adjustments for tax purposes include items relating to both income and expense.

### 28 EARNINGS PER SHARE

The basic earnings per share is calculated by dividing the profit of the Group and Parent Company for the

	<i>Parent Company</i>		<i>Group</i>	
	<i>2018</i> <i>RO</i>	<i>2017</i> <i>RO</i>	<i>2018</i> <i>RO</i>	<i>2017</i> <i>RO</i>
Profit for the year ended (RO)	<b>179,967</b>	206,032	<b>1,159,057</b>	709,020
Weighted average number of shares outstanding during the year	<b>70,000,000</b>	70,000,000	<b>70,000,000</b>	70,000,000
Basic earnings per share (RO)	<b>0.003</b>	0.003	<b>0.017</b>	0.010

Earnings per share (basic and diluted) have been derived by dividing the profit for the Year attributable to

# NATIONAL GAS COMPANY SAOG AND ITS SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2018

### 29 SEGMENT REPORTING

The Group's only significant business segment is the marketing and selling of LPG.

#### Geographic information

Revenues from external customers

	<b>2018</b>	<b>2017</b>
	<b>RO</b>	<b>RO</b>
Oman	<b>3,928,661</b>	4,379,786
Other GCC countries	<b>4,146,913</b>	2,422,024
Asia	<b>33,715,310</b>	30,317,123
	<b><u>41,790,884</u></b>	<b><u>37,118,933</u></b>

### 30 COMMITMENTS

	<b>Parent Company</b>		<b>Group</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>RO</b>	<b>RO</b>	<b>RO</b>	<b>RO</b>
Capital commitments	<b><u>29,625</u></b>	<u>351,576</u>	<b><u>4,458,790</u></b>	<u>351,576</u>
Purchase commitments	<b><u>324,235</u></b>	<u>590,554</u>	<b><u>324,235</u></b>	<u>590,554</u>

### 31 CONTINGENCIES AND COMMITMENTS

- 1) On 9 February 2016, the Primary Court (criminal panel) issued a judgment with respect to the alleged bribery case against certain key management personnel of the Parent Company. As per the judgment, the personnel have been considered guilty by the Primary Court. The Board of Directors in its meeting held on 15 February 2016 have terminated the services of the employees. The convicted employees had appealed in the Appeal court against the judgment of the Primary court. However, the Appeal Court also accused the employees guilty vide judgment dated 25 September 2016. The Parent Company based upon legal advice, does not foresee any liabilities/ punitive actions against the Parent Company on this account. Further, as the Parent Company does not expect any potential disallowances in respect of these payments for other regulatory purposes, accordingly, no related provisions or liability that may result have been included in these financial statements.
- 2) The Group, is subject to litigation in the normal course of its business. The Group, based on independent legal advice, does not believe that the outcome of these court cases will have a material impact on the Group's income or financial position.

# NATIONAL GAS COMPANY SAOG AND ITS SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2018

- 3) At 30 June 2018 the Group had contingent liabilities in respect of bank guarantees arising in the ordinary course of business from which it is anticipated that no material liabilities will arise amounting to RO 698,586 (2017: RO 647,840).

### 32 RISK MANAGEMENT

#### Overview

The Group has exposure to the following risks from its use of financial instruments

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the group exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework and is responsible for developing and monitoring the Group's risk management policies.

#### (a) 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 from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Group does not require collateral in respect of financial assets. The Group seeks to control credit risk by monitoring credit exposures and continually assessing the creditworthiness of counter parties. Risk is considered minimal by the Group, as the payments are made by the customer as per contractual obligations. Credit risk on debtors is limited to their carrying values as the management regularly reviews these balances to assess recoverability and create provision for balances whose recoverability is in doubt.

#### (b) 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 always 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.

<i>Parent Company</i>	<b>Carrying amount RO</b>	<b>Less than one year RO</b>	<b>2 – 5 Years RO</b>
<b>30 June 2018</b>			
Trade creditors	300,695	300,695	-
Other payables	102,062	102,062	-
Accrued expenses	1,297,328	1,297,328	-
Term loans	531,955	531,955	-
Short term loan	1,732,094	1,732,094	-
Directors' remuneration	24,700	24,700	-
Due to related parties	-	-	-
	<b>3,988,834</b>	<b>3,988,834</b>	-



# NATIONAL GAS COMPANY SAOG AND ITS SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2018

### 32 RISK MANAGEMENT (Continued)

Parent Company	Carrying amount RO	Less than one year RO	2 – 5 Years RO
<i>30 June 2017</i>			
Trade creditors	168,493	168,493	-
Other payables	125,743	125,743	-
Accrued expenses	1,177,504	1,177,504	-
Term loans	931,955	400,000	531,955
Short term loan	998,917	998,917	-
Directors' remuneration	22,700	22,700	-
Due to related parties			-
	<u>3,425,312</u>	<u>2,893,357</u>	<u>531,955</u>

Group	Carrying amount RO	Less than one year RO	2 – 5 Years RO
<b>30 June 2018</b>			
Trade creditors	4,052,859	4,052,859	-
Other payables	1,395,860	1,395,860	-
Accrued expenses	3,081,167	3,081,167	-
Term loans	4,046,349	3,234,350	811,999
Short term loan	1,732,094	1,732,094	-
Directors' remuneration	24,700	24,700	-
Due to related parties			-
	<u>14,333,029</u>	<u>13,521,030</u>	<u>811,999</u>

Group	Carrying amount RO	Less than one year RO	2 – 5 Years RO
<i>30 June 2017</i>			
Trade creditors	1,151,479	1,151,479	-
Other payables	1,130,933	1,130,933	-
Accrued expenses	2,900,128	2,900,128	-
Term loans	6,916,693	3,071,842	3,844,851
Short term loan	998,917	998,917	-
Directors' remuneration	22,700	22,700	-
Due to related parties		-	-
	<u>13,120,850</u>	<u>9,275,999</u>	<u>3,844,851</u>

# NATIONAL GAS COMPANY SAOG AND ITS SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2018

### 32 RISK MANAGEMENT (continued)

#### (c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will 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.

#### (d) Currency risk

The Group is exposed to foreign currency transactions mainly due to its subsidiary in Malaysia.

#### (e) Sovereign risk

The LPG is made available to the Company from five sources at different rates by the Ministry of Oil and Gas. Presently the Group is allocated more from the costlier source. Any further increase in allocation from the costlier source will adversely affect the profitability of the Group.

#### (f) Equity price risk

Equity price risk arises from available-for-sale equity securities. The Group has maintained the portfolio of available-for-sale securities listed at Muscat Securities Market. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Board of Directors.

#### (g) Sensitivity analysis – equity price risk

The following table demonstrates the sensitivity of the Group's equity to a 5% change in the price of its equity holdings, assuming all other variables in particular foreign currency rates remain constant.

	Effect on equity 5% increase RO	Effect on equity 5% decrease RO
<b>30 June 2018 Parent Company and Group</b>		
Effect of 5% change in equity portfolio of the Group	<u>56,720</u>	<u>56,720</u>
<b>30 June 2017 Parent Company and Group</b>		
Effect of 5% change in equity portfolio of the Group	<u>73,240</u>	<u>73,240</u>

#### Interest rate risk

The Group is exposed to rate risk on its bank overdraft facility obtained at commercial rates of interest. Further, the Group has short-term bank deposit, which are interest bearing and exposed to changes in market interest rates. The group has term loans with variable interest rates.

# NATIONAL GAS COMPANY SAOG AND ITS SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2018

### 33 CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support future development of the business and maximise shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. Group's capital mix comprises only the shareholder's equity. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the half year ended 30 June 2017 and 30 June 2018.

### 34 FAIR VALUE OF FINANCIAL INSTRUMENT

Financial assets consist of cash and bank balances, receivables, due from related parties and available-for-sale investments. Financial liabilities consist of bank overdrafts, loans and payables.

The fair value of financial assets and liabilities at the reporting date approximates their carrying amount in the statement of financial position.

#### *Fair value hierarchy*

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

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

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

#### **Parent Company and Group**

	<b>2018 RO</b>	<b>Level 1 RO</b>	<b>Level 2 RO</b>	<b>Level 3 RO</b>
Available-for-sale investments	<u>1,134,405</u>	<u>1,134,405</u>	-	-
Freehold land	<u>3,190,000</u>		<u>3,190,000</u>	-
	<b>2017 RO</b>	<b>Level 1 RO</b>	<b>Level 2 RO</b>	<b>Level 3 RO</b>
Fair value of derivative liability	<u>-</u>		<u>-</u>	<u>-</u>
Available-for-sale investments	<u>1,464,791</u>	<u>1,464,791</u>	-	-
Freehold land	<u>3,190,000</u>		<u>3,190,000</u>	-

During the reporting period, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

### 35 COMPARATIVE FIGURES

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