

National Gas Company SAOG and its subsidiaries

SEPARATE AND CONSOLIDATED UN-AUDITED FINANCIAL STATEMENT

YEAR ENDED 31 MARCH 2019

Registered office :

PO Box 95
Postal Code 124
Rusayl, Muscat
Sultanate of Oman

Principal place of business :

ONEIC Building, 2nd floor, Next to Ibis Hotel,
Building No. 2785, Plot no 689, Way No 3533
Al Khuwair, Muscat
Sultanate of Oman

NATIONAL GAS COMPANY SAOG AND ITS SUBSIDIARIES

UN-AUDITED STATEMENT OF FINANCIAL POSITION

As at 31 March 2019

	Notes	Separate		Consolidated	
		2019 RO	2018 RO	2019 RO	2018 RO
ASSETS					
Non-current assets					
Property, plant and equipment	4	5,024,891	5,157,767	23,809,846	23,774,371
Available-for-sale investments	5	-	1,311,230	-	1,311,230
Financial assets at fair value through other comprehensive income	5	997,263	-	997,263	-
Investment in subsidiaries	6	11,191,380	9,583,442	-	-
Goodwill	6	-	-	7,948,608	8,399,231
Trading license	6	-	-	37,894	-
Other investments	7	75,000	75,000	672,433	638,604
Due from joint venture	20	-	29,999	-	29,999
Total non-current assets		17,288,534	16,157,438	33,466,044	34,153,435
Current assets					
Inventories	8	535,307	521,248	1,261,141	1,229,240
Trade and other receivables	9	5,386,070	4,477,069	13,727,118	14,053,243
Cash and bank balances	10	274,512	329,570	7,470,300	5,789,552
		6,195,889	5,327,887	22,458,559	21,072,035
Non-current assets classified as held for sale	7	90,265	90,265	90,265	90,265
Total current assets		6,286,154	5,418,152	22,548,824	21,162,300
Total assets		23,574,688	21,575,590	56,014,868	55,315,735
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	11	8,000,000	7,000,000	8,000,000	7,000,000
Share premium	11(a)	1,787,632	2,787,632	1,787,632	2,787,632
Legal reserve	12	1,784,342	1,753,196	1,784,342	1,753,196
Other reserves	13	300,000	300,000	533,961	546,777
Fair value reserve		275,629	703,490	275,629	703,490
Land revaluation reserve	14	2,575,349	2,575,349	2,575,349	2,575,349
Foreign currency translation reserve		-	-	(2,003,112)	(1,400,552)
Retained earnings		555,371	789,589	6,858,336	5,786,614
Equity attributable to equity holders of parent		15,278,323	15,909,256	19,812,137	19,752,506
Non-controlling interest	35	-	-	8,449,041	7,979,359
Total equity		15,278,323	15,909,256	28,261,178	27,731,865
LIABILITIES					
Non-current portion of term loans	17	1,350,000	231,955	1,350,000	2,430,897
Accrual for staff terminal benefits	16	303,789	255,311	368,607	308,855
Deferred tax liability	27	442,688	472,810	2,905,178	2,897,548
Total non-current liabilities		2,096,477	960,076	4,623,785	5,637,300
Current liabilities					
Accounts payable and accruals	18	1,388,052	979,230	5,707,841	7,826,508
Bank overdrafts	10	1,299,238	1,811,396	1,301,340	1,811,396
Short term loans	19	3,469,374	1,468,953	13,830,720	8,436,340
Current portion of term loans	17	-	400,000	2,066,447	3,364,585
Provision for taxation	27	43,224	46,679	223,557	507,741
Total current liabilities		6,199,888	4,706,258	23,129,905	21,946,570
Total liabilities		8,296,365	5,666,334	27,753,690	27,583,870
Total equity and liabilities		23,574,688	21,575,590	56,014,868	55,315,735
Net assets per share	21	0.191	0.199	0.248	0.247

The Financial Statements were approved and authorised for issue by the Board of Directors on 23rd April 2019 and were signed on their behalf by

Chairman

Director

NATIONAL GAS COMPANY SAOG AND ITS SUBSIDIARIES

UN-AUDITED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the period ended 31 March 2019

	Notes	Separate		Consolidated	
		2019 RO	2018 RO	2019 RO	2018 RO
Sales	22	2,723,781	3,382,952	19,191,433	21,628,373
Cost of sales	23	(2,431,195)	(3,065,234)	(16,959,109)	(18,590,855)
Gross profit		292,586	317,718	2,232,324	3,037,518
Administrative expenses	24	(252,409)	(276,965)	(1,413,429)	(1,637,147)
Operating profit		40,177	40,753	818,895	1,400,371
Other income	26	106,372	99,129	108,372	109,251
Finance cost		(74,925)	(45,733)	(274,048)	(187,998)
Gain on closure of a subsidiary	6	-	-	-	-
Share of results from joint ventures	7	-	-	10,100	14,574
Impairment reversal / (loss) on trade receivables		-	-	-	-
Impairment of investment in equity-accounted investee	7	-	-	-	-
Impairment of available-for-sale investments	5	-	-	-	-
Profit before taxation		71,624	94,149	663,319	1,336,198
Taxation	27	(10,744)	(14,122)	(182,780)	(228,338)
Profit for the three months ended		60,880	80,027	480,539	1,107,860
Other comprehensive (loss) income					
<i>Items that will not be reclassified subsequently to profit or loss (net of tax):</i>					
Movement in fair value of Financial assets at fair value through other comprehensive income		(98,812)	-	(98,812)	-
Net other comprehensive (loss) income will not be reclassified to profit or loss in subsequent periods		(98,812)	-	(98,812)	-
<i>Items that may be reclassified subsequently to profit or loss (net of tax):</i>					
Movement in fair value of available-for-sale investments		-	(54,189)	-	(54,189)
Recycled to profit or loss		-	-	-	-
Exchange difference on translation of foreign operation		-	-	313,291	1,719,669
Net other comprehensive (loss) income to be reclassified to profit or loss in subsequent periods		-	(54,189)	313,291	1,665,480
Other comprehensive income (loss) for three months ended		(98,812)	(54,189)	214,479	1,665,480
Total comprehensive income / (loss) for three months ended		(37,932)	25,838	695,018	2,773,340
Profit attributable to:					
Equity holders of the Parent		60,880	80,027	293,638	663,668
Non-controlling interest		-	-	186,901	444,192
Total profit for three months ended		60,880	80,027	480,539	1,107,860
Total comprehensive income attributable to:					
Equity holders of the Parent		(37,932)	25,838	398,287	1,115,757
Non-controlling interest		-	-	296,730	1,657,583
Total comprehensive income for three months ended		(37,932)	25,838	695,018	2,773,340
Basic and diluted earnings per share attributable to ordinary equity holders of the Parent (2017 - restated)					
	28	0.001	0.001	0.004	0.008

The attached notes 1 to 37 form part of these financial statements.

NATIONAL GAS COMPANY SAOG AND ITS SUBSIDIARIES

UN-AUDITED STATEMENT OF CASH FLOWS

For the period ended 31 March 2019

	<i>Separate</i>		<i>Consolidated</i>	
	<i>2019</i> <i>RO</i>	<i>2018</i> <i>RO</i>	<i>2019</i> <i>RO</i>	<i>2018</i> <i>RO</i>
Operating activities				
Profit before taxation	71,624	94,149	663,319	1,336,197
Adjustments for:				
Share of results of an associate	-	-	(10,100)	(14,574)
Depreciation	82,376	96,126	622,604	560,275
Interest income	(45,168)	(37,546)	(21,622)	(5,779)
Interest paid	74,925	45,733	274,048	187,998
Accrual for staff terminal benefits	29,563	16,678	43,688	24,624
Dividend income	(59,066)	(54,097)	(59,066)	(54,097)
Profit on sale of property, plant and equipment	-	(500)	-	(500)
Operating cash flows before working capital changes	154,254	160,543	1,512,871	2,034,144
Working capital changes:				
Inventories	(7,563)	164,337	(36,350)	76,327
Trade and other receivables	(113,101)	411,084	4,420,712	2,557,128
Accounts payable and accruals	(258,569)	(395,745)	69,057	(415,507)
Cash flow from operations	(224,979)	340,219	5,966,290	4,252,092
Payment of staff terminal benefits	(1,173)	(515)	(9,720)	(4,545)
Tax paid	(32,739)	(110,428)	(260,706)	(222,059)
Net cash from (used in) operating activities	(258,891)	229,276	5,695,864	4,025,488
Investing activities				
Purchase of property, plant and equipment	(40,178)	(3,785)	(516,989)	(1,007,216)
Investments in subsidiaries	(153,992)	-	-	-
Proceeds from sale of investment	-	-	-	-
Proceeds from sale of property, plant and equipment	-	500	-	500
License fees	-	-	2,527	-
Amount received from a related party	37,040	3,563	-	3,563
Dividends received	59,066	54,097	59,066	54,097
Interest received	45,168	37,546	21,622	5,779
Net cash used in investing activities	(52,896)	91,921	(433,774)	(943,277)

The attached notes 1 to 37 form part of these financial statements

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

For the period ended 31 March 2019

	<i>Separate</i>		<i>Consolidated</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
	<i>RO</i>	<i>RO</i>	<i>RO</i>	<i>RO</i>
Financing activities				
Proceeds/(repayment) of long term loans	-	(100,000)	-	139,270
Amount received from a joint venture	-	-	(1)	-
Dividend paid	(350,000)	(300,000)	(350,000)	(300,000)
Interest paid	(74,925)	(45,733)	(274,048)	(187,998)
Proceeds from short term loan	1,369,780	215,008	1,559,099	530,964
Net cash from (used in) financing activities	944,855	(230,725)	935,050	182,236
Net changes in cash and cash equivalents	633,068	90,472	6,197,140	3,264,447
Net movement in foreign currency translation reserve	-	-	(35,098)	(162,721)
Cash and cash equivalents at 1 January	(1,657,794)	(1,572,298)	6,918	876,430
Cash and cash equivalents at 31 December	(1,024,726)	(1,481,826)	6,168,960	3,978,156
Cash and cash equivalents comprise of:				
Cash and bank balances	274,512	329,570	7,470,300	5,789,552
Bank overdrafts	(1,299,238)	(1,811,396)	(1,301,340)	(1,811,396)
	(1,024,726)	(1,481,826)	6,168,960	3,978,156

The attached notes 1 to 37 form part of these financial statements

NATIONAL GAS COMPANY SAOG AND ITS SUBSIDIARIES

STATEMENT OF CHANGES IN EQUITY

For the period ended 31 March 2019

Separate

	Share capital RO	Share premium RO	Legal reserve RO	Other reserve RO	Fair value reserve RO	Revaluation reserve RO	Retained earnings RO	Total RO
At 1 January 2018	6,000,000	3,787,632	1,745,193	300,000	757,679	2,575,349	1,017,564	16,183,417
Reclassification of impairment of financial asset previously classified as available-for-sale financial asset	-	-	-	-	(115,654)	-	115,654	-
Adjustment from the adoption of IFRS 9 - impairment of receivables (Net of Tax)	-	-	-	-	-	-	(280,189)	(280,189)
Restated balance at 1 January 2018	6,000,000	3,787,632	1,745,193	300,000	642,025	2,575,349	853,030	15,903,229
Profit for the period	-	-	-	-	-	-	330,609	330,609
Sale of investment	-	-	-	-	(3,501)	-	-	(3,501)
Other comprehensive loss	-	-	-	-	(264,084)	-	-	(264,084)
Total comprehensive (loss) income for the year	-	-	-	-	(267,585)	-	330,609	63,024
Transfer to legal reserve	-	-	33,061	-	-	-	(33,061)	-
<i>Transactions with owners:</i>								
Dividend paid during the year	-	-	-	-	-	-	(300,000)	(300,000)
Issuance of bonus shares	1,000,000	(1,000,000)	-	-	-	-	-	-
At 31 December 2018	7,000,000	2,787,632	1,778,254	300,000	374,441	2,575,349	850,578	15,666,254
At 1 January 2019	7,000,000	2,787,632	1,778,254	300,000	374,441	2,575,349	850,578	15,666,254
Profit for the period	-	-	-	-	-	-	60,880	60,880
Sale of investment	-	-	-	-	-	-	-	-
Other comprehensive loss	-	-	-	-	(98,812)	-	-	(98,812)
Total comprehensive (loss) income for the period	-	-	-	-	(98,812)	-	60,880	(37,932)
Transfer to legal reserve	-	-	6,088	-	-	-	(6,088)	-
<i>Transactions with owners:</i>								
Dividend paid during the year	-	-	-	-	-	-	(350,000)	(350,000)
Issuance of bonus shares	1,000,000	(1,000,000)	-	-	-	-	-	-
At 31 March 2019	8,000,000	1,787,632	1,784,342	300,000	275,629	2,575,349	555,371	15,278,323

The attached notes 1 to 37 form part of these financial statements.

NATIONAL GAS COMPANY SAOG AND ITS SUBSIDIARIES

STATEMENT OF CHANGES IN EQUITY (continued)

For the period ended 31 March 2019

Consolidated

	Share capital RO	Share premium RO	Legal reserve RO	Other reserves RO	Fair value reserve RO	Revaluation 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 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
Reclassification of impairment of financial asset previously classified as available-for-sale financial asset					(115,654)			115,654	-		-
Adjustment from the adoption of IFRS 9 - Impairment of Receivables (Net of Tax)								(51,930)	(51,930)		(51,930)
Restated balance at 1 January 2018	6,000,000	3,787,632	1,745,193	513,682	642,025	2,575,349	(1,915,085)	5,494,673	18,843,469	7,183,627	26,027,096
Profit for the year	-	-	-	-	-	-	-	1,759,174	1,759,174	1,140,744	2,899,919
<i>Other comprehensive income:</i>											
Exchange difference on translation	-	-	-	17,206	-		(288,415)		(271,209)	(172,061)	(443,269)
Sale of investment					(3,501)				(3,501)		(3,501)
Movement of fair value of available for sale investments	-	-	-	-	(264,084)		-	-	(264,084)	-	(264,084)
Total comprehensive income (loss) for the year	-	-	-	17,206	(267,585)	-	(288,415)	1,759,174	1,220,380	968,684	2,189,064
Transfer to legal reserve			33,061					(33,061)	-	-	-
<i>Transactions with owners:</i>											
Issuance of bonus shares	1,000,000	(1,000,000)	-	-	-	-	-	-	-	-	-
Dividend paid during the year	-	-	-	-	-	-	-	(300,000)	(300,000)	-	(300,000)
At 31 December 2018	7,000,000	2,787,632	1,778,254	530,888	374,441	2,575,349	(2,203,500)	6,920,786	19,763,850	8,152,311	27,916,161
At 1 January 2018	7,000,000	2,787,632	1,778,254	530,888	374,441	2,575,349	(2,203,500)	6,920,786	19,763,850	8,152,311	27,916,161
Profit for the year	-	-	-	-	-	-	-	293,638	293,638	186,901	480,539
<i>Other comprehensive income:</i>											
Exchange difference on translation	-	-	-	3,073	-		200,388		203,461	109,829	313,291
Sale of investment					(98,812)				(98,812)		(98,812)
Movement of fair value of available for sale investments	-	-	-	-	-		-	-	-	-	-
Total comprehensive income (loss) for the period	-	-	-	3,073	(98,812)	-	200,388	293,638	398,287	296,730	695,017
Transfer to legal reserve			6,088					(6,088)	-	-	-
<i>Transactions with owners:</i>											
Issuance of bonus shares	1,000,000	(1,000,000)	-	-	-	-	-	-	-	-	-
Dividend paid during the year	-	-	-	-	-	-	-	(350,000)	(350,000)	-	(350,000)
At 31 March 2019	8,000,000	1,787,632	1,784,342	533,961	275,629	2,575,349	(2,003,112)	6,858,336	19,812,137	8,449,041	28,261,178

The attached notes 1 to 37 form part of these financial statements.

NATIONAL GAS COMPANY SAOG AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2019

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 six subsidiary companies, the details of which are set out in note 2.2.

2.1 BASIS OF PREPARATION

These consolidated financial statements for the period ended 31 March 2019 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 and financial assets at fair value through other comprehensive income (FVOCI) 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 and the investments are held at cost in the Parent Company's separate financial statements.

The financial statements have been presented in Rial Omani which is the functional currency of the Parent Company and presentation currency for these separate and 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 31 March 2019. 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:

- 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

NATIONAL GAS COMPANY SAOG AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2019

2.2 BASIS OF CONSOLIDATION (continued)

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 separate 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:

	Principal Activity	Ownership 2019	Ownership 2018
Incorporated in UAE			
NGC Energy LLC	LPG Distribution	49%	49%
NGC Central Gas Systems LLC	Trading Activity	49%	49%
Arabian Oil LLC	Trading Activity	49%	49%
Incorporated in KSA			
NGC Energy Saudi LLC	LPG Distribution	100%	100%
Incorporated in Mauritius			
Innovative Energy Holdings Mauritius Limited	Investments	100%	100%
Incorporated in India			
NGC Energy India Pvt Ltd	LPG Distribution	100%	-
<i>Group Holdings</i>			
Incorporated in Malaysia			
NGC Consolidated Holding SDN BHD Malaysia	Investments	100%	100%
NGC Energy SDN BHD	LPG Distribution	60%	60%

NATIONAL GAS COMPANY SAOG AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2019

2.2 BASIS OF CONSOLIDATION (continued)

NGC Energy LLC has been formed for taking over commercial activities from NGC Energy FZE from 1 January 2015. To comply with local UAE laws, 51% of the shares in NGC Energy LLC were transferred to the local Emrati company whereas the parent company still holds the management control over the entity and all variability of returns are with the Company. Post transfer of business to NGC Energy LLC, liquidation procedures for "NGC Energy FZE" (located in Fujairah Free Zone) were completed in 2017, which resulted in a distribution of net liquidation proceeds as dividend amounting to RO 501,214 to National Gas Company SAOG in 2017.

NGC Central Gas Systems LLC was formed in 2018 to expand the LPG and Equipment trading business in the region of Abu Dhabi. The parent company holds 49% shares with management control and all variability of returns are with the Company.

The Company in 2018 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 all variability of returns are with the Company.

NGC Energy Saudi LLC was formed in Nov 2014 in the Kingdom of Saudi Arabia (KSA) and is primarily engaged in executing SNG installations in the KSA market.

The Group also holds control over NGC Consolidated Holding SDN BHD Malaysia, through their 100% stake in Innovative Energy Holdings Mauritius Limited which was incorporated in 2012. NGC Consolidated Holding SDN BHD Malaysia is a Joint Venture partner in NGC Energy SDN BHD with a holding of 60%.

In 2018, the Company formed a subsidiary in India, NGC Energy India Private Limited, for setting up a refrigerated LPG Storage and Import Terminal on the south east coast of India at Krishnapatnam port in the Indian state of Andhra Pradesh. The subsidiary was incorporated on 21 September 2018. The terminal construction activity is expected to commence during the later part of 2019 when all requisite pre-construction approvals have been obtained. The terminal is expected to commission in early 2021.

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 equity-accounted investee

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

NATIONAL GAS COMPANY SAOG AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2019

2.2 BASIS OF CONSOLIDATION (continued)

Investment in equity-accounted investee (continued)

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.

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 separate 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 venturers 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 separate financial statements, the investment in joint venture is carried at cost less impairment.

2.3 CHANGES IN ACCOUNTING POLICIES

Standards, amendments and interpretation effective :

Except as described below, the accounting policies applied in these financial statements are the same as those applied in the financial statements as at and for the year ended 31 March 2019.

The Group has initially applied IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments from 1 January 2018. A number of other new standards are effective from 1 January 2018 but they do not have a material impact on the Company's financial statements.

Due to the transition methods chosen by the Group in applying these standards, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards.

NATIONAL GAS COMPANY SAOG AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2019

2.3 CHANGES IN ACCOUNTING POLICIES (continued)

The effect of initially applying these standards is mainly attributed to changes in impairment losses methodology and classification of financial assets.

IFRS 9: Financial Instruments

The Group has adopted IFRS 9 Financial Instruments effective from 1 January 2018. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

The Group classifies its financial assets as follows:

- Financial assets at amortized cost;
- Financial assets at Fair Value Through Other Comprehensive Income (FVOCI); and
- Financial asset at Fair Value Through Profit or Loss.

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

There are no changes brought by IFRS 9 in the classification of the Group's financial liabilities.

Business model assessment

The Group determines its business model at the level that best reflects how it manages group of financial assets to achieve its business objective. The Group's business model is not assessed on an instrument by instrument basis but at a higher level of aggregated portfolios and is based on a number of observable factors. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed; and
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity.

Contractual cash flow characteristics test

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

Financial assets carried at Amortized cost:

A financial asset is carried at amortized cost if it meets both of the following conditions:

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

Financial assets carried at amortized cost are subsequently measured at amortized cost using the effective interest method.

Interest income, foreign exchange gains and losses and impairment are recognized in the statement of comprehensive income. Any gain or loss on derecognition is recognized in the statement of income.

Financial assets at amortized cost include bank deposits, trade receivables, cash at bank, amounts due from related parties, interest receivables and other financial assets.

NATIONAL GAS COMPANY SAOG AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2019

2.3 CHANGES IN ACCOUNTING POLICIES (continued)

IFRS 9: Financial Instruments (continued)

Equity investments at FVOCI

Upon initial recognition, the Group makes an irrevocable election to classify some of its equity investments as equity investments at FVOCI if they are not held for trading and meet the definition of Equity under IAS 32 Financial Instruments. Such classification is determined on an instrument by instrument basis.

Equity investments at FVOCI are subsequently measured at fair value- Changes in fair values including foreign exchange component are recognised in other comprehensive income and presented in the cumulative changes in fair values as part of equity. Cumulative gains and losses previously recognized in other comprehensive income are transferred to retained earnings on derecognition and are not recognized in the statement of comprehensive income. Dividend income on equity investments at FVOCI are recognized in the statement of comprehensive income unless they clearly represent a recovery of part of the cost of the investment in which case they are recognized in other comprehensive income. Equity investments at FVOCI are not subject to impairment assessment.

Impairment of financial asset

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking Expected Credit Loss (ECL) model. Under IFRS 9, credit losses are recognized earlier than under IAS 39. Group recognizes ECL for cash and bank balances, due from related parties, bank deposits and other financial assets at amortized cost using the General approach and using simplified approach for trade receivables and contract assets as required by IFRS 9.

General Approach

The Group applies three-stage approach to measuring ECL. Assets migrate through the three stages based on the change in credit quality since initial recognition. Financial assets with significant increase in credit risk since initial recognition, but not credit impaired, are transitioned to stage 2 from stage 1 and ECL is recognized based on the probability of default (PD) of the counter party occurring over the life of the asset. All other financial assets are considered to be in stage 1 unless it is credit impaired and an ECL is recognized based on the PD of the customer within next 12 months. Financial assets are assessed as credit impaired when there is a detrimental impact on the estimated future cash flows of the financial asset.

Simplified approach

IFRS 9 establishes a simplified impairment approach for qualifying trade receivables, contract assets within the scope of IFRS 15. For these assets Group recognizes a loss allowance based on Lifetime ECLs rather than the three-step process under the General approach. The simplified approach does not apply to intercompany loans.

The estimated ECL for trade receivables were calculated taking into account the following criteria:

- Actual credit loss over the period of years 2015 to 2017; and
- Ageing of trade receivables.

As at 31 December 2017, The Group has three types of financial assets that are subject to IFRS 9's new expected credit loss model:

- Amounts due from related parties
- Trade receivables
- Cash at bank

NATIONAL GAS COMPANY SAOG AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2019

2.3 CHANGES IN ACCOUNTING POLICIES (continued)

Policy applicable before 1 January 2018 for amortised cost and financial assets

In the prior year, the impairment of trade receivables was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively to determine whether there is objective evidence that an impairment had been incurred but not yet identified. For these receivables the estimated impairment losses were recognised in a separate provision for impairment. The group considered that there was evidence of impairment if any of the following indicators were present:

- significant financial difficulties of the debtor
- probability that the debtor will enter bankruptcy or financial reorganisation, and
- default or late payments (more than 30 days overdue)

Receivables for which an impairment provision was recognised were written off against the provision when there was no expectation of recovering additional cash.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations.

Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement.

In accordance with the transition provisions in IFRS 15, the Group has adopted IFRS 15 using the cumulative effect method, with the effect of initially applying this standard recognized at the date of initial application (i.e. 1 January 2018). Accordingly, the information presented for 2017 has not been restated i.e. it is presented, as previously reported, under IAS 18, IAS 11 and related interpretations.

As the application of IFRS 15 did not have a material impact on the financial statements, the Group has not made any adjustments to the statement of financial position as at 1 January 2018.

The Group applies IFRS 15 with effect from 1 January 2018. As a result, the Group has applied the following accounting policy in the preparation of its financial statements.

For contracts determined to be within the scope of revenue recognition, the Group is required to apply a five-step model to determine when to recognise revenue, and at what amount.

The Group recognises revenue from contracts with customers based on the five step model set out in IFRS 15:

Step 1 Identify the contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.

Step 2 Identify the performance obligations in the contract: A performance obligation is a unit of account and a promise in a contract with a customer to transfer a good or service to the customer.

Step 3 Determine the transaction price: The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

NATIONAL GAS COMPANY SAOG AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2019

2.3 CHANGES IN ACCOUNTING POLICIES (continued)

IFRS 15 Revenue from Contracts with Customers (continued)

Step 4 Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group will allocate the transaction price to each performance obligation in an amount that depicts the consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.

Step 5 Recognise revenue when (or as) the entity satisfies a performance obligation.

The Group satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as and when the Group performs; or
- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

For performance obligations where none of the above conditions are met, revenue is recognised at the point in time at which the performance obligation is satisfied.

Variable consideration

Variable consideration amounts are estimated at either their expected value or most likely amount and included in revenue to the extent that it is highly probable that the revenue will not reverse.

Group evaluates significant financing component, if the period between customer payment and the transfer of goods/ services (both for advance payments or payments in arrears) is more than one year. Group adjusts the promised amount of consideration for the time value of money using an appropriate interest rate reflecting the credit risk.

Contract modification

A contract modification occurs when the Group and the customer approve a change in the contract that either creates new enforceable rights and obligations or changes the existing enforceable rights and obligations. Revenue related to a modification is not recognised until it is approved. Approval can be in writing, oral, or implied by customary business practices.

Group treats the contract modification as a separate contract if it results in the addition of a separate performance obligation and the price reflects the standalone selling price of that performance obligation. Otherwise, a modification (including those that only affect the transaction price) is accounted for as an adjustment to the original contract, either prospectively or through a cumulative catch-up adjustment.

Group accounts for a modification prospectively if the goods or services in the modification are distinct from those transferred before the modification. Conversely, the Group accounts for a modification through a cumulative catch-up adjustment if the goods or services in the modification are not distinct and are part of a single performance obligation that is only partially satisfied when the contract is modified.

Cost of obtaining and fulfilling the contract

Group capitalises incremental costs to obtain a contract with a customer except if the amortisation period for such costs is less than one year.

If the costs incurred in fulfilling a contract with a customer are not in the scope of other guidance - e.g. inventory, intangibles, or property, plant and equipment - then the Group recognises an asset only if the fulfilment costs meet the following criteria:

- Relate directly to an existing contract or specific anticipated contract;
- Generate or enhance resources that will be used to satisfy performance obligations in the future; and
- Are expected to be recovered.

NATIONAL GAS COMPANY SAOG AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.4.1 Revenue recognition

If the costs incurred to fulfil a contract are in the scope of other guidance, then Group accounts for such costs using the other guidance.

Group amortises the asset recognised for the costs to obtain and/or fulfil a contract on a systematic basis, consistent with the pattern of transfer of the good or service to which the asset relates. In the case of an impairment, Group recognises these losses to the extent that the carrying amount of the asset exceeds the recoverable amount.

The accounting policies of the Parent company for the purpose of separate financial statements are the same as that of the Group unless otherwise stated.

Group has different streams of revenue. Revenue from all streams are recorded when control passes to the customer. Broadly, revenue of the Group can be divided into 5 main classification. These classifications and their revenue recognition policy are as follows:

Local sales : The Group is engaged in selling 3 products to local customers: LPG, Lubricants, and cylinder. Following is the time when the revenue of each product is recorded:

- LPG : Revenue from local sale of LPG is recognised at a point in time when control of the goods has transferred to the customer. This is generally when the goods are delivered to the customer

- Lubricant : Revenue from local sale of lubricant is recognised at a point in time when control of the goods has transferred to the customer. This is generally when the goods are delivered to the customer.

- Gas cylinder : Revenue from local sale of gas cylinder is recognised at a point in time when control of the goods has transferred to the customer. This is generally when the goods are delivered to the customer.

The majority of the Group's revenue is derived from selling LPG to local customers with revenue recognised at a point in time when control of the goods has transferred to the customer. This is generally when the goods are delivered to the customer.

Export sales : For export sales, revenue is recorded when the control passes to the customer, i.e., when goods are delivered either to the port of departure or port of arrival, depending on the specific terms of the contract with a customer.

Franchise fees : Revenue from franchise fee is recognized on monthly basis as agreed on the contract with the customer since all the obligations are deemed to be satisfied at that point in time and the consideration received is non-refundable, the revenue arising therefrom is recognized on a straight-line basis at point in time.

Support service fees : Support service fee include management services. Since these services are made available to the customers on 'as and when needed' basis, the revenue arising therefrom is recognized on a straight-line basis over the period of time such services are performed.

NATIONAL GAS COMPANY SAOG AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4.1 Revenue recognition (continued)

Project revenue : The Group measures its project completion status using survey method (output method). Revenue from such project is recognized over the period of project life if any of the following conditions are met:

- the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs;
- the entity's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced;
- the entity's performance does not create an asset with an alternative use; and
- the entity has right to payment for performance completed to date.

Revenue from contracts with customers shall be segregated from revenue from other sources (i.e. finance income) and as such terminology changes is needed on Note 3 of the financial statements.

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.

Previous Accounting Policy for Revenue Recognition applicable before 1 January 2018

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and sales taxes or duty.

Revenue from the sale of goods, net of trade discount is recognised in the statement of profit or loss when the significant risks and rewards of ownership have been transferred to the buyer.

New standards amendments and interpretation not yet effective

A number of new standards, amendments to standards and interpretations are not yet effective for annual periods beginning on 1 January 2018, and have not been applied in preparing these financial statements. Those which may be relevant to the Company are set out below. The Company does not plan to adopt these standards early.

IFRS 16 Leases

The Company is required to adopt IFRS 16 Leases from 1 January 2019. IFRS 16 replaces existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

The company still is in process of evaluating IFRS 16 impact in the presentation on the financial statement.

NATIONAL GAS COMPANY SAOG AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2019

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.

2.4.3 Property, plant and equipment

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

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:

NATIONAL GAS COMPANY SAOG AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4.3 Property, plant and equipment (continued)

The Group, 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.

	2018 Years	2017 Years
Buildings	20	20
Plant and equipment	5-15	5-10
Cylinders	10	10
Furniture and fixtures	5	5
Software	3	3
Tractors and trailers	5-10	5
Motor vehicles	4	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.

2.4.4 Business combinations, goodwill and intangible assets

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 is measured at fair value at the date of acquisition. If any obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

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.

NATIONAL GAS COMPANY SAOG AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4.4 Business combinations, goodwill and intangible assets (continued)

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 - generation unit retained.

Trading License

Trade license pertains to the permission granted to the Group by local authority to conduct business in Dubai. This has a finite useful life of five years and is measured at cost less accumulated amortisations and any accumulated impairment losses. Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the license to which it related. All other expenditure is recognized as an expense in profit or loss as incurred.

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 31 March 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4.6 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.

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 and consolidated 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 and consolidated 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.

2.4.7 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.

NATIONAL GAS COMPANY SAOG AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4.8 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.

2.4.9 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 discontinued 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.

2.4.10 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.

2.4.11 Employees' end of service benefits

End of service benefits are accrued in accordance with the terms of employment of the Parent Company's qualifying employees at the reporting date, having regard to the requirements of the Oman Labour Law, as amended.

NATIONAL GAS COMPANY SAOG AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4.11 Employees' end of service benefits (continued)

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.

2.4.12 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.

2.4.13 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, Malaysia and India, are UAE Dirhams, Saudi Riyal, Malaysia Ringgits (RM) and Indian Rupees 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 year. Foreign exchange differences arising on translation are recognised in the other comprehensive income.

2.4.14 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.

2.4.15 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.

2.4.16 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 31 March 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4.17 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 separate 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 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

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

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 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.

NATIONAL GAS COMPANY SAOG AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2019

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Impairment of goodwill (continued)

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 31 March 2019

4 Property, plant and equipment

<i>Separate</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>Capital work-in- progress (CWIP) RO</i>	<i>Total RO</i>
Cost/valuation									
At 1 January 2018	3,190,000	2,325,461	3,268,545	1,884,150	467,219	353,976	137,975	40,894	11,668,220
Additions		236,202	20,864	6,358		24,378	5,000	(36,691)	256,111
Disposals		(20,071)		(89,018)	(308,111)				(417,200)
At 31 December 2018	3,190,000	2,541,592	3,289,409	1,801,490	159,108	378,354	142,975	4,203	11,507,131
At 1 January 2019	3,190,000	2,541,592	3,289,409	1,801,490	159,108	378,354	142,975	4,203	11,507,131
Additions								40,178	40,178
Reclassification		(1,000)	2,313	(1,313)		65	(65)		-
Disposals									-
At 31 March 2019	3,190,000	2,540,592	3,291,722	1,800,177	159,108	378,419	142,910	44,381	11,547,309

NATIONAL GAS COMPANY SAOG AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2019

4 Property, plant and equipment (continued)

<i>Separate</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>Capital work-in- progress (CWIP) RO</i>	<i>Total RO</i>
Depreciation									
At 1 January 2018	-	1,744,090	2,558,299	1,406,362	362,729	225,627	121,004	-	6,418,111
Charge for the period		72,515	112,930	77,665	31,214	56,026	11,590		361,940
Disposals		(6,482)		(85,463)	(248,066)				(340,011)
At 31 December 2018	-	1,810,123	2,671,229	1,398,564	145,877	281,653	132,594	-	6,440,040
At 1 January 2019	-	1,810,123	2,671,229	1,398,564	145,877	281,653	132,594	-	6,440,040
Charge for the period		18,524	28,215	18,550	4,130	11,434	1,525		82,378
Reclassification		(47)	(365)	461	(192)	143	(1)		-
Disposals									-
At 31 March 2019	-	1,828,600	2,699,079	1,417,575	149,815	293,230	134,118	-	6,522,418
Carrying value									
At 31 March 2019	3,190,000	711,992	592,643	382,601	9,293	85,189	8,792	44,381	5,024,891
At 31 December 2018	3,190,000	731,469	618,180	402,926	13,231	96,701	10,381	4,203	5,067,091

(a) Buildings at a cost of RO 1,268,270 are constructed on leasehold land (2018 : RO 1,278,391).

(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. The company has mortgaged this land for securing their Term Loan

(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 19,354 for the period. The effect of these changes on actual and expected depreciation expense, is as follows :-

Particulars	Year 2018	Year 2019	Year 2020	Year 2021	Year 2022	Later
(Decrease) / increase in depreciation expense	(84,325)	(62,898)	(47,982)	(5,674)	38,918	161,962

NATIONAL GAS COMPANY SAOG AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2019

4 Property, plant and equipment (continued)

<i>Consolidated</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>
Cost / valuation										
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	(51,630)	(2,191)	(280,515)	-	(3,431)	(11,264)	-	(144,893)	(20,934)	(514,857)
Additions	-	236,201	23,377	84,636	33,991	26,861	5,083	-	3,437,072	3,847,221
Disposals	-	(20,071)	-	(93,018)	(328,743)	-	(1,015)	-	-	(442,847)
Transfers	-	2,016	771,184	3	45,810	42,285	-	2,508,595	(3,369,892)	-
At 31 December 2018	5,467,041	2,930,693	17,021,907	1,997,519	488,918	982,772	143,481	8,898,994	899,351	38,830,677
At 1 January 2019	5,467,041	2,930,693	17,021,907	1,997,519	488,918	982,772	143,481	8,898,994	899,351	38,830,677
Exchange difference on translation	31,378	1,333	180,601	-	2,716	7,439	-	122,810	11,728	358,006
Additions	-	-	9,285	-	-	631	-	-	507,073	516,989
Disposals	-	-	-	-	-	-	-	-	-	-
Transfers	-	(1,000)	131,865	(1,313)	-	3,598	(65)	387,715	(520,800)	-
At 31 March 2019	5,498,419	2,931,026	17,343,658	1,996,206	491,634	994,441	143,416	9,409,519	897,352	39,705,672

NGC Energy Malaysia's property, plant and equipment with a carrying amount of RM189,921,054 (2017: RM173,562,263) are pledged as security for the borrowings.

NATIONAL GAS COMPANY SAOG AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2019

4 Property, plant and equipment (continued)

<i>Consolidated</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>
Depreciation										
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	(346)	(617)	(93,735)	-	(568)	(7,761)	-	(66,094)	-	(169,121)
Charge for the year	4,134	91,990	1,061,261	114,893	72,757	152,238	7,544	796,086	-	2,300,903
Disposals	-	(6,482)	-	(87,930)	(268,698)	-	(959)	-	-	(364,069)
At 31 December 2018	17,255	1,880,829	7,429,444	1,387,976	297,596	703,388	129,722	3,308,753	-	15,154,962
At 1 January 2019	17,255	1,880,829	7,429,444	1,387,976	297,596	703,388	129,722	3,308,753	-	15,154,962
Exchange difference on translation	246	372	65,237	-	298	4,673	80	47,352	-	118,258
Charge for the year	1,029	35,449	273,410	33,137	12,346	34,826	2,187	230,220	-	622,604
Disposals	-	-	-	-	-	-	-	-	-	-
At 31 March 2019	18,530	1,916,650	7,768,091	1,421,113	310,239	742,888	131,989	3,586,325	-	15,895,824
Carrying value										
At 31 March 2019	5,479,889	1,014,376	9,575,567	575,093	181,395	251,553	11,427	5,823,194	897,352	23,809,846
At 31 December 2018	5,449,786	1,049,864	9,592,463	609,543	191,322	279,384	13,759	5,590,241	899,351	23,675,713

NATIONAL GAS COMPANY SAOG AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2019

5 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<i>Separate</i>		<i>Consolidated</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
	<i>RO</i>	<i>RO</i>	<i>RO</i>	<i>RO</i>
	<i>FVOCI</i>	<i>FVOCI</i>	<i>FVOCI</i>	<i>FVOCI</i>
At 1 January	1,096,075	1,365,419	1,096,075	1,365,419
Disposals		-	-	-
Fair value changes	(98,812)	(54,189)	(98,812)	(54,189)
At 31 March	997,263	1,311,230	997,263	1,311,230

	<i>Separate and Consolidated</i>	
	<i>Cost</i>	<i>Fair value</i>
	<i>RO</i>	<i>RO</i>
31 March 2019 - FVOCI		
Insurance	27,511	70,737
Industrial	40,000	50,800
Investment	14,143	157,617
Banking	125,984	170,873
Telecommunication	24,100	12,240
Services	374,245	534,996
	605,983	997,263

31 March 2018 - FVOCI

Insurance	29,270	210,030
Industrial	40,000	72,800
Investment	14,143	156,315
Banking	125,984	153,064
Telecommunication	24,100	18,240
Services	374,245	700,781
	607,742	1,311,230

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 Saudi LLC	257,492	103,500
NGC Energy LLC	31,527	15,738
Arabian Oil LLC	82,105	-
NGC Energy India Pvt Ltd	1,334,999	-
NGC Central Gas Systems LLC	21,053	-
	11,191,380	9,583,442

NATIONAL GAS COMPANY SAOG AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2019

6 INVESTMENT IN SUBSIDIARIES (continued)

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

The subsidiaries principal place of business and country of incorporation are the same. The Group follows the same financial year-end.

NGC Energy LLC has been formed for taking over commercial activities from NGC Energy FZE from 1 January 2015. The parent company holds 49% shares in NGC Energy LLC (UAE) with management control and all variability of returns are with the Company. Post transfer of business to NGC Energy, liquidation procedures for "NGC Energy FZE" (located in Fujairah Free Zone) were completed in 2017, which resulted in a distribution of net liquidation proceeds as dividend amounting to RO 501,214 to National Gas Company SAOG in 2017.

NGC Central Gas Systems LLC was formed in 2018 to expand the LPG and Equipment trading business in the region of Abu Dhabi. The parent company holds 49% shares with management control and all variability of returns are with the Company.

The Company in 2018 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 all variability of returns are with the Company.

NGC Energy Saudi LLC was formed in Nov 2014 in the Kingdom of Saudi Arabia (KSA) and is primarily engaged in executing SNG installations in the KSA market.

In 2018, the Company formed a subsidiary in India, NGC Energy India Private Limited, for setting up a refrigerated LPG Storage and Import Terminal on the south east coast of India at Krishnapatnam port in the Indian state of Andhra Pradesh. The subsidiary was incorporated on 21 Septmeber 2018. The terminal construction activity is expected to commence during the later part of 2019 when all requisite pre-construction approvals have been obtained. The terminal is expected to commission in early 2021.

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 (2017: 11.75%), reflecting the weighted average cost of debts of the subsidiary. The company believe that an average growth rate of nil (2017: nil) per annum is reasonable for cash flow projection purposes as it is determined based on expectations of future changes in the market.

NATIONAL GAS COMPANY SAOG AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2019

6 INVESTMENT IN SUBSIDIARIES (continued)

Below is the carrying amount of Goodwill :-

	2019 RO	2018 RO
Balance at 1 January	7,840,565	8,018,345
Effect of movements in exchange rates	108,043	380,886
Balance at 31 March	<u>7,948,608</u>	<u>8,399,231</u>

Licenses

The Company in 2018 acquired 49% shares in Arabian Oil LLC to expand the LPG business in UAE market. The Company will manage the operations of Arabian Oil LLC and all variability of returns are with the Company. Arabian Oil prior to this acquisition had no Asset and Liabilities in its balance sheet other than the License to trade LPG in the Dubai market. The amount paid to the shareholders of the Arabian Oil over and above the face value of the shares is accounted under the head Trading Licenses.

7 OTHER INVESTMENTS

	<i>Separate</i>		<i>Consolidated</i>	
	2019 RO	2018 RO	2019 RO	2018 RO
Unigaz LLC - Joint Venture (Note a)	75,000	75,000	672,433	638,604
NGC Buzwair LLC - Associate (Note b) - <i>classified as held for sale</i>	90,265	90,265	90,265	90,265
	<u>165,265</u>	<u>165,265</u>	<u>762,698</u>	<u>728,869</u>

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 had not undertaken any substantial business in Oman, in 2017 the Parent Company and venturer have unanimously decided to liquidate Buzwair and have passed the required resolutions. The liquidation proceedings are being conducted by 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, no further impairment loss in 2018 has been recognised. The liquidation proceeds are expected to be completed in first half of 2019.

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

	2019 RO	2018 RO
Share of joint venture's statement of financial position:		
Current assets	582,690	535,673
Non-current assets	340,912	347,401
Current liabilities	(125,916)	(133,380)
Non-current liabilities	(125,254)	(111,091)
	<u>672,432</u>	<u>638,603</u>

NATIONAL GAS COMPANY SAOG AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2019

7 OTHER INVESTMENTS (continued)

Statement of income:

Revenue	419,101	361,028
Profit before tax	23,764	34,292
Total comprehensive income	20,199	29,148
Profit attributable to Group – includes 50% share of Unigaz LLC	10,100	14,574

8 INVENTORIES

	Separate		Consolidated	
	2019 RO	2018 RO	2019 RO	2018 RO
LPG	170,894	195,466	659,497	694,099
Finished goods	153,818	151,627	239,878	220,353
Cylinders and accessories	27,276	18,718	29,403	20,845
Plant and other spares	80,604	117,841	146,275	206,610
Project inventory	102,715	37,596	186,089	87,333
Work in progress	-	-	-	-
	535,307	521,248	1,261,142	1,229,240

9 TRADE AND OTHER RECEIVABLES

	Separate		Consolidated	
	2019 RO	2018 RO	2019 RO	2018 RO
Trade receivables	2,043,765	1,417,937	7,617,879	5,847,024
Less: allowance for impairment of receivables	(129,434)	(60,664)	(129,434)	(60,664)
	1,914,331	1,357,273	7,488,445	5,786,360
Advance for purchases	195,952	286,341	297,401	346,469
Claims for Government subsidy	-	-	3,590,714	6,105,835
GST refund	-	-	473,493	969,794
Due from related parties (note 20)	1,706,517	2,207,444	-	-
Advances to related parties (note 20)	1,098,054	489,959	1,739	783
Accrued income	115,873	19,118	121,924	139,336
Other receivables	333,280	39,854	629,976	413,903
Prepayments	5,057	60,074	1,018,112	217,277
Tax paid under appeal	17,006	17,006	17,006	17,006
Deposits	-	-	88,308	56,480
	5,386,070	4,477,069	13,727,118	14,053,243

NATIONAL GAS COMPANY SAOG AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2019

9 TRADE AND OTHER RECEIVABLES (continued)

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

	Separate		Consolidated	
	2019 RO	2018 RO	2019 RO	2018 RO
balance at 1 January	129,434	64,654	129,434	64,654
Add: provided during the year	-	-	-	-
Less: recovered	-	-	-	-
Less: written off	-	-	-	-
At 31 March	<u>129,434</u>	<u>64,654</u>	<u>129,434</u>	<u>64,654</u>

10 CASH AND CASH EQUIVALENTS

	Separate		Consolidated	
	2019 RO	2018 RO	2019 RO	2018 RO
Cash in hand	23,655	23,095	24,404	27,351
Cash at banks				
- current accounts	250,857	289,120	7,445,896	5,744,846
- call deposit accounts	-	17,355	-	17,355
Cash and bank balances	<u>274,512</u>	<u>329,570</u>	<u>7,470,300</u>	<u>5,789,552</u>
Bank overdrafts	(1,299,238)	(1,811,396)	(1,301,340)	(1,811,396)
Cash and cash equivalents	<u>(1,024,726)</u>	<u>(1,481,826)</u>	<u>6,168,960</u>	<u>3,978,156</u>

Short term call deposits are placed with commercial banks at an interest rate of 1% per annum (2018: 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.

11 SHARE CAPITAL

The authorised share capital comprises 120,000,000 shares of RO 0.100 each (2018: 120,000,000 of RO 0.100 each). The issued and fully paid-up share capital is RO 8,000,000 comprising 80,000,000 shares of RO 0.100 each (2018: 70,000,000 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:

	No. of shares		% Holding	
	2019 RO	2018 RO	2019 RO	2018 RO
A' Sharqiya Investments SAOG	<u>10,020,038</u>	<u>11,020,038</u>	<u>14.31</u>	<u>15.74</u>
Public Authority of Social Insurance	<u>7,236,382</u>	<u>7,236,382</u>	<u>10.34</u>	<u>10.34</u>

NATIONAL GAS COMPANY SAOG AND ITS SUBSIDIARIES

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As at 31 March 2019

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:

	RO
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 issued in 2018	<u>(1,000,000)</u>
Balance as on 31 December 2018	<u>2,787,632</u>
Bonus share issued in 2019	<u>(1,000,000)</u>
Balance as on 31 March 2019	<u>1,787,632</u>

The Share holders at Annual General Meeting held in Mar 2019 approved bonus shares at 14.29% equivalent to 1 share for each 7 shares held (2017 : 1 share for every 6 shares held) in order to increase the share capital of the Parent company to RO 8,000,000 (2017 : RO 7,000,000).

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 period ended 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 period ended, the Parent Company has transferred RO 6,088 towards legal reserve representing 10% of profit for the period till March 2019 (2018: RO 8,003).

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 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 statutory reserve from NGC Energy LLC for RO 7,895 and NGC Energy SDN BHD for RO 226,066.

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 2018 of RO 0.005 per share (2017 : RO 0.005) amounting to RO 350,000 (2017 : RO 300,000).

NATIONAL GAS COMPANY SAOG AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2019

16 ACCRUAL FOR STAFF TERMINAL BENEFITS

	Separate 2019 RO	2018 RO	Consolidated 2019 RO	2018 RO
At 1 January	275,399	239,148	334,639	288,776
Charge for the period	29,563	16,678	43,688	24,624
Payment made during the period	(1,173)	(515)	(9,720)	(4,545)
At 31 March	<u>303,789</u>	<u>255,311</u>	<u>368,607</u>	<u>308,855</u>

17 TERM LOAN AND BORROWINGS

	Separate 2019 RO	2018 RO	Consolidated 2019 RO	2018 RO
Non Current				
Term Loan 1	-	631,955	-	631,955
Term Loan 3	1,350,000	-	1,350,000	-
Islamic Term Loan 2	-	-	2,066,447	5,163,527
Total	<u>1,350,000</u>	<u>631,955</u>	<u>3,416,447</u>	<u>5,795,482</u>
Current portion of term Loan 1	-	(400,000)	-	(400,000)
Current portion of Islamic term Loan 2	-	-	(2,066,447)	(2,964,585)
Current portion	<u>-</u>	<u>(400,000)</u>	<u>(2,066,447)</u>	<u>(3,364,585)</u>
Non-current portion	<u>1,350,000</u>	<u>231,955</u>	<u>1,350,000</u>	<u>2,430,897</u>

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. The loan has been repaid full.

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:

	2019 %	2018 %
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

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17 TERM LOAN AND BORROWINGS (continued)

Term loan 3

In November 2018, the Parent Company availed term loan of RO 1,350,000, which carries interest @ 5.25% (on reducing balance served separately), to inject the initial share capital for the LPG Project in India. The loan carries moratorium of 24 months and has a tenor of 10 years. The loan installments will be served on a quarterly basis post the moratorium period. Interest will be served on a quarterly basis during the moratorium period.

The loan agreements also provide certain covenants, the more significant of which are as follows:

Term loan 1 and short term loan :

- Maintain the leverage to be capped at 3:1 during the tenor of Term Loans

Short term loan

- Minimum 20% sales turnover should be routed through current account

Term loan 3 and short term loan :

- Maintain annual debt service coverage ratio DSCR of 1.25 at all times during the tenor of our facility starting 31.12.2020.

Company is complied with all covenants.

18 ACCOUNTS PAYABLE AND ACCRUALS

	Separate		Consolidated	
	2019	2018	2019	2018
	RO	RO	RO	RO
Trade creditors	371,543	119,784	1,236,517	3,545,238
Directors' remuneration	14,100	10,300	14,100	10,300
Accrued expenses	766,225	743,763	2,671,173	2,401,624
Other creditors	109,999	105,383	1,405,035	1,448,815
Amount due to related parties	126,185	-	381,016	420,531
	<u>1,388,052</u>	<u>979,230</u>	<u>5,707,841</u>	<u>7,826,508</u>

NATIONAL GAS COMPANY SAOG AND ITS SUBSIDIARIES

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As at 31 March 2019

19 SHORT TERM LOANS

	Separate		Consolidated	
	2019	2018	2019	2018
	RO	RO	RO	RO
Revolving credits	-	-	10,361,346	6,967,387
Short term loan	3,469,374	1,468,953	3,469,374	1,468,953
	<u>3,469,374</u>	<u>1,468,953</u>	<u>13,830,720</u>	<u>8,436,340</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 period ended 31 March 2019 are as follows:

	Separate		Consolidated	
	2019	2018	2019	2018
	RO	RO	RO	RO
Amount due from subsidiaries and associate – short term	1,706,517	2,207,444	-	-
Advance to subsidiaries	1,098,054	489,959	1,739	783
Due from joint venture	-	29,999	-	29,999
Amount due to related parties	126,185	-	381,016	420,531
Short term loans	877,983	1,468,953	877,983	1,468,953
Term loans	331,955	631,955	331,955	631,955
Bank overdrafts	-	1,811,396	-	1,811,396

Transactions with related parties during the year were as follows:

	Separate		Consolidated	
	2019	2018	2019	2018
	RO	RO	RO	RO
Sales to subsidiaries	678,306	1,217,299	-	-
Rental and other income	15,262	32,162	-	-
Expenses paid	42,837	110,861	-	-
Finance cost	67,720	40,357	-	-

NATIONAL GAS COMPANY SAOG AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2019

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:

	Separate		Consolidated	
	2019	<i>2018</i>	2019	<i>2018</i>
	RO	<i>RO</i>	RO	<i>RO</i>
Net assets (RO)	15,278,323	15,909,256	19,812,137	19,752,506
Number of shares outstanding at 31 March 2019	80,000,000	80,000,000	80,000,000	80,000,000
Net assets per share (RO)	0.191	0.199	0.248	0.247

NATIONAL GAS COMPANY SAOG AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2019

22 SALES

	<i>Separate</i>		<i>Consolidated</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
	<i>RO</i>	<i>RO</i>	<i>RO</i>	<i>RO</i>
<u>Revenue from contracts with customers</u>				
Sale of LPG	2,457,148	2,941,232	18,364,370	20,953,650
Project income	93,228	215,891	228,815	415,808
Lubricant sales	25,647	29,743	25,647	61,456
NC+ and other industrial gas cost	94,923	117,440	538,099	147,570
Sale of new empty LPG cylinders and accessories	23,788	35,934	23,788	35,934
Other income	21,362	25,011	1,064	189
	2,716,096	3,365,251	19,181,783	21,614,607
	<i>Separate</i>		<i>Consolidated</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>
<u>Revenue from other sources</u>				
Vehicle hire charges and rental income	7,685	17,701	9,650	13,766
	7,685	17,701	9,650	13,766

23 COST OF SALES

	<i>Separate</i>		<i>Consolidated</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
	<i>RO</i>	<i>RO</i>	<i>RO</i>	<i>RO</i>
Opening stock	169,357	206,856	660,382	861,342
Local purchases	1,698,399	2,136,084	11,893,752	16,020,587
Imports	-	-	2,202,030	-
Closing stock	(170,894)	(195,466)	(659,497)	(694,098)
	1,696,862	2,147,474	14,096,667	16,187,831
<i>Other direct expenses:</i>				
Direct labour	320,960	307,081	539,462	480,015
Project costs	69,786	172,329	168,387	312,665
Depreciation	67,848	74,391	566,262	508,991
Other direct expenses	47,447	81,368	421,406	386,399
Plant and vehicle maintenance	81,037	100,623	562,165	463,122
Cost of cylinders sold	20,351	27,807	20,351	27,807
NC+ and other industrial gas cost	44,756	60,309	431,278	65,551
Insurance	32,136	32,082	44,239	44,030
Lubricant trading cost	14,710	22,423	14,710	48,889
Fuel and transportation cost	20,845	23,153	28,569	25,679
Lease rent	11,175	12,645	52,179	24,327
Electricity	3,282	3,549	13,434	15,549
	2,431,195	3,065,234	16,959,109	18,590,855

NATIONAL GAS COMPANY SAOG AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2019

23 COST OF SALES (continued)

	<i>Separate</i>		<i>Consolidated</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
	<i>RO</i>	<i>RO</i>	<i>RO</i>	<i>RO</i>
Cost of cylinders				
Opening stock	11,525	9,270	11,525	9,270
Purchases of new cylinder	26,718	27,871	26,718	27,871
Closing stock	(17,892)	(9,334)	(17,892)	(9,334)
	20,351	27,807	20,351	27,807

24 ADMINISTRATIVE EXPENSES

	<i>Separate</i>		<i>Consolidated</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
	<i>RO</i>	<i>RO</i>	<i>RO</i>	<i>RO</i>
Employee related costs	149,161	142,255	475,743	425,187
Office related expenses	28,706	38,809	91,551	135,370
Depreciation	14,528	21,735	56,342	51,284
Directors' remuneration and sitting fees	20,000	20,000	48,521	49,115
Professional charges	5,582	15,799	144,221	67,840
Write-off of capital work in progress	-	-	-	-
Telephone, telex, postage	15,782	14,316	39,153	38,971
Rent	7,671	8,217	33,685	32,696
Business travel expenses	914	1,949	18,834	38,277
Repairs and maintenance	3,454	3,238	3,747	3,933
Marketing and publicity expenses	2,971	3,690	37,548	30,809
General expenses	1,203	2,653	14,444	301,892
Printing and stationery	2,437	1,768	7,791	5,767
Donations	-	-	298	-
Withholding tax	-	741	-	741
Advertisement	-	1,795	-	1,795
Transportation cost	-	-	423,546	434,219
Insurance	-	-	18,005	19,251
	252,409	276,965	1,413,429	1,637,147

25 EMPLOYEE COSTS

	<i>Separate</i>		<i>Consolidated</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
	<i>RO</i>	<i>RO</i>	<i>RO</i>	<i>RO</i>
Wages and salaries	363,886	362,453	753,717	689,544
Other employee benefit cost	58,924	54,583	197,919	173,536
Social security cost	17,748	15,622	19,881	18,557
Provision for staff terminal benefits	29,563	16,678	43,688	23,565
	470,121	449,336	1,015,205	905,202

NATIONAL GAS COMPANY SAOG AND ITS SUBSIDIARIES

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25 EMPLOYEE COSTS (continued)

	<i>Separate</i>		<i>Consolidated</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
	<i>RO</i>	<i>RO</i>	<i>RO</i>	<i>RO</i>
Disclosed as:				
Cost of sales	320,960	307,081	539,462	480,015
Administrative expenses	149,161	142,255	475,743	425,187
	470,121	449,336	1,015,205	905,202

26 OTHER INCOME

	<i>Separate</i>		<i>Consolidated</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
	<i>RO</i>	<i>RO</i>	<i>RO</i>	<i>RO</i>
Dividend income	59,066	54,097	59,066	54,097
Interest income *	45,168	37,546	21,622	5,779
Miscellaneous income	2,138	6,986	27,684	48,875
Profit on sale of investment	-	-	-	-
Profit on sale of property, plant and equipment	-	500	-	500
	106,372	99,129	108,372	109,251

From 2017, the Parent Company has started charging interest from its subsidiaries (in GCC), on the amount outstanding @ 6% per annum, on a 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 the Parent Company is 15% (2018 - 15%)

The tax returns of the Company for the years 2013 to 2017 have not yet been agreed with the Secretariat General for Taxation at the Ministry of Finance.

The Board of Directors are of the opinion that additional taxes, if any, related to the open tax years would not be significant to the Company's financial position as at 31 March 2019.

Current income tax is calculated at the Malaysian statutory tax rate of 24% (2018: 24%) of the estimated assessable profit for the year.

The tax assessment of subsidiaries incorporated in jurisdictions outside Oman are at different stages. Management is of the opinion that any additional taxes that may be assessed would not be significant to the Group financial position as at 31 March 2019.

NATIONAL GAS COMPANY SAOG AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2019

28 EARNINGS PER SHARE

The basic earnings per share is calculated by dividing the profit of the Group and Parent Company for the year attributable to the shareholders of the Parent Company, by the weighted average number of shares outstanding.

	<i>Separate</i>		<i>Consolidated</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
	<i>RO</i>	<i>RO</i>	<i>RO</i>	<i>RO</i>
		<i>(Restated)</i>		<i>(Restated)</i>
Profit for the period ended (RO)	60,880	80,027	293,638	663,668
Weighted average number of shares outstanding during the year	80,000,000	80,000,000	80,000,000	80,000,000
Basic earnings per share (RO)	0.001	0.001	0.004	0.008

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

29 SEGMENT REPORTING

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

Geographic information

Revenues from external customers

	<i>2019</i>	<i>2018</i>
	<i>RO</i>	<i>RO</i>
Oman	2,035,351	1,991,082
Other GCC countries	3,163,384	1,821,151
Asia	13,992,698	17,816,140
	19,191,433	21,628,373

30 COMMITMENTS

	<i>Separate</i>		<i>Consolidated</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
	<i>RO</i>	<i>RO</i>	<i>RO</i>	<i>RO</i>
Capital commitments	78,954	273,035	4,036,119	5,598,144
Purchase commitments	340,099	446,552	340,099	446,552

31 CONTINGENCIES AND COMMITMENTS

- 1) 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 31 March 2019

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 arises from cash and cash equivalents, contractual cash flows of debt investments carried at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVPL), derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables.

(i) Risk management

Credit risk is managed on a group basis. For banks and financial institutions, only independently rated parties with a range of rating of between Aa3 to Baa3 are accepted based on Moody's independent rating.

If individual customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The compliance with credit limits by individual customers is regularly monitored by line management.

Sales to retail customers are required to be settled in cash or using major credit cards, mitigating credit risk. There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

(ii) Impairment of financial asset

The Company has following types of financial assets that are subject to the expected credit loss model:

- Trade receivables for sale of LPG gas, lubricant sales and gas cylinders
- Due from related parties
- Advances to related parties

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

NATIONAL GAS COMPANY SAOG AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2019

32 RISK MANAGEMENT (continued)

Trade and other receivables

The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables, due from related parties, advances to related parties and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 December 2018 or 1 January 2018 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The group has identified the GDP, inflation rate and oil barrel rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

On that basis, the loss allowance as at 31 December 2018 and 1 January 2018 (on adoption of IFRS 9) was determined as follows for trade receivables:

(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>Separate</i>	Carrying amount <i>RO</i>	Contractual Cash Flows	
		Less than one year <i>RO</i>	2 – 5 Years <i>RO</i>
31 March 2019			
Trade creditors	371,543	371,543	-
Other payables	109,999	109,999	-
Accrued expenses	766,225	766,225	-
Term loans	1,350,000	350,213	1,424,250
Short term loan	3,469,374	3,482,631	-
Directors' remuneration	14,100	14,100	-
Bank overdraft	1,299,238	1,299,238	-
Due to related party	68,008	68,008	-
	<u>6,081,241</u>	<u>5,094,711</u>	<u>1,424,250</u>

NATIONAL GAS COMPANY SAOG AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2019

32 RISK MANAGEMENT (continued)

(b) Liquidity risk (continued)

Separate	Carrying amount RO	Contractual Cash Flows	
		Less than one year RO	2 – 5 Years RO
<i>31 March 2018</i>			
Trade creditors	119,784	119,784	-
Other payables	105,383	105,383	-
Accrued expenses	743,763	743,763	-
Term loans	631,955	422,000	350,213
Short term loan	1,468,953	1,478,358	-
Directors' remuneration	10,300	10,300	-
Bank overdraft	1,811,396	1,811,396	-
	<u>4,891,534</u>	<u>4,690,984</u>	<u>350,213</u>

Consolidated

	<i>Carrying amount RO</i>	Contractual Cash Flows	
		<i>Less than one year RO</i>	<i>2 – 5 Years RO</i>
31 March 2019			
Trade creditors	1,236,517	1,236,517	-
Other payables	1,405,035	1,405,035	-
Accrued expenses	2,671,173	2,671,173	-
Term loans	3,416,447	2,479,168	1,424,250
Short term loan	3,469,374	3,482,631	-
Directors' remuneration	14,100	14,100	-
Bank overdraft	1,299,238	1,299,238	-
	<u>13,511,884</u>	<u>12,587,862</u>	<u>1,424,250</u>

Consolidated	Carrying amount RO	Contractual Cash Flows	
		Less than one year RO	2 – 5 Years RO
<i>31 March 2018</i>			
Trade creditors	3,545,238	3,545,238	-
Other payables	1,448,815	1,448,815	-
Accrued expenses	2,401,624	2,401,624	-
Term loans	5,795,482	3,407,806	2,559,497
Short term loan	1,468,953	1,478,358	-
Directors' remuneration	10,300	10,300	-
Bank overdraft	1,811,396	1,811,396	-
	<u>16,481,808</u>	<u>14,103,537</u>	<u>2,559,497</u>

NATIONAL GAS COMPANY SAOG AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2019

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. Should there be any fluctuation of + / - 1% in the foreign exchange rate the impact would be + / - RO 22,035/- (2017 - RO 19,151/-)

(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 FVTOCI securities. The Group has maintained the portfolio of FVTOCI 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
31 March 2019 Separate and Consolidated		
Effect of 5% change in equity portfolio	<u><u>49,863</u></u>	<u><u>49,863</u></u>
 31 March 2018 Separate and Consolidated		
Effect of 5% change in equity portfolio	<u><u>65,562</u></u>	<u><u>65,562</u></u>

NATIONAL GAS COMPANY SAOG AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2019

32 RISK MANAGEMENT (continued)

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

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.

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 period ended 31 March 2018 and 31 March 2019.

34 FAIR VALUE OF FINANCIAL INSTRUMENT

Financial assets consist of cash and bank balances, receivables, due from related parties and FVTOCI. 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: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

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.