

**Consolidated Financial Statements and Independent  
Auditor's Report**

**National Gas Company SAOG and its subsidiaries**

**Quarter Ended 31 March 2020**

# NATIONAL GAS COMPANY (S.A.O.G.) AND ITS SUBSIDIARIES

Separate and consolidated statement of financial position  
as at 31 March 2020

	Notes	Parent		Group	
		2020 RO	2019 RO	2020 RO	2019 RO
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	6	5,682,173	5,024,891	24,301,138	23,809,846
Right-of-use assets	7	309,388	-	4,398,826	-
Financial assets at fair value through OCI	8	782,538	997,263	782,538	997,263
Investment in subsidiaries	9	11,452,943	11,191,380	-	-
Goodwill	9	-	-	7,536,006	7,948,608
Trading license	9	-	-	27,790	37,894
Other investments	10	75,000	75,000	671,581	672,433
Due from related party	26	-	-	-	-
<b>Total non-current assets</b>		<b>18,302,042</b>	<b>17,288,534</b>	<b>37,717,879</b>	<b>33,466,044</b>
<b>Current assets</b>					
Inventories	11	520,475	535,307	1,095,194	1,261,141
Trade and other receivables	12	5,655,017	5,386,070	12,987,985	13,727,118
Cash and bank balances	13	153,282	274,512	4,014,420	7,470,300
<b>Current assets</b>		<b>6,328,774</b>	<b>6,195,889</b>	<b>18,097,599</b>	<b>22,458,559</b>
Non-current assets classified as held for sale		-	90,265	-	90,265
<b>Total current assets</b>		<b>6,328,774</b>	<b>6,286,154</b>	<b>18,097,599</b>	<b>22,548,824</b>
<b>Total assets</b>		<b>24,630,816</b>	<b>23,574,688</b>	<b>55,815,478</b>	<b>56,014,868</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Capital and reserves</b>					
Share capital	14	8,500,000	8,000,000	8,500,000	8,000,000
Share premium	15	1,787,632	1,787,632	1,787,632	1,787,632
Legal reserve	16	1,945,198	1,784,342	1,945,198	1,784,342
Other reserves	17	300,000	300,000	527,727	533,961
Fair value reserve		187,996	275,629	187,996	275,629
Revaluation reserve	18	3,212,849	2,575,349	3,551,443	2,575,349
Foreign currency translation reserve		-	-	(2,782,848)	(2,003,112)
Retained earnings		537,696	555,371	6,396,940	6,858,336
<b>Equity attributable to equity holders of Parent</b>		<b>16,471,371</b>	<b>15,278,323</b>	<b>20,114,088</b>	<b>19,812,137</b>
Non-controlling interest		-	-	9,363,027	8,449,041
<b>Total equity</b>		<b>16,471,371</b>	<b>15,278,323</b>	<b>29,477,115</b>	<b>28,261,178</b>
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Non-current portion of term loans	20	2,266,069	1,350,000	2,266,069	1,350,000
Lease Liabilities	21	268,182	-	2,070,830	-
Accrual for staff terminal benefits	22	348,563	303,789	431,283	368,607
Deferred tax liability- net	32	621,877	442,688	2,926,943	2,905,178
<b>Total non-current liabilities</b>		<b>3,504,691</b>	<b>2,096,477</b>	<b>7,695,125</b>	<b>4,623,785</b>
<b>Current liabilities</b>					
Accounts payable and accruals	23	1,402,190	1,388,052	6,669,872	5,707,841
Current portion of lease liabilities	21	36,047	-	304,363	-
Bank overdrafts	13	613,532	1,299,238	613,532	1,301,340
Short term loans	24	2,539,381	3,469,374	11,023,313	13,830,720
Current portion of term loans	20	-	-	-	2,066,447
Provision for taxation	32	63,604	43,224	32,158	223,557
<b>Total current liabilities</b>		<b>4,654,754</b>	<b>6,199,888</b>	<b>18,643,238</b>	<b>23,129,905</b>
<b>Total liabilities</b>		<b>8,159,445</b>	<b>8,296,365</b>	<b>26,338,363</b>	<b>27,753,690</b>
<b>Total equity and liabilities</b>		<b>24,630,816</b>	<b>23,574,688</b>	<b>55,815,478</b>	<b>56,014,868</b>
<b>Net assets per share</b>	25	<b>0.194</b>	0.180	<b>0.237</b>	0.233

The financial statements together with the notes from 1 to 41 that forms an integral part of these financial statements were approved by the Board of Directors on \_\_\_\_\_ April 2020 and were signed on their behalf by:

Chairman

Director

**NATIONAL GAS COMPANY (S.A.O.G.) AND ITS SUBSIDIARIES**

**Separate and consolidated statement of profit or loss and other comprehensive income  
for the quarter ended 31 March 2020**

	Notes	Parent		Group	
		2020 RO	2019 RO	2020 RO	2019 RO
Revenue	27	<b>2,950,908</b>	2,723,781	<b>20,180,784</b>	19,191,433
Cost of sales	28	<b>(2,700,703)</b>	(2,431,195)	<b>(18,396,141)</b>	(16,959,109)
<b>Gross profit</b>		<b>250,205</b>	292,586	<b>1,784,643</b>	2,232,324
Administrative expenses	29	<b>(295,389)</b>	(252,409)	<b>(1,371,008)</b>	(1,413,429)
<b>Operating profit</b>		<b>(45,184)</b>	40,177	<b>413,635</b>	818,895
Other income - net	31	<b>200,269</b>	106,372	<b>216,738</b>	108,372
Finance cost		<b>(64,076)</b>	(74,925)	<b>(244,235)</b>	(274,048)
Loss on disposal of an associate		-	-	-	-
Dividend income		-	-	-	-
Participation Fees		-	-	-	-
Share of (loss) / profits from joint ventures	10	-	-	<b>12,127</b>	10,100
Impairment (loss) / reversal on trade receivables	12	-	-	<b>27</b>	-
<b>Profit before taxation</b>		<b>91,009</b>	71,624	<b>398,292</b>	663,319
Taxation	32	<b>(4,610)</b>	(10,744)	<b>(136,341)</b>	(182,780)
<b>Profit for the year</b>		<b>86,399</b>	60,880	<b>261,951</b>	480,539
<b>Other comprehensive loss</b>					
<i>Items that will not be reclassified subsequently to profit or loss</i>					
Changes in fair value investments carried at fair value through other comprehensive income		<b>(93,239)</b>	(98,812)	<b>(93,239)</b>	(98,812)
		<b>(93,239)</b>	(98,812)	<b>(93,239)</b>	(98,812)
<i>Items that may be reclassified subsequently to profit or loss</i>					
<i>Surplus on revaluation of fixed asset - net of tax</i>		-	-	-	-
Exchange difference on translation of foreign operations		-	-	<b>(932,572)</b>	313,291
		-	-	<b>(932,572)</b>	313,291
Other comprehensive income / (loss) for the year		<b>(93,239)</b>	(98,812)	<b>(1,025,811)</b>	214,479
<b>Total comprehensive income for the year</b>		<b>(6,840)</b>	(37,932)	<b>(763,860)</b>	695,018
<b>Profit attributable to:</b>					
Equity holders of the Parent		<b>86,399</b>	60,880	<b>153,092</b>	293,638
Non-controlling interest		-	-	<b>108,859</b>	186,901
<b>Total profit for the year</b>		<b>86,399</b>	60,880	<b>261,951</b>	480,539
<b>Total comprehensive income attributable to:</b>					
Equity holders of the Parent		<b>(6,840)</b>	(37,932)	<b>(682,157)</b>	398,287
Non-controlling interest		-	-	<b>(81,703)</b>	296,730
<b>Total comprehensive income for the year</b>		<b>(6,840)</b>	(37,932)	<b>(763,860)</b>	695,018
<b>Basic and diluted earnings per share attributable to ordinary equity holders of the Parent (2019 - restated)</b>	33	<b>0.001</b>	0.001	<b>0.002</b>	0.003

The accompanying notes from 1 to 41 form an integral part of these financial statements.

**NATIONAL GAS COMPANY SAOG AND ITS SUBSIDIARIES**

**Separate statement of changes in equity  
for the quarter ended 31 March 2020**

**Parent**

	Share capital RO	Share premium RO	Legal reserve RO	Other reserve RO	Fair value reserve RO	Revaluation reserve RO	Retained earnings RO	Total RO
<b>As at 01 January 2019</b>	<b>7,000,000</b>	<b>2,787,632</b>	<b>1,778,254</b>	<b>300,000</b>	<b>374,441</b>	<b>2,575,349</b>	<b>850,578</b>	<b>15,666,254</b>
Profit for the year	-	-	-	-	-	-	60,880	60,880
Sale of investment	-	-	-	-	-	-	-	-
Other comprehensive loss	-	-	-	-	(98,812)	-	-	(98,812)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(98,812)</b>	<b>-</b>	<b>60,880</b>	<b>(37,932)</b>
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)	-	-	-	-	-	-
<b>As at 31 March 2019</b>	<b>8,000,000</b>	<b>1,787,632</b>	<b>1,784,342</b>	<b>300,000</b>	<b>275,629</b>	<b>2,575,349</b>	<b>555,371</b>	<b>15,278,323</b>

	Share capital RO	Share premium RO	Legal reserve RO	Other reserve RO	Fair value reserve RO	Revaluation reserve RO	Retained earnings RO	Total RO
<b>As at 01 January 2020</b>	<b>8,000,000</b>	<b>1,787,632</b>	<b>1,937,462</b>	<b>300,000</b>	<b>281,235</b>	<b>3,212,849</b>	<b>1,959,033</b>	<b>17,478,211</b>
Profit for the year	-	-	-	-	-	-	86,399	86,399
Sale of investment	-	-	-	-	-	-	-	-
Other comprehensive loss	-	-	-	-	(93,239)	-	-	(93,239)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(93,239)</b>	<b>-</b>	<b>86,399</b>	<b>(6,840)</b>
Transfer to legal reserve	-	-	7,736	-	-	-	(7,736)	-
<i>Transactions with owners:</i>								
Dividend paid during the year	-	-	-	-	-	-	(1,000,000)	(1,000,000)
Issuance of bonus shares	500,000	-	-	-	-	-	(500,000)	-
<b>As at 31 March 2020</b>	<b>8,500,000</b>	<b>1,787,632</b>	<b>1,945,198</b>	<b>300,000</b>	<b>187,996</b>	<b>3,212,849</b>	<b>537,696</b>	<b>16,471,371</b>

The accompanying notes from 1 to 41 form an integral part of these financial statements.

**NATIONAL GAS COMPANY SAOG AND ITS SUBSIDIARIES**

**Consolidated statement of statement of changes in equity  
for the quarter ended 31 March 2020**

**Group**

	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
<b>At 1 January 2019</b>	<b>7,000,000</b>	<b>2,787,632</b>	<b>1,778,254</b>	<b>530,888</b>	<b>374,441</b>	<b>2,575,349</b>	<b>(2,203,500)</b>	<b>6,920,786</b>	<b>19,763,850</b>	<b>8,152,311</b>	<b>27,916,161</b>
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	-	-	-	-	-	-	-	-	-	-	-
Movement of fair value of investments through OCI	-	-	-	-	(98,812)	-	-	-	(98,812)	-	(98,812)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,073</b>	<b>(98,812)</b>	<b>-</b>	<b>200,388</b>	<b>293,638</b>	<b>398,287</b>	<b>296,730</b>	<b>695,017</b>
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)
<b>As at 31 March 2019</b>	<b>8,000,000</b>	<b>1,787,632</b>	<b>1,784,342</b>	<b>533,961</b>	<b>275,629</b>	<b>2,575,349</b>	<b>(2,003,112)</b>	<b>6,858,336</b>	<b>19,812,137</b>	<b>8,449,041</b>	<b>28,261,178</b>

The accompanying notes from 1 to 41 form an integral part of these financial statements.

**NATIONAL GAS COMPANY SAOG AND ITS SUBSIDIARIES**

**Consolidated statement of statement of changes in equity  
for the quarter ended 31 March 2020**

**Group (continued)**

	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
<b>At 1 January 2020</b>	<b>8,000,000</b>	<b>1,787,632</b>	<b>1,937,462</b>	<b>538,909</b>	<b>281,235</b>	<b>3,569,108</b>	<b>(2,069,685)</b>	<b>7,751,584</b>	<b>21,796,246</b>	<b>9,444,730</b>	<b>31,240,976</b>
Profit for the year	-	-	-	-	-	-	-	153,092	153,092	108,859	261,951
<i>Other comprehensive income:</i>											
Exchange difference on translation	-	-	-	(11,182)	-	(17,665)	(713,163)	-	(742,010)	(190,562)	(932,572)
Sale of investment	-	-	-	-	-	-	-	-	-	-	-
Surplus on revaluation of fixed asset - net of tax	-	-	-	-	-	-	-	-	-	-	-
Movement of fair value investments through OCI	-	-	-	-	(93,239)	-	-	-	(93,239)	-	(93,239)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(11,182)</b>	<b>(93,239)</b>	<b>(17,665)</b>	<b>(713,163)</b>	<b>153,092</b>	<b>(682,157)</b>	<b>(81,703)</b>	<b>(763,861)</b>
Transfer to legal reserve	-	-	7,736	-	-	-	-	(7,736)	-	-	-
Transfer to General reserve	-	-	-	-	-	-	-	-	-	-	-
<i>Transactions with owners:</i>											
Issuance of bonus shares	500,000	-	-	-	-	-	-	(500,000)	-	-	-
Dividend paid during the year	-	-	-	-	-	-	-	(1,000,000)	(1,000,000)	-	(1,000,000)
<b>As at 31 March 2020</b>	<b>8,500,000</b>	<b>1,787,632</b>	<b>1,945,198</b>	<b>527,727</b>	<b>187,996</b>	<b>3,551,443</b>	<b>(2,782,848)</b>	<b>6,396,940</b>	<b>20,114,088</b>	<b>9,363,027</b>	<b>29,477,115</b>

The accompanying notes from 1 to 41 form an integral part of these financial statements.

**NATIONAL GAS COMPANY SAOG AND ITS SUBSIDIARIES**

**Separate and consolidated statement of cash flows  
for the quarter ended 31 March 2020**

		Parent		Group	
	Notes	2020 RO	2019 RO	2,020 RO	2019 RO
<b>Operating activities</b>					
Profit before taxation		<b>91,009</b>	71,624	<b>398,292</b>	663,319
<b>Adjustments for:</b>					
Share of results of an associate		-	-	<b>(12,127)</b>	(10,100)
Depreciation	6	<b>79,001</b>	82,376	<b>631,252</b>	622,604
Interest income		<b>(58,241)</b>	(45,168)	<b>(25,486)</b>	(21,622)
Finance cost		<b>64,076</b>	74,925	<b>244,235</b>	274,048
Charge for staff terminal benefits	22	<b>23,617</b>	29,563	<b>29,898</b>	43,688
Dividend income		<b>(60,276)</b>	(59,066)	<b>(60,276)</b>	(59,066)
Profit on sale of property, plant and equipment		-	-	-	-
<b>Operating cash flows before working capital changes</b>					
capital changes		<b>139,186</b>	154,254	<b>1,205,788</b>	1,512,871
Working capital changes:					
Inventories		<b>6,656</b>	(7,563)	<b>(9,665)</b>	(36,350)
Trade and other receivables		<b>825,017</b>	(113,101)	<b>(1,270,267)</b>	4,420,712
Accounts payable and accruals		<b>(340,366)</b>	(258,569)	<b>(834,399)</b>	69,057
<b>Cash flow from operations</b>					
		<b>630,493</b>	(224,979)	<b>(908,543)</b>	5,966,290
Payment of staff terminal benefits		<b>(1,349)</b>	(1,173)	<b>(1,348)</b>	(9,720)
Tax paid		<b>(307,580)</b>	(32,739)	<b>(467,623)</b>	(260,706)
<b>Net cash generated from operating activities</b>					
		<b>321,564</b>	(258,891)	<b>(1,377,514)</b>	5,695,864
<b>Investing activities</b>					
Purchase of property, plant and equipment		<b>(24,530)</b>	(40,178)	<b>(1,177,962)</b>	(516,989)
Investments in subsidiaries		<b>6,032</b>	(153,992)	-	-
Proceeds from sale of fixed assets		<b>16,785</b>	-	<b>16,784</b>	-
License fees		-	-	<b>2,526</b>	2,527
Right-of-use assets		<b>15,255</b>	-	<b>284,094</b>	-
Lease liabilities		<b>(3,615)</b>	-	<b>(1,050,426)</b>	-
Amount received from a related party		<b>44,677</b>	37,040	-	-
Dividends received		<b>60,276</b>	59,066	<b>60,276</b>	59,066
Interest received		<b>58,241</b>	45,168	<b>25,486</b>	21,622
<b>Net cash generated from / (used in) investing activities</b>					
		<b>173,121</b>	(52,896)	<b>(1,839,222)</b>	(433,774)
<b>Financing activities</b>					
Proceeds / (repayment) of long term loans		<b>648,474</b>	-	<b>648,474</b>	-
Dividend paid		<b>(1,000,000)</b>	(350,000)	<b>(1,000,000)</b>	(350,000)
Interest paid		<b>(64,076)</b>	(74,925)	<b>(244,235)</b>	(274,048)
Proceeds from short term loan		<b>(531,364)</b>	1,369,780	<b>(504,178)</b>	1,559,099
<b>Net cash generated from / (used in) financing activities</b>					
		<b>(946,966)</b>	944,855	<b>(1,099,939)</b>	935,050
<b>Net changes in cash and cash equivalents</b>					
		<b>(452,281)</b>	633,068	<b>(4,316,675)</b>	6,197,140
<b>Net movement in foreign translation reserve</b>					
		-	-	<b>243,028</b>	(35,098)
<b>Cash and cash equivalents at 1 January</b>					
		<b>(7,969)</b>	(1,657,794)	<b>7,474,535</b>	6,918
<b>Cash and cash equivalents at 31 March</b>					
		<b>(460,250)</b>	(1,024,726)	<b>3,400,888</b>	6,168,960
<b>Cash and cash equivalents comprise of:</b>					
Cash and bank balances		<b>153,282</b>	274,512	<b>4,014,420</b>	7,470,300
Bank overdrafts		<b>(613,532)</b>	(1,299,238)	<b>(613,532)</b>	(1,301,340)
		<b>(460,250)</b>	(1,024,726)	<b>3,400,888</b>	6,168,960

The accompanying notes from 1 to 41 form an integral part of these financial statements.

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

### **Notes to the separated and consolidated financial statements for the quarter ended 31 March 2020**

#### **1 CORPORATE INFORMATION**

National Gas Company SAOG ("the Parent Company" or "the Company") is registered under commercial registration number 1083171 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, under the Commercial Companies Law 1974 as amended, superseded by Commercial Company Law 2019 promulgated by the Royal Decree No. 18/2019 "The Commercial Companies Law of the Sultanate of Oman". The Law was issued on 13 February 2019 which has replaced the Commercial Companies Law. As per the articles of the Royal Decree No. 18/2019, the new Commercial Companies Law has come into force on 17 April 2019 and the companies should comply with the new law within 1 year from 17 April 2019.

#### **2 STATEMENT OF COMPLIANCE AND BASIS OF CONSOLIDATION**

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

These consolidated financial statements for the quarter ended 31 March 2020 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 consolidated financial statements". The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), the relevant requirement of Commercial Companies Law, and of the Capital Market Authority of the Sultanate of Oman.

These consolidated 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 2020. 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 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

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.



## NATIONAL GAS COMPANY SAOG AND ITS SUBSIDIARIES

### Notes to the separated and consolidated financial statements for the quarter ended 31 March 2020

#### 2 STATEMENT OF COMPLIANCE AND BASIS OF CONSOLIDATION (continued)

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

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	
		As at Decemeber 31	
		2020	2019
<b>Incorporated in UAE</b>			
NGC Energy LLC	LPG Distribution	49%	49%
NGC Central Gas Systems LLC	Trading Activity	49%	49%
Arabian Oil LLC	Trading Activity	49%	49%
<b>Incorporated in KSA</b>			
NGC Energy Saudi LLC	LPG Distribution	100%	100%
<b>Incorporated in Mauritius</b>			
Innovative Energy Holdings Mauritius Limited	Investments	100%	100%
<b>Incorporated in India</b>			
NGC Energy India Pvt Ltd	LPG Distribution	60%	100%
<b>Group Holdings</b>			
<b>Incorporated in Malaysia</b>			
NGC Consolidated Holding SDN BHD Malaysia	Investments	100%	100%
NGC Energy SDN BHD	LPG Distribution	60%	60%

All the subsidiaries have the year end of 31 December except for subsidiary in India, whose financial year end is 31 March.

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 Emirati 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.

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

### **Notes to the separated and consolidated financial statements for the quarter ended 31 March 2020**

#### **2 STATEMENT OF COMPLIANCE AND BASIS OF CONSOLIDATION (continued)**

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

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.

Arabian Oil LLC was formed in 2018 to expand the LPG and Equipment trading business in the region of UAE. The Parent Company holds 49% shares with management control 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 (NGCEIPL), 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. In November 2019, the Company onboarded Petredec India Holdings Pte. Ltd. (Singapore) as a JV Partner by issuing additional Equity Shares to make them 40% partner in NGCEIPL. The terminal construction activity is expected to commence in the first half of 2020 when all requisite pre-construction approvals have been obtained. The terminal is expected to commission by end 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.

##### **Investment in equity-accounted investee (continue)**

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.

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

### **Notes to the separated and consolidated financial statements for the quarter ended 31 March 2020**

## **2 STATEMENT OF COMPLIANCE AND BASIS OF CONSOLIDATION (continued)**

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

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 statement of comprehensive income.

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.

## **3 NEW OR REVISED STANDARDS OR INTERPRETATIONS**

### **3.1 New standards adopted as at 1 January 2019**

#### **IFRS 16 Leases**

In the current year, the Group has applied IFRS 16 (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after 1 January 2019.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new requirements are described below. The impact of the adoption of IFRS 16 on the consolidated financial statements is described below.

The date of initial application of IFRS 16 for the Group is 1 January 2019. The new Standard has been applied using the modified retrospective approach, with the cumulative effect of adopting IFRS 16 being recognised in equity as an adjustment to the opening balance of retained earnings for the current period. Prior periods have not been restated.

## NATIONAL GAS COMPANY SAOG AND ITS SUBSIDIARIES

### Notes to the separated and consolidated financial statements for the quarter ended 31 March 2020

#### 3 NEW OR REVISED STANDARDS OR INTERPRETATIONS (continued)

##### 3.1 New standards adopted as at 1 January 2019 (continued)

###### IFRS 16 Leases (continued)

###### Impact of the new definition of a lease

The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in IAS 17 and IFRIC 4.

The Group applies the definition of a lease and related guidance set out in IFRS 16 to all contracts entered into or changed on or after 1 January 2019. In preparation for the first-time application of IFRS 16, the Group has carried out an implementation project. The project has shown that the new definition in IFRS 16 will not significantly change the scope of contracts that meet the definition of a lease for the Group.

###### Impact on Lessee Accounting

IFRS 16 changes how the Group accounts for leases previously classified as operating leases under IAS 17, which were off balance sheet.

Applying IFRS 16, for all leases, the Group:

- (a) Recognises right-of-use assets and lease liabilities in the separate and consolidated statement of financial position, initially measured at the present value of the future lease payments;
- (b) Recognises depreciation of right-of-use assets and interest on lease liabilities in profit or loss; and
- (c) Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the separate and consolidated statement of cash flows.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36. For short-term leases (lease term of 12 months or less) and leases of low-value assets, the Group has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within 'other expenses' in profit or loss.

###### Impact on Lessor Accounting

IFRS 16 does not change substantially how a lessor accounts for leases. Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently.

However, IFRS 16 has changed and expanded the disclosures required, in particular with regard to how a lessor manages the risks arising from its residual interest in leased assets.

The application of IFRS 16 has an impact on the consolidated statement of cash flows of the Group. Under IFRS 16, lessees must present:

- Short-term lease payments, payments for leases of low-value assets and variable lease payments not included in the measurement of the lease liability as part of operating activities;
- Cash paid for the interest portion of a lease liability as either operating activities or financing activities, as permitted by IAS 7 (the Group has opted to include interest paid as part of financing activities); and
- Cash payments for the principal portion for a lease liability, as part of financing activities.

###### Parent

Impact as a lessee	As at 31 December 2018	IFRS 16 adjustment	As at 1 January 2019
Right to use assets	-	388,827	388,827
Finance lease liability	-	370,052	370,052

###### Group

Impact as a lessee	As at 31 December 2018	IFRS 16 adjustment	As at 1 January 2019
Right to use assets	-	5,037,263	5,037,263
Finance lease liability	-	4,494,245	4,494,245

## NATIONAL GAS COMPANY SAOG AND ITS SUBSIDIARIES

### Notes to the separated and consolidated financial statements for the quarter ended 31 March 2020

#### 3 NEW OR REVISED STANDARDS OR INTERPRETATIONS (continued)

##### 3.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Group

At the date of authorisation of these consolidated and separate financial statements, certain new standards, and amendments to existing standards have been published by the IASB that are not yet effective, and have not been adopted early by the Company and the Group. Information on those expected to be relevant to the Group's financial statements is provided below.

##### Others

The Group does not expect any other standards issued by the IASB, but not yet effective, to have a material impact on the Group. These standards are listed as follows:

- IFRS 17 Insurance Contracts;
- Definition of a Business (Amendments to IFRS 3);
- Definition of Material (Amendments to IAS 1 and IAS 8); and
- Conceptual Framework for Financial Reporting.

#### 4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### 4.1 Revenue recognition

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.

The Company uses the following 5 steps model for revenue recognition.

- 1 Identifying the contract with a customer
- 2 Identifying performance obligation
- 3 Determining the transaction price
- 4 Allocating the transaction price to the performance obligation
- 5 Recognising revenue when/as performance obligations are satisfied

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 is 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 is 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 is transferred to the customer. This is generally when the goods are delivered to the customer.

## NATIONAL GAS COMPANY SAOG AND ITS SUBSIDIARIES

### Notes to the separated and consolidated financial statements for the quarter ended 31 March 2020

#### 4 SUMMARY OF SIGNIFICANT ACCOUNTING POICIES (continued)

##### 4.1 Revenue recognition (continued)

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 is 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.

**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).

##### ***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.

##### 4.2 Taxation

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

Deferred income taxation is provided using the balance sheet 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.

## NATIONAL GAS COMPANY SAOG AND ITS SUBSIDIARIES

### Notes to the separated and consolidated financial statements for the quarter ended 31 March 2020

#### 4 SUMMARY OF SIGNIFICANT ACCOUNTING POICIES (continued)

##### 4.3 Property, plant and equipment

Property, plant and equipment are initially recognised at acquisition cost, including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the Group. Property, plant and equipment are subsequently measured using the cost model i.e; cost less accumulated depreciation and impairment losses, except for Land which 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 consolidated 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:

	2020	2019
	Years	Years
Buildings	20	20
Plant and equipment	5-15	5-15
Cylinders	10	10
Furniture and fixtures	5	5
Software	3	3
Tractors and trailers	5-10	5-10
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.

## NATIONAL GAS COMPANY SAOG AND ITS SUBSIDIARIES

### Notes to the separated and consolidated financial statements for the quarter ended 31 March 2020

#### 4 SUMMARY OF SIGNIFICANT ACCOUNTING POICIES (continued)

##### 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.

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 benefits 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. 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.

##### 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**

For any new contracts entered into on or after 1 January 2019, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'.



## NATIONAL GAS COMPANY SAOG AND ITS SUBSIDIARIES

### Notes to the separated and consolidated financial statements for the quarter ended 31 March 2020

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

##### 4.5 Leases (continued)

To apply this definition the Group assesses whether the contract meets three key evaluations which are whether:

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

##### ***Measurement and recognition of leases as a lessee***

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

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

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

On the balance sheet the right-of-use assets and lease liability is presented as a separate line.

##### **Group as a lessor**

The Group's accounting policy under IFRS 16 has not changed from the comparative period. As a lessor the Group classifies its leases as either operating or finance leases. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset, and classified as an operating lease if it does not.

##### 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.

## NATIONAL GAS COMPANY SAOG AND ITS SUBSIDIARIES

### Notes to the separated and consolidated financial statements for the quarter ended 31 March 2020

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

##### 4.6 Fair value measurement (continued)

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.

##### 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.

##### 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.

##### 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.

## NATIONAL GAS COMPANY SAOG AND ITS SUBSIDIARIES

### Notes to the separated and consolidated financial statements for the quarter ended 31 March 2020

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

##### 4.9 Impairment of non-financial assets (continued)

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.

##### 4.10 Cash and cash equivalents

For the purpose of separate and 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.

##### 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.

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.

##### 4.12 Provisions, contingent liabilities and contingent assets

Provisions are recognised when present obligations will probably lead to an outflow of economic resources from the Group and they can be estimated reliably. Timing or amount of the outflow may still be uncertain.

A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events, for example, legal disputes or onerous contracts. Restructuring provisions are recognised only if a detailed formal plan for the restructuring has been developed and implemented, or management has at least announced the plan's main features to those affected by it. Provisions are not recognised for future operating losses.

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

## NATIONAL GAS COMPANY SAOG AND ITS SUBSIDIARIES

### Notes to the separated and consolidated financial statements for the quarter ended 31 March 2020

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

##### 4.12 Provisions, contingent liabilities and contingent assets (continued)

Any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

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

##### 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, Mauritius and India, are UAE Dirhams, Saudi Riyal, Malaysia Ringgits (RM), US Dollars (USD) 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.

##### 4.14 Directors' remuneration

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

##### 4.15 Dividend distribution

Dividend distributions payable to equity shareholders are included in other liabilities when the dividends have been approved in a general meeting prior to the reporting date.

##### 4.16 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.

##### 4.17 Bank borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised as interest expense in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

## NATIONAL GAS COMPANY SAOG AND ITS SUBSIDIARIES

### Notes to the separated and consolidated financial statements for the quarter ended 31 March 2020

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

##### 4.18 Financial instruments

###### IFRS 9 Financial instruments

###### Recognition & Initial measurement of financial instruments

All financial assets and liabilities are initially recognised on the trade date, i.e., the date that the Group becomes a party to the contractual provisions of the instrument. A financial asset or financial liability is measured initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

###### Classification and measurement of financial assets and financial liabilities

IFRS 9 Financial Instruments introduces principle-based requirements for the classification of financial assets and liabilities. The standard contains two primary measurement categories for financial assets: amortised cost and fair value. The standard eliminates the existing IAS 39 categories of held to maturity, available for sale and loans and receivables. The classification of financial assets under IFRS 9 is generally based on the business model in which the financial asset is managed and contractual cash flow characteristics.

###### Initial recognition

###### Classification of financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income – debt instruments; fair value through other comprehensive income – equity instruments; or fair value through profit or loss account.

###### Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss account:

**Business model test:** The objective of the entity's business model is to hold the financial asset to collect the contractual cash flows (rather than to sell the instrument prior to its contractual maturity to realize its fair value changes).

**Cash flow characteristics test:** The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

###### Business model assessment

The business model reflects how the Group manages the assets in order to generate cash flows. This is whether the Group objective is solely to collect contractual cash flows from the assets or is it to collect both the contractual cash flows and cash flows arising from the sale of the assets. If neither of these are applicable then the financial assets are classified as other business model. Factors considered by the Group in determining the business model for a Group of assets includes the past experience on how the cash flows for the asset were collected, how the assets performance was evaluated by the key management personnel, how risks are assessed and managed and how managers are compensated.

###### Contractual cash flows comprise of solely payment of principal and interest

Where the Group has a business model to collect contractual cash flows, the Group assesses whether the financial instrument cash flows represents solely payments of principal and interest (SPPI). 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset. Interest is defined as consideration for time value of money and for the credit risk associated with the principal and for other basic lending risks and costs as well as a profit margin.

In making this assessment, the Group considers whether the contractual cash flows are consistent with the basic lending agreement which means the interest paid only includes the consideration for time value of money and credit risk. Financial instruments whose cash flows characteristics include elements other than time value of money and credit risk do not pass the test and are classified and measured at fair value through profit or loss.

## NATIONAL GAS COMPANY SAOG AND ITS SUBSIDIARIES

### Notes to the separated and consolidated financial statements for the quarter ended 31 March 2020

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

##### 4.18 Financial instruments (continued)

###### IFRS 9 Financial instruments (continued)

###### Classification of financial assets (continued)

###### Financial assets at fair value through other comprehensive income

Equity instrument which are not held for trading or issued as contingent consideration in business combination, and for which the Group has made an irrevocable election at initial recognition to recognise changes in fair value through other comprehensive income rather than profit or loss. This election is made on an investment-by-investment basis.

Debt instruments where the contractual cash flows are solely principal and interest and the objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets.

###### Financial assets at fair value through profit or loss accounts

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss account.

Financial assets, at initial recognition, may be designated at fair value through profit or loss, if the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognizing gains or losses on them on a different basis.

###### Financial Liabilities

Financial liabilities are classified as measured at amortised cost or fair value through profit or loss account. A financial liability is classified as at fair value through profit or loss account if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition.

Financial liabilities, at initial recognition, may be designated at fair value through profit or loss if the following criteria are met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis;
- The liabilities are part of a Group of financial liabilities which are managed and their performance evaluated on fair value basis, in accordance with a documented risk management strategy; or
- The financial liability contains an embedded derivative that would otherwise need to be separately recorded.

Financial liabilities at fair value through profit or loss account are measured at fair value and net gains and losses, including any interest expense, are recognised in the consolidated statement of comprehensive income.

###### Subsequent measurement and gain or losses

###### Financial assets at amortised cost:

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in the profit or loss account. Any gain or loss on derecognition is recognised in the consolidated statement of comprehensive income.

###### Financial assets at fair value through other comprehensive income

###### a) Debt instruments

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in the consolidated statement of profit or loss. Other net gains and losses are recognised in the statement of other comprehensive income. On derecognition, gains and losses accumulated in the consolidated statement of other comprehensive income are reclassified to the consolidated statement of profit or loss.

## NATIONAL GAS COMPANY SAOG AND ITS SUBSIDIARIES

### Notes to the separated and consolidated financial statements for the quarter ended 31 March 2020

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

##### 4.18 Financial instruments (continued)

###### IFRS 9 Financial instruments (continued)

###### Subsequent measurement and gain or losses (continued)

###### b) Equity instruments

These assets are subsequently measured at fair value. Dividends are recognised as income in the profit or loss account unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in the consolidated statement of other comprehensive income and are never reclassified to the statement of consolidated statement of profit or loss.

###### Financial liabilities

Financial liabilities are subsequently measured at amortised cost using the effective interest method, if applicable. The effective interest method is the method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the net carrying amount on initial recognition.

Interest expense and foreign exchange gains and losses are recognised in the consolidated statement of profit or loss. Any gain or loss on derecognition is also recognised in the consolidated statement of profit or loss.

###### Reclassification

###### Financial assets

The Group will only reclassify financial assets if, and only if, the objective of the business model for managing those financial assets is changed. Such changes are expected to be very infrequent as these changes must be significant to the Group's operations and demonstrable to external parties.

If the Group determines that its business model has changed in a way that is significant to its operations, then it reclassifies all affected assets prospectively from the first day of the next reporting period (the reclassification date).

###### Financial liabilities

The Group determines the classification of financial liabilities on initial recognition. Subsequent reclassification is not allowed. The Group's financial liabilities include trade payables, accruals and provisions, amounts due to the related parties, term loans and short term loan which are measured at amortised cost.

###### Modifications of financial assets and financial liabilities

###### Financial assets

If the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Group recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in the consolidated statement of profit or loss.

###### Financial liabilities

If the terms of a financial liability are modified and the cash flows of the modified liability are substantially different then, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in the consolidated statement of profit or loss.

## NATIONAL GAS COMPANY SAOG AND ITS SUBSIDIARIES

### Notes to the separated and consolidated financial statements for the quarter ended 31 March 2020

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

##### 4.18 Financial instruments (continued) IFRS 9 Financial instruments (continued)

###### Financial assets

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

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

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in the consolidated statement of other comprehensive income is recognised in the consolidated statement of profit or loss.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group’s continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

###### Financial liabilities

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

###### Impairment of financial assets

IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with an ‘expected loss’ (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets receivables, lease receivables and debt investments at FVOCI, but not on investments in equity instruments. The financial assets at amortized cost consist of trade receivables and cash at bank.

Under IFRS 9, loss allowance are measured on either of the following bases:

- 12 month ECL: these are ECLs that result from possible default events within 12 months after the reporting date; and
- Lifetime ECL: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Group measures loss allowance at an amount equal to lifetime ECLs, except for the following, which are measured as 12- month ECLs:

- Financial assets that are determined to have low credit risk at the reporting date; and
- Finance assets for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.



## NATIONAL GAS COMPANY SAOG AND ITS SUBSIDIARIES

### Notes to the separated and consolidated financial statements for the quarter ended 31 March 2020

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

##### 4.18 Financial instruments (continued) IFRS 9 Financial instruments (continued)

###### **General approach**

General approach is a 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.

###### **Significant increase in credit risk**

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held) or based on the certain delinquency period (days past due).

###### **Simplified approach**

The Group applies simplified approach to measuring credit losses, which mandates recognition of lifetime expected loss allowance for trade receivables without significant financing component. Under simplified approach, there is no need to monitor for significant increases in credit risk and the Group will be required to measure lifetime expected credit losses at all times.

###### **Measurement of ECLs:**

ECLs are a probability weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

###### **Credit-impaired financial assets**

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

###### **Write-off**

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

###### **Presentation of impairment**

Loss allowance for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. Impairment losses related to financial assets are presented separately in the consolidated statement of profit or loss and other comprehensive income.

## NATIONAL GAS COMPANY SAOG AND ITS SUBSIDIARIES

### Notes to the separated and consolidated financial statements for the quarter ended 31 March 2020

#### 5 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.

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.

##### **Taxation**

Uncertainties exist with respect to the interpretation of tax regulations and the amount and timing of future taxable income. Given the wide range of business relationships and nature of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of finalisation of tax assessments of the Group.

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 Separated and consolidated financial statements  
for the quarter ended 31 March 2020**

**6 Property, plant and equipment**

**Parent**

	<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 RO</i>	<i>Total RO</i>
<b>Cost/valuation</b>									
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	-	-	-	-	-	-	-	-	-
<b>At 31 March 2019</b>	<b>3,190,000</b>	<b>2,540,592</b>	<b>3,291,722</b>	<b>1,800,177</b>	<b>159,108</b>	<b>378,419</b>	<b>142,910</b>	<b>44,381</b>	<b>11,547,309</b>
At 1 January 2020	3,940,000	2,556,372	3,357,826	1,822,463	160,067	396,691	170,535	91,340	12,495,294
Additions	-	2,315	370	700	-	7,546	-	13,599	24,530
Revaluation	-	-	-	-	-	-	-	-	-
Reclassification	-	-	-	-	-	-	-	-	-
Disposals	-	-	(402)	(80,449)	-	-	-	-	(80,851)
<b>At 31 March 2020</b>	<b>3,940,000</b>	<b>2,558,687</b>	<b>3,357,794</b>	<b>1,742,714</b>	<b>160,067</b>	<b>404,237</b>	<b>170,535</b>	<b>104,939</b>	<b>12,438,973</b>
<b>Accumulated depreciation</b>									
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 year	-	18,524	28,215	18,550	4,130	11,434	1,525	-	82,378
Reclassification	-	(47)	(365)	461	(192)	143	(1)	-	-
Disposals	-	-	-	-	-	-	-	-	-
<b>At 31 March 2019</b>	<b>-</b>	<b>1,828,600</b>	<b>2,699,079</b>	<b>1,417,575</b>	<b>149,815</b>	<b>293,230</b>	<b>134,118</b>	<b>-</b>	<b>6,522,418</b>
At 1 January 2020	-	1,884,444	2,762,285	1,473,169	155,687	325,219	141,062	-	6,741,866
Charge for the year	-	18,731	28,849	17,018	1,509	9,937	2,957	-	79,001
Reclassification	-	-	-	-	-	-	-	-	-
Disposals	-	-	(263)	(63,804)	-	-	-	-	(64,067)
<b>At 31 March 2020</b>	<b>-</b>	<b>1,903,175</b>	<b>2,790,871</b>	<b>1,426,383</b>	<b>157,196</b>	<b>335,156</b>	<b>144,019</b>	<b>-</b>	<b>6,756,800</b>
<b>Net Book Value (NBV)</b>									
<b>At 31 March 2020</b>	<b>3,940,000</b>	<b>655,512</b>	<b>566,923</b>	<b>316,331</b>	<b>2,871</b>	<b>69,081</b>	<b>26,516</b>	<b>104,939</b>	<b>5,682,173</b>
At 31 March 2019	3,190,000	711,992	592,643	382,601	9,293	85,189	8,792	44,381	5,024,891

The Company's land building and plant and equipment with a carrying amount of RO 5.16 million (2019: RO 4.49 million) are pledged as securities for borrowings.

During the year 2019, Company carried out its revaluation of land by an Independent valuer resulting in the revaluation surplus of RO 0.75 million (2018: Nil).

**NATIONAL GAS COMPANY SAOG AND ITS SUBSIDIARIES**

**Notes to the Separated and consolidated financial statements  
for the quarter ended 31 March 2020**

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

<b>Group</b>	<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 RO</i>
<b>Cost / valuation</b>									
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
Exchange difference	31,378	1,333	180,601	-	2,716	7,439	-	122,810	11,728
Additions	-	-	9,285	-	-	631	-	-	507,073
Disposals	-	-	-	-	-	-	-	-	-
Transfers	-	(1,000)	131,865	(1,313)	-	3,598	(65)	387,715	(520,800)
<b>At 31 March 2019</b>	<b>5,498,419</b>	<b>2,931,026</b>	<b>17,343,658</b>	<b>1,996,206</b>	<b>491,634</b>	<b>994,441</b>	<b>143,416</b>	<b>9,409,519</b>	<b>897,352</b>
<b>Cost / valuation</b>									
At 1 January 2020	6,559,712	2,907,849	17,799,010	2,030,810	497,639	1,038,954	171,038	10,413,749	940,653
Exchange difference	(129,902)	(1,278)	(685,014)	-	(10,195)	(28,489)	(5)	(512,576)	(96,630)
Additions	-	2,315	959	132,368	-	7,836	-	-	1,034,484
Disposals	-	-	(402)	(80,449)	-	-	-	-	-
Write Off	-	-	-	-	-	-	-	-	-
Reclassification	-	-	199	86,470	(64,225)	(7,933)	9,788	(191)	-
Transfer to Right of Use Assets	-	-	-	-	-	-	-	-	-
Transfers	62,335	-	190,679	-	-	20,731	-	214,166	(487,911)
<b>At 31 March 2020</b>	<b>6,492,145</b>	<b>2,908,886</b>	<b>17,305,431</b>	<b>2,169,199</b>	<b>423,219</b>	<b>1,031,099</b>	<b>180,821</b>	<b>10,115,148</b>	<b>1,390,596</b>

NGC Energy Malaysia's property, plant and equipment with a carrying amount of RM185,241,792 (2019: RM189,365,507) are pledged as security for the borrowi

*Total  
RO*

38,830,677  
358,006  
516,989

-  
-

**39,705,672**

42,359,414  
(1,464,089)  
1,177,962  
(80,851)

-  
-

24,108

-  
-

**42,016,544**

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**NATIONAL GAS COMPANY SAOG AND ITS SUBSIDIARIES**

**Notes to the Separated and consolidated financial statements  
for the quarter ended 31 March 2020**

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

**Group**

	<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 RO</i>	<i>Total RO</i>
<b>Accumulated depreciation</b>										
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	-	-	-	-	-	-	-	-	-	-
<b>At 31 March 2019</b>	<b>18,530</b>	<b>1,916,650</b>	<b>7,768,091</b>	<b>1,421,113</b>	<b>310,239</b>	<b>742,888</b>	<b>131,989</b>	<b>3,586,325</b>	<b>-</b>	<b>15,895,824</b>
<b>Accumulated depreciation</b>										
At 1 January 2020	-	1,999,505	8,540,948	1,480,442	334,105	821,555	140,841	4,333,112	-	17,650,508
Exchange difference on translation	-	(467)	(279,814)	-	(2,793)	(22,484)	-	(220,837)	-	(526,395)
Charge for the year	-	35,587	273,447	23,804	8,132	28,513	3,627	258,142	-	631,252
Write Off	-	-	-	-	-	-	-	-	-	-
Reclassification	-	-	199	86,470	(64,225)	(7,933)	9,788	(191)	-	24,108
Transfer to Right of Use Assets	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	(263)	(63,804)	-	-	-	-	-	(64,067)
<b>At 31 March 2020</b>	<b>-</b>	<b>2,034,625</b>	<b>8,534,517</b>	<b>1,526,912</b>	<b>275,219</b>	<b>819,651</b>	<b>154,256</b>	<b>4,370,226</b>	<b>-</b>	<b>17,715,406</b>
<b>Carrying value</b>										
<b>At 31 March 2020</b>	<b>6,492,145</b>	<b>874,261</b>	<b>8,770,914</b>	<b>642,287</b>	<b>148,000</b>	<b>211,448</b>	<b>26,565</b>	<b>5,744,922</b>	<b>1,390,596</b>	<b>24,301,138</b>
<b>At 31 March 2019</b>	<b>5,479,889</b>	<b>1,014,376</b>	<b>9,575,567</b>	<b>575,093</b>	<b>181,395</b>	<b>251,553</b>	<b>11,427</b>	<b>5,823,194</b>	<b>897,352</b>	<b>23,809,846</b>

## NATIONAL GAS COMPANY SAOG AND ITS SUBSIDIARIES

### Notes to the Separated and consolidated financial statements for the quarter ended 31 March 2020

#### 7 RIGHT OF USE ASSET

The carrying amounts of right-of-use assets recognised and the movements during the year are as follows:

	Parent		Group	
	2020 RO	2019 RO	2020 RO	2019 RO
Opening balance	324,644	-	4,682,920	-
Depreciation	(15,256)	-	(284,094)	-
<b>At 31 March</b>	<b>309,388</b>	<b>-</b>	<b>4,398,826</b>	<b>-</b>

#### 8 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVTOCI)

	Parent		Group	
	2020 RO	2019 RO	2020 RO	2019 RO
At 1 January	875,777	1,096,075	875,777	1,096,075
Disposals	-	-	-	-
Fair value changes	(93,239)	(98,812)	(93,239)	(98,812)
<b>Balance as at 31 March</b>	<b>782,538</b>	<b>997,263</b>	<b>782,538</b>	<b>997,263</b>

Investments at FVTOCI can be analysed based on sectors as below:

	Parent and Group		Parent and Group	
	Cost	Fair value	Cost	Fair value
	2020 RO	2020 RO	2019 RO	2019 RO
Insurance	24,407	55,824	27,511	70,737
Industrial	40,000	43,400	40,000	50,800
Investment	14,143	160,483	14,143	157,617
Banking	159,541	146,497	125,984	170,873
Telecommunication	32,811	11,800	24,100	12,240
Services	323,640	364,534	374,245	534,996
<b>Balance as at 31 March</b>	<b>594,542</b>	<b>782,538</b>	<b>605,983</b>	<b>997,263</b>

#### 9 INVESTMENT IN SUBSIDIARIES

	2020	2019
	RO	RO
Innovative Energy Holdings Mauritius Ltd	8,809,704	9,464,204
NGC Energy Saudi LLC	257,492	257,492
NGC Energy LLC	31,527	31,527
Arabian Oil LLC	82,105	82,105
NGC Energy India Pvt Ltd	2,251,062	1,334,999
NGC Central Gas Systems LLC	21,053	21,053
<b>Balance as at 31 March</b>	<b>11,452,943</b>	<b>11,191,380</b>

The ownership interest in subsidiaries are as under:

	Country of incorporation	Ownership interest (%)	
		2020	2019
NGC Energy LLC	UAE	49	49
NGC Central Gas Systems LLC	UAE	49	49
Arabian Oil LLC	UAE	49	49
NGC Energy Saudi LLC	KSA	100	100
Innovative Energy Holdings Mauritius Ltd	Mauritius	100	100
NGC Energy India Pvt Ltd	India	60	100



## NATIONAL GAS COMPANY SAOG AND ITS SUBSIDIARIES

### Notes to the Separated and consolidated financial statements for the quarter ended 31 March 2020

#### 9 INVESTMENT IN SUBSIDIARIES (continued)

##### 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 14% per annum (2019: 14%). The Company believe that an average growth rate of nil (2019: Nil) per annum is reasonable for cash flow projection purposes as it is determined based on expectations of future changes in the market.

Below is the carrying amount of Goodwill :

	2020 RO	2019 RO
Balance at 1 January	7,929,183	7,840,565
Effect of movements in exchange	(393,177)	108,043
<b>Balance as at 31 March</b>	<b>7,536,006</b>	<b>7,948,608</b>

##### 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. The Company has followed the amortization policy to amortize the licence in 5 years.

#### 10 OTHER INVESTMENTS

	Parent		Group	
	2020 RO	2019 RO	2020 RO	2019 RO
Unigaz LLC - Note a	75,000	75,000	671,581	672,433
NGC Buzwair LLC - Note b	-	90,265	-	90,265
<b>Balance as at 31 March</b>	<b>75,000</b>	<b>165,265</b>	<b>671,581</b>	<b>762,698</b>

##### 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.

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

	2020 RO	2019 RO
Share of joint venture's statement of financial position:		
Current assets	582,077	582,690
Non-current assets	311,199	340,912
Current liabilities	(142,809)	(125,916)
Non-current liabilities	(78,886)	(125,254)
	<b>671,581</b>	<b>672,432</b>
Statement of income:		
Revenue	444,746	419,101
Profit before tax and total comprehensive income	28,532	20,199
Profit attributable to Group – includes	12,127	10,100

##### 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 completed in 2019.

**NATIONAL GAS COMPANY SAOG AND ITS SUBSIDIARIES**

**Notes to the Separated and consolidated financial statements  
for the quarter ended 31 March 2020**

**11 INVENTORIES**

	Parent		Group	
	2020 RO	2019 RO	2020 RO	2019 RO
LPG	109,029	170,894	475,301	659,497
Finished goods	163,774	153,818	179,882	239,878
Cylinders and accessories	35,024	27,276	35,024	29,403
Plant and other spares	126,554	80,604	200,258	146,275
Project inventory	85,137	102,715	203,772	186,089
Work in progress	957	-	957	-
<b>Balance as at 31 March</b>	<b>520,475</b>	<b>535,307</b>	<b>1,095,194</b>	<b>1,261,142</b>

**12 TRADE AND OTHER RECEIVABLES**

	Parent		Group	
	2020 RO	2019 RO	2020 RO	2019 RO
Trade receivables	2,302,282	2,043,765	7,684,200	7,617,879
Less: allowance for impairment of receivables	(211,883)	(129,434)	(448,776)	(129,434)
	<b>2,090,399</b>	<b>1,914,331</b>	<b>7,235,424</b>	<b>7,488,445</b>
Advance for purchases	35,488	195,952	289,090	297,401
Claims for Government subsidy	-	-	3,936,340	3,590,714
GST refund	-	-	184,872	473,493
Due from related parties (note 26)	1,950,107	1,706,517	-	-
Advances to related parties (note 26)	1,181,652	1,098,054	-	1,739
Accrued income	-	115,873	252,132	121,924
Other receivables	374,564	333,280	774,172	629,976
Prepayments	5,801	5,057	215,576	1,018,112
Tax paid under appeal	17,006	17,006	17,006	17,006
Deposits	-	-	83,373	88,308
<b>Balance as at 31 March</b>	<b>5,655,017</b>	<b>5,386,070</b>	<b>12,987,985</b>	<b>13,727,118</b>

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

	Parent		Group	
	2020 RO	2019 RO	2020 RO	2019 RO
At 1 January,	211,883	129,434	510,209	129,434
Add: provided during the year	-	-	(61,433)	-
Less: recovered	-	-	-	-
Less: written off	-	-	-	-
<b>Balance as at 31 March</b>	<b>211,883</b>	<b>129,434</b>	<b>448,776</b>	<b>129,434</b>

**13 CASH AND CASH EQUIVALENTS**

	Parent		Group	
	2020 RO	2019 RO	2020 RO	2019 RO
Cash in hand	29,726	23,655	36,450	24,404
Cash at banks				
- current accounts	123,556	250,857	3,977,970	7,445,896
- call deposit accounts	-	-	-	-
<b>Cash and bank balances</b>	<b>153,282</b>	<b>274,512</b>	<b>4,014,420</b>	<b>7,470,300</b>
Bank overdrafts	(613,532)	(1,299,238)	(613,532)	(1,301,340)
<b>Balance as at 31 March</b>	<b>(460,250)</b>	<b>(1,024,726)</b>	<b>3,400,888</b>	<b>6,168,960</b>

## NATIONAL GAS COMPANY SAOG AND ITS SUBSIDIARIES

### Notes to the Separated and consolidated financial statements for the quarter ended 31 March 2020

#### 13 CASH AND CASH EQUIVALENTS (continued)

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

#### 14 SHARE CAPITAL

The authorised share capital comprises 120,000,000 shares of RO 0.100 each (2019: 120,000,000 of RO 0.100 each). The issued and fully paid-up share capital is RO 8,500,000 comprising 85,000,000 shares of RO 0.100 each (2019: 80,000,000 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	
	2020	2019	2020	2019
A' Sharqiya Investments SAOG	<b>12,167,187</b>	10,020,038	<b>14.31</b>	14.31
Public Authority of Social Insurance	<b>8,787,034</b>	7,236,382	<b>10.34</b>	10.34

The Board of Directors have recommended issue of bonus shares equivalent to 1 share for each 16 shares held on 31 December 2019 (2018 : 1 share for every 7 shares held) in order to increase the share capital of the Parent company to RO 8,500,000 (2018 : 8,000,000). As per the CMA guidelines the company has distributed the Dividend and the Bonus Shares. The Authority has confirmed increasing the Paid up Capital of the company. The ratification will be submitted to the Shareholders for approval in the Annual General Meeting of the Company .

#### 15 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	(13,506)
Share premium balance	4,265,880
Transfer to legal reserve during 2014 (note 12)	(478,248)
Bonus share 2018	(1,000,000)
Bonus share 2019	(1,000,000)
<b>Balance as at 31 March 2020</b>	<b>1,787,632</b>

#### 16 LEGAL RESERVE

As required by the Commercial Companies Law of the Sultanate of Oman, the Parent Company transfers 10% of its profit for the quarter 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 year ended, the Parent Company has transferred RO 7,736 towards legal reserve representing 10% of profit for the period till March 2020 (2019: RO 6,088).

#### 17 OTHER RESERVES

- (i) Other reserves include a general reserve for the Parent Company, which is created in accordance with 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 reserve is distributable reserve.
- (ii) Other reserves also include statutory reserve from NGC Energy LLC for RO 7,895, Arabian Oil for RO 3,626, NGC CGS for RO 1,875 and NGC Energy SDN BHD for RO 214,331.

#### 18 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.

## NATIONAL GAS COMPANY SAOG AND ITS SUBSIDIARIES

### Notes to the Separated and consolidated financial statements for the quarter ended 31 March 2020

#### 19 DIVIDENDS

The Board of Directors have recommended a cash dividend in respect of the year 2019 of RO 0.0125 per share (2018 : RO 0.005 per share) amounting to RO 1,000,000 (2018 : RO 350,000). As per the CMA guidelines the company has distributed the Dividend and the Bonus Shares. The Authority has confirmed increasing the Paid up Capital of the company. The ratification will be submitted to the Shareholders for approval in the Annual General Meeting of the Company .

#### 20 TERM LOAN AND BORROWINGS

During May 2012, the Company entered into a facility agreement with a bank to finance the acquisition of Shell Malaysia's LPG business through their subsidiary in Malaysia.

	Parent		Group	
	2020	2019	2020	2019
	RO	RO	RO	RO
<b>Non Current</b>				
Islamic Term Loan 1	-	-	-	2,066,447
Term Loan 2	<b>2,266,069</b>	1,350,000	<b>2,266,069</b>	1,350,000
<b>Total</b>	<b>2,266,069</b>	1,350,000	<b>2,266,069</b>	3,416,447
Current portion of term Loan 1	-	-	-	-
Current portion of Islamic term Loan 2	-	-	-	(2,066,447)
<b>Current portion</b>	-	-	-	(2,066,447)
<b>Non-current portion</b>	<b>2,266,069</b>	1,350,000	<b>2,266,069</b>	1,350,000

##### Term loan 1 - 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 loan has been completely repaid in 2019.

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

	2020	2019
	%	%
Islamic term loan	-	5.34
Revolving credits	<b>5.44</b>	5.44

##### Term loan 2

The Parent Company availed term loan of RO 1,350,000 (in Nov 2018), RO 267,595 (in Nov 2019) and RO 648,474 (in Feb 2020) 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:

##### Short-term loan

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

##### Term loan 2 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.

**NATIONAL GAS COMPANY SAOG AND ITS SUBSIDIARIES**

**Notes to the Separated and consolidated financial statements  
for the quarter ended 31 March 2020**

**20 TERM LOAN AND BORROWINGS (continued)**

**Reconciliation of movements of liabilities to cash flows arising from financing activities**

	Parent		Group	
	Bank Overdrafts	Loans and Borrowings	Bank Overdrafts	Loans and Borrowings
Balance at 1 January 2020	215,441	4,688,340	215,441	13,145,086
- Proceeds from loan and borrowings	-	648,474	-	648,474
- Repayment of loan and borrowings	-	(531,364)	-	(504,178)
- Change in bank overdraft	398,091	-	398,091	-
<b>Balance as at 31 March 2020</b>	<b>613,532</b>	<b>4,805,450</b>	<b>613,532</b>	<b>13,289,382</b>

	Parent		Group	
	Bank Overdrafts	Loans and Borrowings	Bank Overdrafts	Loans and Borrowings
Balance at 1 January 2019	1,777,210	3,449,594	1,777,210	15,688,068
- Proceeds from loan and borrowings	-	1,369,780	-	1,559,099
- Repayment of loan and borrowings	-	-	-	-
- Change in bank overdraft	(477,972)	-	(475,870)	-
<b>Balance as at 31 March 2019</b>	<b>1,299,238</b>	<b>4,819,374</b>	<b>1,301,340</b>	<b>17,247,167</b>

**21 LEASE LIABILITIES**

	Parent Company	Group
	31 Mar 2020 RO	31 Mar 2020 RO
Current	36,047	304,363
Non-current	268,182	2,070,830
	<b>304,229</b>	<b>2,375,193</b>

	Within one year	1-2 years	2-3 years	3-4 years	4-5 years	After 5 years	Total
	Minimum lease payments due						
<b>December 31, 2019</b>							
Lease payments	80,468	36,908	40,877	41,695	42,529	225,753	468,230
Finance charges	18,260	15,803	14,218	12,721	11,096	26,079	98,178
<b>Net present values</b>	<b>98,728</b>	<b>52,711</b>	<b>55,095</b>	<b>54,416</b>	<b>53,625</b>	<b>251,832</b>	<b>566,407</b>

**22 ACCRUAL FOR STAFF TERMINAL BENEFITS**

	Parent		Group	
	2020 RO	2019 RO	2020 RO	2019 RO
At 1 January	<b>326,295</b>	275,399	<b>402,733</b>	334,639
Charge for the year	<b>23,617</b>	29,563	<b>29,898</b>	43,688
Payment made during the year	<b>(1,349)</b>	(1,173)	<b>(1,348)</b>	(9,720)
<b>Balance as at 31 March</b>	<b>348,563</b>	303,789	<b>431,283</b>	368,607

**23 ACCOUNTS PAYABLE AND ACCRUALS**

	Parent		Group	
	2020 RO	2019 RO	2020 RO	2019 RO
Trade creditors	<b>202,481</b>	371,543	<b>2,416,611</b>	1,236,517
Directors' remuneration	<b>20,800</b>	14,100	<b>20,800</b>	14,100
Accrued expenses	<b>944,808</b>	766,225	<b>2,712,575</b>	2,671,173
Other creditors	<b>123,292</b>	109,999	<b>1,519,886</b>	1,405,035
Amount due to related parties	<b>110,809</b>	126,185	-	381,016
<b>Balance as at 31 March</b>	<b>1,402,190</b>	1,388,052	<b>6,669,872</b>	5,707,841

## NATIONAL GAS COMPANY SAOG AND ITS SUBSIDIARIES

### Notes to the Separated and consolidated financial statements for the quarter ended 31 March 2020

#### 24 SHORT TERM LOANS

	Parent		Group	
	2020 RO	2019 RO	2020 RO	2019 RO
Revolving credits	-	-	<b>8,483,932</b>	10,361,346
Short term loan	<b>2,539,381</b>	3,469,374	<b>2,539,381</b>	3,469,374
<b>Balance as at 31 March</b>	<b>2,539,381</b>	3,469,374	<b>11,023,313</b>	13,830,720

Short term loans are unsecured from commercial banks and carry interest ranging from 4% to 5.5% (2019: 4% to 5.5%) per annum.

#### 25 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:

	Parent		Group	
	2020 RO	2019 RO	2020 RO	2019 RO
Net assets (RO)	<b>16,471,371</b>	15,278,323	<b>20,114,088</b>	19,812,137
Number of shares outstanding at 31 March 2020	<b>85,000,000</b>	85,000,000	<b>85,000,000</b>	85,000,000
Net assets per share (RO)	<b>0.194</b>	0.180	<b>0.237</b>	0.233

#### 26 RELATED PARTY BALANCES AND 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 year ended 31 March 2020 are as follows:

	Parent		Group	
	2020 RO	2019 RO	2020 RO	2019 RO
Amount due from subsidiaries and associate – short term	<b>1,950,107</b>	1,706,517	-	-
Advance to subsidiaries	<b>1,181,652</b>	1,098,054	-	1,739
Due from related parties	-	-	-	-
Amount due to related parties	<b>110,809</b>	126,185	-	381,016
Short term	-	877,983	-	877,983
Term loans	-	331,955	-	331,955

Transactions with related parties during the year were as follows:

	Parent		Group	
	2020 RO	2019 RO	2020 RO	2019 RO
Sales to subsidiaries	<b>620,561</b>	678,306	-	-
Rental and other income	<b>26,875</b>	15,262	-	-
Expenses paid	<b>35,705</b>	42,837	-	-
Finance cost	-	67,720	-	-
Other expenses	<b>10,938</b>	-	-	-

**NATIONAL GAS COMPANY SAOG AND ITS SUBSIDIARIES**

**Notes to the Separated and consolidated financial statements  
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**26 RELATED PARTY BALANCES AND TRANSACTIONS (continued)**

**Compensation of key management personnel**

Key management personnel are those persons having direct authority and responsibility for planning, directing and controlling the activities of the Group.

Notes	Parent		Group	
	2020 RO	2019 RO	2020 RO	2019 RO
Senior management remuneration	<b>71,865</b>	67,425	<b>236,187</b>	229,503
Directors' remuneration and sitting fees	<b>20,000</b>	20,000	<b>57,479</b>	48,521

**27 REVENUE**

Notes	Parent		Group	
	2020 RO	2019 RO	2020 RO	2019 RO
<b>Revenue from contracts with customers</b>				
Sale of LPG	<b>2,586,486</b>	2,457,148	<b>19,251,046</b>	18,364,370
Project income	<b>55,752</b>	93,228	<b>327,541</b>	228,815
NC+ and other industrial gas cost	<b>104,560</b>	94,923	<b>427,983</b>	538,099
Lubricant sales	<b>132,803</b>	25,647	<b>132,803</b>	25,647
Other income	<b>33,242</b>	21,362	<b>1,422</b>	1,064
Sale of new empty LPG cylinders and accessories	<b>32,319</b>	23,788	<b>32,319</b>	23,788
	<b>2,945,162</b>	2,716,096	<b>20,173,114</b>	19,181,783
<b>Revenue from other sources</b>				
Vehicle hire charges and rental income	<b>5,746</b>	7,685	<b>7,670</b>	9,650
	<b>5,746</b>	7,685	<b>7,670</b>	9,650

**28 COST OF SALES**

Notes	Parent		Group	
	2020 RO	2019 RO	2020 RO	2019 RO
Opening stock	<b>121,260</b>	169,357	<b>457,357</b>	660,382
Local purchases	<b>1,817,028</b>	1,698,399	<b>13,607,382</b>	14,095,782
Imports	-	-	<b>1,936,604</b>	-
Closing stock	<b>(109,029)</b>	(170,894)	<b>(475,301)</b>	(659,497)
	<b>1,829,259</b>	1,696,862	<b>15,526,042</b>	14,096,667
<b>Other direct expenses:</b>				
Direct labour	<b>30.1 355,602</b>	320,960	<b>571,498</b>	539,462
Project costs	<b>11,203</b>	69,786	<b>186,351</b>	168,387
Fuel and maintenance expenses	<b>113,012</b>	81,037	<b>530,577</b>	562,165
Depreciation	<b>66,081</b>	67,848	<b>579,732</b>	566,262
Depreciation on right of use assets	<b>8,648</b>	-	<b>117,113</b>	-
Other direct expenses	<b>56,304</b>	47,447	<b>298,511</b>	421,406
NC+ and other industrial gas cost	<b>51,491</b>	44,756	<b>322,666</b>	431,278
Lubricant cost	<b>120,157</b>	14,710	<b>120,157</b>	14,710
Insurance	<b>30,344</b>	32,136	<b>43,845</b>	44,239
Cost of cylinders sold	<b>28.1 29,771</b>	20,351	<b>29,771</b>	20,351
Fuel and transportation expenses	<b>23,583</b>	20,845	<b>26,109</b>	28,569
Electricity expenses	<b>3,862</b>	3,282	<b>14,690</b>	13,434
Lease rent	<b>1,386</b>	11,175	<b>29,079</b>	52,179
	<b>2,700,703</b>	2,431,195	<b>18,396,141</b>	16,959,109

**28.1 Cost of cylinders**

Opening stock	<b>32,374</b>	11,525	<b>32,374</b>	11,525
Purchases of new cylinder	<b>23,037</b>	26,718	<b>23,037</b>	26,718
Closing stock	<b>(25,640)</b>	(17,892)	<b>(25,640)</b>	(17,892)
	<b>29,771</b>	20,351	<b>29,771</b>	20,351

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29 ADMINISTRATIVE EXPENSES

	Note	Parent		Group	
		2020 RO	2019 RO	2020 RO	2019 RO
Employee related costs	30.1	160,345	149,161	474,631	475,743
Office expenses		41,530	28,706	96,935	91,551
Directors' remuneration and sitting fees		20,000	20,000	57,479	48,521
Communication expenses		13,797	15,782	45,058	39,153
Depreciation		12,920	14,528	51,520	56,342
Professional charges		10,415	5,582	60,191	144,221
Depreciation on right of use assets		6,607	-	25,639	-
Repairs and maintenance		3,285	3,454	3,563	3,747
Marketing and publicity expenses		16,311	2,971	21,725	37,548
Printing and stationery		1,824	2,437	4,585	7,791
General expenses		1,633	1,203	11,956	14,444
Business travel expenses		1,065	914	19,913	18,834
Withholding tax		608	-	608	-
Advertisement		5,049	-	5,049	-
Write-off of capital work in progress		-	-	-	-
Rent expense		-	7,671	24,360	33,685
Donations		-	-	-	298
Transportation cost		-	-	451,279	423,546
Insurance		-	-	16,517	18,005
		<b>295,389</b>	<b>252,409</b>	<b>1,371,008</b>	<b>1,413,429</b>

30 EMPLOYEES COSTS

	Parent		Group	
	2020 RO	2019 RO	2020 RO	2019 RO
Wages and salaries	403,439	363,886	795,484	753,717
Other employee benefit cost	70,503	58,924	199,975	197,919
Social security cost	18,388	17,748	20,772	19,881
Provision for staff terminal benefits	23,617	29,563	29,898	43,688
	<b>515,947</b>	<b>470,121</b>	<b>1,046,129</b>	<b>1,015,205</b>

30.1 Allocation of employees cost

	Parent		Group	
	2020 RO	2019 RO	2020 RO	2019 RO
<b>Allocation of employee cost into:</b>				
Cost of sales (Note 28)	355,602	320,960	571,498	539,462
Administrative expenses (Note 29)	160,345	149,161	474,631	475,743
	<b>515,947</b>	<b>470,121</b>	<b>1,046,129</b>	<b>1,015,205</b>

31 OTHER INCOME - net

	Parent		Group	
	2020 RO	2019 RO	2020 RO	2019 RO
Interest income	58,241	45,168	25,486	21,622
Dividend income	60,276	59,066	60,276	59,066
Miscellaneous income	81,752	2,138	130,976	27,684
	<b>200,269</b>	<b>106,372</b>	<b>216,738</b>	<b>108,372</b>

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



## NATIONAL GAS COMPANY SAOG AND ITS SUBSIDIARIES

### Notes to the Separated and consolidated financial statements for the quarter ended March 31, 2020

#### 32 INCOME TAX

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

The tax rate applicable to all taxable entities of the Group ranges between from 15% to 24% (2019: 15% to 24%). For the purpose of determining the tax expense for the year, the accounting profit of each individual legal entity has been adjusted for tax purposes. Adjustments for tax purposes include items relating to both income and expense.

The tax returns of the Company for the years 2017 and 2018 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 Parent Company's financial position as at 31 March 2020.

Current income tax is calculated at the Malaysian statutory tax rate of 24% (2019: 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 2020.

#### 33 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.

	Parent		Group	
	2020 RO	2019 RO	2020 RO	2019 RO
Profit for the year ended (RO)	<b>86,399</b>	60,880	<b>153,092</b>	293,638
Weighted average number of shares	<b>85,000,000</b>	85,000,000	<b>85,000,000</b>	85,000,000
Basic and diluted earnings per share (RO)	<b>0.001</b>	<b>0.001</b>	<b>0.002</b>	0.003

Earnings per share (basic and diluted) have been derived by dividing the profit for the Year attributable to the shareholders by the weighted average number of shares outstanding. As there are no dilutive potential shares, the diluted earnings per share is identical to the basic earnings per share. For the purpose of earning per share calculation, the Parent Company has restated the previous year weighted average number of shares outstanding to include the bonus shares.

#### 34 SEGMENT REPORTING

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

##### Geographic information Revenues from external customers

	2020 RO	2019 RO
Oman	<b>2,339,404</b>	2,035,351
Other GCC countries	<b>1,966,013</b>	3,163,384
Asia	<b>15,875,367</b>	13,992,698
	<b>20,180,784</b>	19,191,433

**NATIONAL GAS COMPANY SAOG AND ITS SUBSIDIARIES**

**Notes to the Separated and consolidated financial statements  
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**35 COMMITMENTS**

		Parent		Group	
	Note	2020 RO	2019 RO	2020 RO	2019 RO
Capital commitments	36.1	<b>48,699</b>	78,954	<b>753,438</b>	4,036,119
Performance guarantees	36.2	<b>1,715,264</b>	1,210,594	<b>1,715,264</b>	1,210,594

## NATIONAL GAS COMPANY SAOG AND ITS SUBSIDIARIES

### Notes to the Separated and consolidated financial statements for the quarter ended March 31, 2020

#### 35 COMMITMENTS (continued)

36.1 This relates to the various expenditure to be incurred on the development of Property, plant and equipment.

36.2 Bank guarntess are provided by the scheduled banks on behalf of the Parent Company for the various related party transactions initiated by the Parent Company and its related parties.

#### 36 CONTINGENCIES

36.1 The former employee of the Parent Company has filed a suit in the previous years for the payment of his incentives pertaining to year the 2013 amounted to RO 144,663. The Court passed the judgement in favour of the employee and ordered the Parent Company to settle the aforementioned amount. The Parent Company has filed an appeal in the Supreme Court for stay of the said order. Supreme Court granted stay for the order and the decision is still pending in the Court.

36.2 During the year 2019, Solar Gas Sdn Bhd ("Solar Gas") had filed a suit at the High Court of Kuala Lumpur against one subsidiary of the Company for inter-alia the following reliefs:

- i) an injunction compelling the Company, its agents and/or the servants to return 83,956 LPG gas cylinders to Solar Gas within 14 days from the date of the Order; or
- ii) in the alternative, the Company to pay Solar Gas a sum of RM8,019,018;
- iii) damages for loss of profit to be assessed by the High Court;
- iv) interest at the rate of 5% per annum on the sum of RM8,019,018 from 30 August 2019 to the date of satisfaction of Judgement Sum;
- v) damages for conversion; and
- (vi) cost of the claim.

The Subsidiary, upon consultation with the solicitor, is of the view that it has good defence to the claims made by Solar Gas.

36.3 At 31 March 2020 the Group had contingent liabilities in respect of guarantees arising in the ordinary course of business from which it is anticipated that no material liabilities will arise amounting to RO 1,715,264 (2019: RO 1,210,594).

#### 37 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.

## NATIONAL GAS COMPANY SAOG AND ITS SUBSIDIARIES

### Notes to the Separated and consolidated financial statements for the quarter ended March 31, 2020

#### 37 RISK MANAGEMENT (continued)

##### (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.

##### Trade and other receivables

The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a life-time 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 2019 or 1 January 2019 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.

## NATIONAL GAS COMPANY SAOG AND ITS SUBSIDIARIES

### Notes to the Separated and consolidated financial statements for the quarter ended March 31, 2020

#### 37 RISK MANAGEMENT (continued)

##### (a) Credit risk (continued)

###### Balances with banks

The Group limits its exposure to credit risk by placing balances with international and local banks. Given the profile of its bankers, management does not expect any counter party to fail to meet its obligations. The bank balances are held with the banks and financial institutions of repute.

Impairment of cash and cash equivalents has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

##### (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.

###### Parent

	Carrying amount RO	Contractual Cash Flows Less than one year RO	2 – 5 Years RO
<b>31 March 2020</b>			
Trade creditors	202,481	202,481	-
Other payables	123,292	123,292	-
Accrued expenses	944,808	944,808	-
Term loans	2,266,069	-	2,266,069
Short term loan	2,539,381	2,539,381	-
Directors' remuneration	20,800	20,800	-
Bank overdraft	613,532	613,532	-
Due to related party	52,632	52,632	-
	<b>6,096,831</b>	<b>3,830,762</b>	<b>2,266,069</b>

	Carrying amount RO	Contractual Cash Flows Less than one year RO	2 – 5 Years RO
<b>31 March 2019</b>			
Trade creditors	371,543	371,543	-
Other payables	109,999	109,999	-
Accrued expenses	766,225	766,225	-
Term loans	1,350,000	422,000	928,000
Short term loan	3,469,374	3,469,374	-
Directors' remuneration	14,100	14,100	-
Bank overdraft	1,299,238	1,299,238	-
	<b>7,380,479</b>	<b>6,452,479</b>	<b>928,000</b>

## NATIONAL GAS COMPANY SAOG AND ITS SUBSIDIARIES

### Notes to the Separated and consolidated financial statements for the quarter ended March 31, 2020

#### 37 RISK MANAGEMENT (continued)

##### (b) Liquidity risk

###### Group

	Carrying amount RO	Contractual Cash Flows	
		Less than one year RO	2 – 5 Years RO
<b>31 March 2020</b>			
Trade creditors	2,416,611	2,416,611	-
Other payables	1,519,886	1,519,886	-
Accrued expenses	2,712,575	2,712,575	-
Term loans	2,266,069	-	2,266,069
Short term loan	2,539,381	2,539,381	-
Directors' remuneration	20,800	20,800	-
Bank overdraft	613,532	613,532	-
	<b>12,088,854</b>	<b>9,822,785</b>	<b>2,266,069</b>

	Carrying amount RO	Contractual Cash Flows	
		Less than one year RO	2 – 5 Years RO
<b>31 March 2019</b>			
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	2,066,447	1,350,000
Short term loan	3,469,374	3,469,374	-
Directors' remuneration	14,100	14,100	-
Bank overdraft	1,299,238	1,299,238	-
	<b>13,511,884</b>	<b>12,161,884</b>	<b>1,350,000</b>

##### (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 27,828 (2019 : RO 20,031)

##### (e) Sovereign risk

The LPG is made available to the Parent 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.

## NATIONAL GAS COMPANY SAOG AND ITS SUBSIDIARIES

### Notes to the Separated and consolidated financial statements for the quarter ended March 31, 2020

#### 37 RISK MANAGEMENT (continued)

##### (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 2020	<b>39,127</b>	<b>(39,127)</b>
31 March 2019	49,863	(49,863)

##### (h) 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.

#### 38 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 year ended 31 December 2018 and 31 December 2019.

#### 39 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).

**Level 3:** inputs for the asset or liability that are not based on observable market data (unobservable inputs).

**NATIONAL GAS COMPANY SAOG AND ITS SUBSIDIARIES**

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**39 FAIR VALUE OF FINANCIAL INSTRUMENT (continued)**

**Parent and Group**

	2020 RO	Level 1 RO	Level 2 RO	Level 3 RO
Financial assets at FVTOCI	<b>782,538</b>	<b>782,538</b>	-	-
Freehold land	<b>3,940,000</b>	-	-	<b>3,940,000</b>
Goodwill	<b>7,536,006</b>	-	-	<b>7,536,006</b>

	2019 RO	Level 1 RO	Level 2 RO	Level 3 RO
Financial assets at FVTOCI	997,263.00	997,263.00	-	-
Freehold land	3,190,000	-	-	3,190,000
Goodwill	7,948,608	-	-	7,948,608

Assets	Valuation Techniques	Significant unobservable inputs	Sensitivity of the inputs to the fair value
Land	Market comparable method considers the selling price of similar land within a reasonably recent period of time in determining the fair value of land being revalued. This involve evaluation of recent active market prices of similar assets, making appropriate adjustments for difference in size, nature and location of the land	· Price per square feet of land	Estimated fair value would increase / (decrease) if: · Price per square feet increases / decreases

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

**40 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.