

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

**National Gas Company SAOG and its Subsidiaries**

**31 December 2023**

## **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF NATIONAL GAS COMPANY SAOG**

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

#### **Opinion**

We have audited the consolidated and separate financial statements (the 'financial statements') of National Gas Company SAOG (the 'Parent Company') and its subsidiaries (the 'Group') which comprise the statement of financial position as at 31 December 2023, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Group and the separate financial position of the Parent Company as at 31 December 2023, and their respective financial performance and cash flows for the year then ended in accordance with IFRS Accounting Standards.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the Sultanate of Oman, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Key audit matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF  
NATIONAL GAS COMPANY SAOG (continued)**

**Key audit matters (continued)**

<b>Key audit matter</b>	<b>How our audit addressed the key audit matter</b>
<p data-bbox="180 712 1380 786"><i>Allowance for expected credit losses on trade receivables and due from related parties (refer note 12 and 24)</i></p> <p data-bbox="180 786 791 1205">The Group is obligated to perform periodic assessments of the recoverability of its trade receivables and amount due from related parties. Applying the expected credit losses (ECL) model, the Group quantifies the credit impairment of receivables, enabling the recognition of expected credit losses upon their initial recognition. As of 31 December 2023, the allowance for expected credit losses on trade receivables and due from related parties, for the Parent Company, stands at RO 570,639 and RO 109,769 respectively.</p> <p data-bbox="180 1238 791 1429">The determination of expected credit losses on receivables is assessed on historical credit loss experience, adjusted to account for forward-looking factors specific to the parties involved and the prevailing economic environment.</p> <p data-bbox="180 1462 791 1731">We have identified this as a key audit matter due to the materiality of the balances and the judgment required in establishing the allowance for expected credit losses. This determination must accurately reflect information pertaining to past events, current conditions, and forecasts of future conditions.</p>	<p data-bbox="799 786 1337 824">Our audit procedures included, among others:</p> <ul style="list-style-type: none"> <li data-bbox="799 869 1388 936">▪ Obtained an understanding of the Group's ECL measurement process.</li> <li data-bbox="799 981 1388 1093">▪ Reviewed the methodology used and assessed the reasonableness of assumptions made in preparing the estimates.</li> <li data-bbox="799 1126 1388 1193">▪ Examined the aging schedule of receivables for accuracy.</li> <li data-bbox="799 1238 1388 1305">▪ Reviewed financial statements of the related parties.</li> <li data-bbox="799 1350 1388 1529">▪ Acquired the list of outstanding receivables and assessed their recoverability through discussions with management and by gathering sufficient corroborative evidence to support our conclusions.</li> <li data-bbox="799 1574 1388 1597">▪ Obtained management representation.</li> <li data-bbox="799 1641 1388 1709">▪ Reviewed the adequacy of disclosure in the financial statements.</li> </ul>

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF  
NATIONAL GAS COMPANY SAOG (continued)**

**Key audit matters (continued)**

Key audit matter	How our audit addressed the key audit matter
<b><i>Impairment assessment of goodwill (refer note 9)</i></b>	
<p>As detailed in note 9 of the separate and consolidated financial statements, the carrying value of goodwill as of 31 December 2023, stands at RO 7,062,751, comprising 15.05% of the Group's total assets. This goodwill pertains to the acquisition of Shell Malaysia Trading SDN BHD's LPG trading business by NGC Energy SDN BHD.</p> <p>In accordance with IAS 36 Impairment of Assets, entities are mandated to annually assess the goodwill acquired through business combinations for impairment. The management performed an impairment test of the goodwill as at the reporting date and determined that it remained unimpaired.</p> <p>Impairment testing involves determination of the recoverable amount which relies on discounted future cash flows and the comparison of values with market multiples.</p> <p>Moreover, the assessment of recoverable amounts is based upon significant assumptions, estimates, or evaluations made by management, specifically future cash flow forecasts, discount rate estimations, and long-term growth rate projections.</p> <p>We identified the impairment assessment of goodwill as a key audit matter due to its significance in the financial statements and the inherent complexities involved in the estimation process.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>▪ Obtained understanding of the business process for impairment assessment.</li> <li>▪ Reviewed the key assumptions included in the value in use computations.</li> <li>▪ Evaluated the reasonableness of the methodology used and key assumptions applied to the cash flow projections.</li> <li>▪ Conducted a comparative analysis of actual historical cash flow outcomes with prior forecasts to evaluate forecasting accuracy.</li> <li>▪ Evaluated the methodology used by the Group to estimate the discount factor.</li> <li>▪ Obtained management representation.</li> <li>▪ Reviewed the adequacy of disclosure in the financial statements.</li> </ul>



***Impairment Assessment of Investment in Subsidiary (refer note 9)***

As detailed in Note 9 of the financial statements, the carrying value of the investment in NGC Energy Saudi LLC, KSA as of December 31, 2023, stands at RO 872,619.

Management is required to perform impairment testing whenever events or changes in circumstances indicate that the carrying amount of the investment may not be recoverable as required by IAS 36.

As on 31 December 2023, the net assets of the subsidiary, NGC Energy Saudi LLC, KSA, were negative, mandating the testing of impairment to assess whether the carrying value exceeds the recoverable amount.

We identified the impairment assessment of this subsidiary as a key audit matter due to the significant judgment involved in the impairment testing process, which includes estimating future cash flows, selecting an appropriate discount rate, and assessing the recoverable amount.

Our audit procedures included the following:

- Obtained understanding of the business process for impairment assessment.
- Reviewed the impairment assessment performed by the management.
- Reviewed the assumptions and factors used in preparation of the cash flow forecasts.
- Evaluated the reasonableness of the methodology used and key assumptions applied to the cash flow projections.
- Conducted a comparative analysis of actual historical cash flow outcomes with prior forecasts to evaluate forecasting accuracy.
- Evaluated the methodology used by the Group to estimate the discount factor.
- Obtained management representation.
- Reviewed the adequacy of disclosure in the financial statements.

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF  
NATIONAL GAS COMPANY SAOG (continued)**

**Other matter**

The consolidated and separate financial statements of National Gas Company SAOG and its subsidiaries for the year ended 31 December 2022 were audited by another auditor who expressed an unmodified opinion on those statements on 27 February 2023.

**Other information included in the Group's 2023 Annual Report**

Management is responsible for the other information. The other information comprises the information included in the Group's 2023 Annual Report, but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of management and those charged with governance for the financial statements**

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

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF NATIONAL GAS COMPANY SAOG (continued)

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.



## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF NATIONAL GAS COMPANY SAOG (continued)

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

### Report on other legal and regulatory requirements

We report that the financial statements of the Group as at and for the year ended 31 December 2023 comply, in all material respects, with the applicable provisions of the Commercial Companies Law of the Sultanate of Oman, and the relevant disclosure requirements for Public Joint Stock Companies issued by the Capital Market Authority.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Tom C Mathew.

### CROWE MAK GHAZALI LLC



Tom C Mathew  
Engagement Partner

Muscat, Sultanate of Oman  
26 February 2024





National Gas Company SAOG and Its Subsidiaries

Separate and consolidated statement of financial position  
as at 31 December 2023

	Notes	Parent Company		Group	
		2023 RO	2022 RO	2023 RO	2022 RO
<b>ASSETS</b>					
<b>Non-current assets:</b>					
Property, plant and equipment	6	5,666,674	5,719,181	19,917,988	20,459,656
Right-of-use assets	7	180,076	216,646	2,214,680	2,474,016
Financial assets at fair value through OCI	8	1,114,798	1,080,033	1,114,798	1,080,033
Investment in subsidiaries	9	9,511,881	8,896,754	-	-
Goodwill	9	-	-	7,062,761	7,341,193
Loan to related parties	24	395,304	366,571	-	-
Trade and other receivables	12	-	-	-	-
<b>Total non-current assets</b>		<b>16,867,733</b>	<b>16,279,185</b>	<b>30,310,217</b>	<b>31,355,096</b>
<b>Current assets:</b>					
Inventories	11	829,641	775,648	1,513,994	1,479,360
Trade and other receivables	12	3,658,303	4,954,899	12,105,080	12,892,616
Loan to related parties	24	214,061	-	-	-
Cash and bank balances	13	385,830	151,205	2,325,802	1,492,247
		5,087,835	5,881,952	15,944,876	15,864,243
Assets of disposal group / non-current assets classified as held-for-sale	10	-	-	661,592	1,367,451
<b>Total current assets</b>		<b>5,087,835</b>	<b>5,881,952</b>	<b>16,626,468</b>	<b>17,231,694</b>
<b>Total assets</b>		<b>21,955,568</b>	<b>22,161,137</b>	<b>46,936,685</b>	<b>48,586,792</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Capital and reserves:</b>					
Share capital	14	8,500,000	8,500,000	8,500,000	8,500,000
Share premium	15	1,797,632	1,787,632	1,787,632	1,787,632
Legal reserve	16	1,974,765	1,968,170	1,974,765	1,968,170
Other reserves	17	300,000	300,000	511,541	523,086
Fair value reserve		520,256	485,491	520,256	485,491
Revaluation reserve	18	3,760,631	3,760,631	4,077,962	4,090,473
Foreign currency translation reserve		-	-	(3,486,331)	(3,055,769)
Retained earnings		273,635	214,101	4,660,444	4,927,255
Equity attributable to owners of the Parent Company		17,116,839	17,016,025	18,536,289	19,226,336
Non-controlling interest		-	-	7,491,548	7,800,680
<b>Total equity</b>		<b>17,116,839</b>	<b>17,016,025</b>	<b>26,027,837</b>	<b>27,027,018</b>
<b>LIABILITIES</b>					
<b>Non-current liabilities:</b>					
Lease liabilities	20	152,558	205,243	1,891,368	2,069,822
Staff terminal benefits	21	261,535	280,593	280,332	334,853
Deferred tax liability - net	31	418,613	416,244	2,407,809	2,635,007
<b>Total non-current liabilities</b>		<b>822,806</b>	<b>902,080</b>	<b>4,579,529</b>	<b>5,059,682</b>
<b>Current liabilities:</b>					
Accounts payable and accruals	22	1,381,084	1,537,388	11,435,848	8,703,762
Current portion of lease liabilities	20	51,480	27,677	237,856	186,582
Bank overdrafts	13	970,370	583,058	1,413,074	644,278
Borrowings	19	1,812,989	2,059,105	3,203,119	6,408,902
Provision for taxation	31	-	35,804	9,507	45,772
		4,015,923	4,243,032	16,299,404	15,989,366
Liabilities directly associated with disposal group classified as held-for-sale	10	-	-	29,915	510,696
<b>Total current liabilities</b>		<b>4,015,923</b>	<b>4,243,032</b>	<b>16,329,319</b>	<b>16,500,062</b>
<b>Total liabilities</b>		<b>4,838,729</b>	<b>5,145,112</b>	<b>20,908,848</b>	<b>21,559,774</b>
<b>Total equity and liabilities</b>		<b>21,955,568</b>	<b>22,161,137</b>	<b>46,936,685</b>	<b>48,586,792</b>
<b>Net assets per share</b>	23	<b>0.201</b>	<b>0.200</b>	<b>0.218</b>	<b>0.228</b>

The separate and consolidated financial statements and the accompanying notes from 1 to 40 were authorised for issue by the Board of Directors on 26 February 2024 and were signed on its behalf by:

Chairman

Chief Executive Officer

Director

Head of Finance

The accompanying notes from 1 to 40 form an integral part of these separate and consolidated financial statements.

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

## National Gas Company SAOG and its Subsidiaries

Separate and consolidated statement of profit or loss and other comprehensive income  
for the year ended 31 December 2023

	Notes	Parent Company		Group	
		2023 RO	2022 RO	2023 RO	2022 RO
Revenue	25	10,322,576	9,881,401	77,528,655	86,829,003
Cost of revenue	26	(9,409,012)	(9,145,536)	(70,009,986)	(78,949,250)
Gross profit		913,564	735,865	7,518,669	7,879,753
Administrative expenses	27	(828,640)	(984,275)	(4,655,766)	(4,866,852)
Operating (loss) / profit before depreciation		84,924	(248,410)	2,862,903	3,013,101
Depreciation expenses	29	(265,248)	(316,398)	(2,509,883)	(2,771,510)
Operating (loss) / profit after depreciation		(180,324)	(564,808)	343,020	241,591
Other income - net	30	193,833	251,615	386,034	316,027
Finance costs		(173,819)	(383,479)	(804,318)	(769,901)
Impairment loss on due from NGC Energy LLC	24	-	(1,245,073)	-	-
Dividend income from subsidiary		225,225	238,700	-	-
Provision for expected credit losses	12 & 24	-	(76,258)	(27,198)	(185,895)
Profit / (loss) before tax		64,915	(1,779,303)	97,538	(398,179)
Income tax	31	1,234	108,809	(208,867)	(118,650)
Profit / (loss) after tax from continuing operations		66,149	(1,670,494)	(111,029)	(516,829)
Profit / (loss) from discontinued operations	32	-	1,274,890	(1,993)	893,049
Profit / (loss) for the year		66,149	(396,004)	(113,022)	376,220
Other comprehensive income / (loss)					
Items that will not be reclassified subsequently to profit or loss:					
Surplus on revaluation of property - net of tax		-	547,782	-	547,782
Changes in fair value of financial assets at fair value through OCI		34,765	202,980	34,765	202,980
Items that may be reclassified subsequently to profit or loss:					
Exchange difference on translation of foreign operations		-	-	(920,924)	(1,571,704)
Other comprehensive income / (loss)		34,765	750,762	(886,159)	(820,942)
Total comprehensive income / (loss)		100,914	354,758	(999,181)	(444,722)
Profit / (loss) attributable to:					
Owners of the Parent Company		66,149	(396,004)	(270,196)	465,876
Non-controlling interest		-	-	157,174	(88,656)
Total profit / (loss)		66,149	(396,004)	(113,022)	376,220
Total comprehensive income / (loss) attributable to:					
Owners of the Parent Company		100,914	354,758	(690,049)	380,398
Non-controlling interest		-	-	(309,132)	(825,120)
Total comprehensive income / (loss)		100,914	354,758	(999,181)	(444,722)
Basic and diluted earning / (loss) per share:					
From continuing operations		0.001	(0.020)	(0.003)	(0.005)
From discontinued operations		-	0.015	(0.000)	0.011
Total profit / (loss) per share	33	0.001	(0.005)	(0.003)	0.005

The accompanying notes from 1 to 40 form an integral part of these separate and consolidated financial statements.

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

National Gas Company SAOG and its Subsidiaries

Separate statement of changes in equity  
for the year ended 31 December 2023

Parent Company

	Share capital RO	Share premium RO	Legal reserve RO	Other reserve RO	Fair value reserve RO	Revaluation reserve RO	Retained earnings RO	Total RO
At 1 January 2022	8,500,000	1,787,632	1,968,170	300,000	282,511	3,212,849	610,105	16,061,267
Loss for the year	-	-	-	-	-	-	(386,004)	(386,004)
Other comprehensive income for the year	-	-	-	-	202,980	547,762	-	750,742
<b>Total comprehensive income / (loss) for the year</b>	-	-	-	-	202,980	547,762	(386,004)	364,738
At 31 December 2022	8,500,000	1,787,632	1,968,170	300,000	485,491	3,760,631	214,101	17,016,025
	Share capital RO	Share premium RO	Legal reserve RO	Other reserve RO	Fair value reserve RO	Revaluation reserve RO	Retained earnings RO	Total RO
At 1 January 2023	8,500,000	1,787,632	1,968,170	300,000	485,491	3,760,631	214,101	17,016,025
Profit for the year	-	-	-	-	-	-	66,149	66,149
Other comprehensive income for the year	-	-	-	-	34,765	-	-	34,765
<b>Total comprehensive income for the year</b>	-	-	-	-	34,765	-	-	34,765
<b>Transactions with owners :</b>								
Transfer to legal reserve	-	-	6,615	-	-	-	-	6,615
At 31 December 2023	8,500,000	1,787,632	1,974,785	300,000	520,256	3,760,631	273,635	17,116,939

The accompanying notes from 1 to 40 form an integral part of these separate and consolidated financial statements.

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



**National Gas Company SAOG and its Subsidiaries**

Consolidated statement of changes in equity for the year ended 31 December 2023

Group	Equity attributable to the owners of the Parent Company										
	Share capital	Share premium	Legal reserve	Other reserves	Fair value reserve	Revaluation reserve	Foreign currency translation reserve	Retained earnings	Total	Non-controlling interest	Total equity
	RO	RO	RO	RO	RO	RO	RO	RO	RO	RO	RO
At 1 January 2022	8,500,000	1,787,832	1,968,170	534,988	202,511	3,951,504	(2,250,252)	4,461,378	10,845,940	11,073,140	29,919,080
(Loss) / profit for the year	-	-	-	-	-	-	-	465,876	465,876	(88,656)	376,220
<b>Other comprehensive income for the year</b>	-	-	-	-	-	-	-	-	-	-	-
Exchange difference on translation of foreign operations	-	-	-	(11,910)	-	(18,813)	(805,517)	-	(836,240)	(735,464)	(1,571,704)
Surplus on revaluation of fixed asset - net of tax	-	-	-	-	-	547,782	-	-	547,782	-	547,782
Changes in fair value of financial assets at fair value through OCI	-	-	-	-	202,980	-	-	-	202,980	-	202,980
<b>Total comprehensive income / (loss) for the year</b>	-	-	-	(11,910)	202,980	528,969	(805,517)	465,876	380,398	(825,120)	(444,722)
Reversal of NCI on sale of subsidiary	-	-	-	-	-	-	-	-	-	(2,447,340)	(2,447,340)
At 31 December 2022	8,500,000	1,787,832	1,968,170	523,086	485,491	4,050,473	(3,055,769)	4,927,255	19,220,338	7,800,680	27,027,018

Group	Equity attributable to the owners of the Parent Company										
	Share capital	Share premium	Legal reserve	Other reserves	Fair value reserve	Revaluation reserve	Foreign currency translation reserve	Retained earnings	Total	Non-controlling interest	Total equity
	RO	RO	RO	RO	RO	RO	RO	RO	RO	RO	RO
At 1 January 2023	8,500,000	1,787,832	1,968,170	623,086	485,491	4,090,473	(3,095,769)	4,927,256	19,226,338	7,800,680	27,027,018
Profit / (loss) for the year	-	-	-	-	-	-	-	(270,196)	(270,196)	157,174	(113,022)
<b>Other comprehensive income for the year</b>	-	-	-	-	-	-	-	-	-	-	-
Exchange difference on translation of foreign operations	-	-	-	(11,545)	-	(12,511)	(430,562)	-	(454,618)	(466,306)	(920,924)
Changes in fair value of financial assets at fair value through OCI	-	-	-	-	34,765	-	-	-	34,765	-	34,765
<b>Total comprehensive income / (loss) for the year</b>	-	-	-	(11,545)	34,765	(12,511)	(430,562)	(270,196)	(690,049)	(309,132)	(999,181)
Transfer to Legal Reserve	-	-	6,515	-	-	-	-	(6,515)	-	-	-
At 31 December 2023	8,500,000	1,787,832	1,974,785	611,541	620,256	4,077,962	(3,486,331)	4,650,444	18,636,289	7,491,548	26,027,837

The accompanying notes from 1 to 40 form an integral part of these separate and consolidated financial statements.

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

**National Gas Company SAOG and its Subsidiaries**

**Separate and consolidated statement of cash flows  
for the year ended 31 December 2023**

	Notes	Parent Company		Group	
		2023 RO	2022 RO	2023 RO	2022 RO
<b>Operating activities:</b>					
Profit / (loss) before tax (including from discontinued operation)		64,915	(504,913)	95,545	494,870
<b>Adjustments for:</b>					
Depreciation on property, plant and equipment	8	215,583	245,448	2,179,999	2,637,646
Depreciation on right-of-use assets	7	49,865	70,950	329,884	423,185
Interest income	30	(49,901)	(177,487)	(96,620)	(90,916)
Dividend income	30	(59,065)	(52,529)	(59,065)	(52,529)
Finance costs		173,819	383,479	604,318	1,413,980
Charge for staff terminal benefits	21	75,768	52,164	92,426	140,987
Dividend income from subsidiary		(225,225)	(238,700)	-	-
Provision/write off for expected credit losses	12	-	76,258	28,299	548,772
Impairment loss on due from NGC Energy LLC	24	-	1,245,073	-	-
Loss on remeasurement to fair value less cost to	32	-	134,685	-	-
Gain on disposal of subsidiary / associate	32	-	(1,409,375)	-	(2,340,424)
Disposal of ROUA		(9,375)	-	(9,375)	-
Loss / (gain) on disposal of property, plant and equipment	30	(53,574)	2,893	(65,003)	(37,496)
<b>Operating cash flows before working capital changes</b>		<b>183,610</b>	<b>(171,734)</b>	<b>3,140,408</b>	<b>3,178,075</b>
<b>Working capital changes:</b>					
Inventories		(53,793)	(6,010)	(34,614)	67,681
Trade and other receivables		681,470	(1,328,524)	661,412	5,090,873
Accounts payable and accruals		(168,305)	193,136	2,709,792	(2,915,906)
<b>Net cash (used in)/generated from operations</b>		<b>654,982</b>	<b>(1,311,129)</b>	<b>6,476,998</b>	<b>5,420,721</b>
Payment of staff terminal benefits	21	(105,726)	(158,636)	(146,947)	(237,309)
Tax paid		(32,201)	(185,186)	(286,033)	(216,619)
<b>Net cash (used in) / generated from operating activities</b>		<b>517,055</b>	<b>(1,654,954)</b>	<b>6,044,018</b>	<b>4,968,793</b>
<b>Investing activities:</b>					
Purchase of property, plant and equipment	8	(174,330)	(43,545)	(2,186,825)	(5,893,415)
Proceeds from disposal of property and equipment		65,828	1,517	93,300	189,705
Proceeds from disposal of subsidiary		-	3,328,437	-	5,660,428
Proceeds from disposal of joint venture		-	407,000	-	407,000
License fees		-	-	-	10,106
Lease payments		(43,287)	(66,575)	(370,548)	(316,788)
Amounts (paid)/received from related parties		(242,794)	3,181,841	-	-
Dividends received		59,065	52,529	59,065	52,529
Dividend income from subsidiary		225,225	238,700	-	-
Short term deposits		-	-	(211,055)	-
Interest income received		49,901	177,487	56,820	50,916
<b>Net cash generated from / (used in) investing activities</b>		<b>(60,392)</b>	<b>7,277,368</b>	<b>(2,559,443)</b>	<b>160,481</b>
<b>Financing activities:</b>					
Proceeds from / (repayment of) long term loans		-	(3,963,989)	-	660,887
Interest expense paid		(163,134)	(369,445)	(427,738)	(1,240,587)
Proceeds from disposal of leased assets		-	-	85,768	130,465
(Repayments of) / proceeds from short term loan		(446,216)	(730,875)	(3,205,783)	(5,188,430)
<b>Net cash (used in) / generated from financing activities</b>		<b>(608,350)</b>	<b>(5,064,309)</b>	<b>(3,547,753)</b>	<b>(5,637,665)</b>
<b>Net changes in cash and cash equivalents</b>		<b>(152,687)</b>	<b>578,105</b>	<b>(63,178)</b>	<b>(510,391)</b>
Net movement in foreign translation reserve		-	-	(42,649)	(162,882)
Cash and cash equivalents at beginning of the year		(431,853)	(1,009,958)	847,969	1,601,887
<b>Cash and cash equivalents at end of the year</b>	13	<b>(584,540)</b>	<b>(431,853)</b>	<b>742,142</b>	<b>928,614</b>
<b>Cash and cash equivalents comprise of:</b>					
Cash and bank balances		385,830	151,205	2,114,747	1,492,247
Bank overdrafts		(970,370)	(583,058)	(1,413,074)	(844,278)
<b>Cash and bank balances - discontinued operations</b>	13	<b>(584,540)</b>	<b>(431,853)</b>	<b>701,673</b>	<b>847,969</b>
	13	<b>(584,540)</b>	<b>(431,853)</b>	<b>742,142</b>	<b>928,614</b>

The accompanying notes from 1 to 40 form an integral part of these separate and consolidated financial statements.

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

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

### **Notes to the separate and consolidated financial statements for the year ended 31 December 2023**

#### **1 Corporate information**

National Gas Company SAOG (the "Parent Company" or the "Company") is registered under Commercial Companies Law, 2019 of the Sultanate of Oman with 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.

#### **2 Statement of compliance and basis of preparation and consolidation**

##### **2.1 Statement of compliance and basis of preparation**

The separate and consolidated financial statements of the Parent Company and the Group have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB).

These separate and 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 less impairment, if any, in the Parent Company's 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 December 2023. 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; and
- 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.

Profit or loss and other comprehensive income or loss of a subsidiary acquired or disposed of during the year are recognised 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 separate and consolidated financial statements  
for the year ended 31 December 2023

### 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 owners of the Parent Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance based on their respective ownership interest. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in 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.

- 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; and
- 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 subsidiaries is carried at cost less impairment, if any.

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

	Principal activity	Ownership As at 31 December	
		2023	2022
<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	0%	49%
<b>Incorporated in KSA</b>			
NGC Energy Saudi LLC	LPG Installations	100%	100%
<b>Incorporated in Mauritius</b>			
Innovative Energy Holdings Mauritius Limited	Investments	100%	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%

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

### **Notes to the separate and consolidated financial statements for the year ended 31 December 2023**

#### **2 Statement of compliance and basis of consolidation (continued)**

##### **2.2 Basis of consolidation (continued)**

All the subsidiaries have the year end of 31 December.

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. As per the strategic decision to exit from the LPG trading business from the UAE market, this entity has stopped its operation from the later part of 2022 and will be closed in 2024.

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. As per the strategic decision to exit from the LPG trading business from the UAE market, this entity has stopped its operation from the later part of 2022 and it is currently under liquidation.

Arabian Oil LLC was formed in 2018 to expand the LPG and Equipment trading business in the region of UAE. The Parent Company held 49% shares with management control and all variability of returns are with the Company. As per the strategic decision to exit from the LPG trading business from the UAE market, this entity has stopped its operation from the later part of 2022. During the year, the Company transferred its 49% shares to the remaining 51% shareholder, after taking over all the assets and liabilities of the entity in September 2023.

NGC Energy Saudi LLC was formed in November 2014 in the Kingdom of Saudi Arabia (KSA) and is primarily engaged in executing LPG 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%, and Non Controlling Interest in this respect is 40%.

In 2018, the Parent Company formed a subsidiary in India, NGC Energy India Private Limited (NGCEIPL), for setting up a refrigerated LPG storage and import terminal on the southeast 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 joint venture Partner by issuing additional equity shares to make them 40% partner in NGCEIPL. In 2022, considering the pandemic situation, overall economic scenario, and increasing prices and escalation in the project construction activities, the Company decided to exit from the Indian investment. The divestment of the subsidiary got completed in September 2022.

##### **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.



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

### **Notes to the separate and consolidated financial statements for the year ended 31 December 2023**

#### **2 Statement of compliance and basis of consolidation (continued)**

##### **2.2 Basis of consolidation (continued)**

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.

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

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.

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

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



## National Gas Company SAOG and its Subsidiaries

### Notes to the separate and consolidated financial statements for the year ended 31 December 2023

#### 3 Adoption of new and amended IFRS Accounting Standards

##### 3.1 New standards, amendments and interpretations to existing IFRS Accounting Standards effective 01 January 2023

Following new Standards, amendments to Standards and Interpretations have become effective for the first time for the reporting periods beginning on or after 01 January 2023:

- IFRS 17 and Amendment to IFRS 17 – Insurance Contracts
- Amendment to IAS 8 – Definition of Accounting Estimates
- Amendment to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies
- Amendments to IAS 12 – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction
- Amendments to IAS 12 – International Tax Reform—Pillar Two Model Rules

The Company has adopted all of the above new Standards and amendments, and it has accounted for and disclosed in the financial statements all the relevant requirements of the new Standards and amendments of existing standards, that were applicable to the Company.

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

Following are the new standards and amendments to existing standards that have been issued, but not yet effective, and are applicable for future reporting periods

Standards/Amendments to Standards	Effective for the annual periods beginning on or after
Amendment to IAS 1 – Classification of Liabilities as Current or Non-current	01 January 2024
Amendment to IAS 1 – Non-current Liabilities with Covenants	01 January 2024
Amendment to IFRS 16 – Lease Liability in a Sale and Leaseback	01 January 2024
Amendments to IAS 7 and IFRS 7 – Supplier Finance Arrangements	01 January 2024
Amendments to IAS 21 – Lack of Exchangeability	01 January 2025
Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Postponed indefinitely

Management believes that adoption of the above new Standards and amendments, which are in issue but not yet effective, is not likely to have any material impact on the presentation and disclosure of items in the financial statements of the Company for the future periods.

#### 4 Material accounting policy information

The material accounting policy information set out below have been applied consistently by the Company / Group to all period presented in these financial statements.

##### 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 have 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 separate and consolidated financial statements for the year ended 31 December 2023

#### 4 Material accounting policy information (continued)

##### 4.1 Revenue recognition (continued)

The Group 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, the 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 classifications. 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.

**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 recognised on a straight-line basis at point in time.

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



## National Gas Company SAOG and its Subsidiaries

### Notes to the separate and consolidated financial statements for the year ended 31 December 2023

#### 4 Material accounting policy information (continued)

##### 4.1 Revenue recognition (continued)

**Project revenue:** The Group measures its project completion status using survey method (output method). Revenue from such project is recognised 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.

##### 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 being operated 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.



## National Gas Company SAOG and its Subsidiaries

### Notes to the separate and consolidated financial statements for the year ended 31 December 2023

#### 4 Material accounting policy information (continued)

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

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 profit or loss 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, plant 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, plant and equipment. All other expenditure is recognised in the separate and consolidated statement of 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:

	2023	2022
	Years	Years
Building	20	20
Plant and equipment	5-15	5-15
Tractors and trailers	5-10	5-10
Motor vehicles	4	4
Furniture and fittings	5	5
Software	3	3
Cylinders	10	10

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 separate and consolidated statement of 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 separate and consolidated financial statements for the year ended 31 December 2023**

#### **4 Material accounting policy information (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's 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 statement of profit or loss.

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 separate and consolidated statement of profit or loss.

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

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

##### **Trading license**

Trading license pertains to the permission granted to the Group by local authority to conduct business in Dubai. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the license to which it relates. All other expenditure is recognised as an expense in profit or loss as incurred.

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

### **Notes to the separate and consolidated financial statements for the year ended 31 December 2023**

#### **4 Material accounting policy information (continued)**

##### **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**

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'.

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; and
- 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***

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the separate and consolidated statement of financial position. 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 asset 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.



## National Gas Company SAOG and its Subsidiaries

### Notes to the separate and consolidated financial statements for the year ended 31 December 2023

#### 4 Material accounting policy information (continued)

##### 4.5 Leases (continued)

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.

##### Group as a lessor

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.

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

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

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

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.

## National Gas Company SAOG and its Subsidiaries

### Notes to the separate and consolidated financial statements for the year ended 31 December 2023

#### 4 Material accounting policy information (continued)

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

- 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 separate and consolidated 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.

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.



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

### **Notes to the separate and consolidated financial statements for the year ended 31 December 2023**

#### **4 Material accounting policy information (continued)**

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

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, which are subject to an insignificant risk of changes in value and are held for the purpose of meeting short term cash commitments.

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

The provision for end of service benefits is based upon the liability accrued in accordance with the terms of employment of the Group's employees at the reporting date, having regard to the requirements of the Oman Labour Law and Social Security Law.

###### **Government of Oman Social Insurance Scheme (the Scheme)**

The Group contributes to the Scheme for all Omani employees. The Scheme, which is a defined contributions retirement plan, is administered by the Government of Oman. The Group and Omani employees are required to make monthly contributions to the Scheme at 12.5% and 8% respectively, of gross salaries.

###### **Non-Omani employee terminal benefits**

The provision for end of service benefits for non-Omani employees is made in accordance with the requirements of the Oman Labour Law. Employees are entitled to end of service benefits calculated at the rate of one month basic salary for each year of continuous service. This is an unfunded defined benefits retirement plan. Accrued non-Omani staff terminal benefits are payable on termination of employment.



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

### **Notes to the separate and consolidated financial statements for the year ended 31 December 2023**

#### **4 Material accounting policy information (continued)**

##### **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.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate of the Company's management.

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.

Probable inflow of economic benefits to the Company that do not yet meet the recognition criteria of an asset are considered contingent assets.

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 and translations**

Transactions denominated in foreign currencies are translated to Rial Omani at the foreign exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Rial Omani at exchange rates prevailing at that date. Foreign exchange differences arising on translation are recognised in the separate and consolidated statement of 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 prevailing 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 consolidated other comprehensive income.

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

### **Notes to the separate and consolidated financial statements for the year ended 31 December 2023**

#### **4 Material accounting policy information (continued)**

##### **4.14 Directors' remuneration**

The Parent Company follows the Commercial Companies Law (as amended), and other relevant directives issued by CMA, in regard to determination of the amount to be paid as Directors' remuneration. Directors' remuneration is charged to the statement of profit or loss in the year to which it relates.

##### **4.15 Dividend distribution**

Dividend distributions payable to 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 / disposal group / classified as held-for-sale and discontinued operations**

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.

Profit or loss from discontinued operations comprises the post-tax profit or loss of discontinued operations and the post-tax gains or loss recognised on the remeasurement of fair value less cost to sell or on the disposal group constituting the discontinued operations.

##### **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 separate and consolidated statement of profit or loss over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

##### **4.18 Financial instruments**

###### **Recognition and de-recognition**

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument. Financial liabilities are not recognised unless one of the parties has performed its part of the contract or a contract is the derivative contract. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

###### **Classification and initial measurement of financial assets**

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable). Transaction cost attributable to financial assets at fair value through profit or loss is recognised in statement of profit or loss when incurred.

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

### **Notes to the separate and consolidated financial statements for the year ended 31 December 2023**

#### **4 Material accounting policy information (continued)**

##### **4.18 Financial instruments (continued)**

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortised cost;
- fair value through profit or loss (FVTPL); or
- fair value through other comprehensive income (FVOCI).

In the periods presented the Group does not have any financial assets categorised as FVTPL.

The classification is determined by both:

- the entity's business model for managing the financial asset; and
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented separately in the statement of profit or loss.

##### **Subsequent measurement of financial assets**

###### **Financial assets at amortised cost**

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

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

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

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

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply.

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

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. The Group's FVOCI includes quoted investments carried at fair value through other comprehensive income.



## National Gas Company SAOG and its Subsidiaries

### Notes to the separate and consolidated financial statements for the year ended 31 December 2023

#### 4 Material accounting policy information (continued)

##### 4.18 Financial instruments (continued)

###### Impairment of financial assets

The 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.

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

- 12 months 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 months 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.

###### 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. Stage 3 would cover financial assets that have objective evidence of impairment at the reporting date. 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 Group 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.

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

### **Notes to the separate and consolidated financial statements for the year ended 31 December 2023**

#### **4 Material accounting policy information (continued)**

##### **4.18 Financial instruments (continued)**

###### **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 separate and consolidated statement of profit or loss and other comprehensive income.

###### **Classification and measurement of financial liabilities**

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss.

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

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in the separate and consolidated statement of profit or loss and other comprehensive income are included within 'finance costs' or 'finance income'.

#### **5 Significant management judgement in applying accounting policies and estimation uncertainty**

When preparing the separate and consolidated financial statements, management makes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. The actual results may differ from the judgement, estimates and assumptions made by management.

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

### **Notes to the separate and consolidated financial statements for the year ended 31 December 2023**

#### **5 Significant management judgement in applying accounting policies and estimation uncertainty (continued)**

Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the year in which estimates are revised and in future period effectived.

##### **Significant management judgments**

The following are significant judgements made by management in applying the accounting policies of the Group that have the most significant effect on these separate and consolidated financial statements.

##### **Going concern**

The Group's management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the separate and consolidated financial statements continue to be prepared on the going concern basis.

##### **Recognition of deferred tax**

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.

##### **Estimation uncertainty**

Information about estimates and assumptions that may have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below.

##### **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.

##### **Provision for expected credit losses**

Credit losses 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.



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

**Notes to the separate and consolidated financial statements  
for the year ended 31 December 2023**

### **5 Significant management judgement in applying accounting policies and estimation uncertainty (continued)**

#### **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.

#### **Leases - determination of the appropriate discount rate to measure lease liabilities**

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use assets in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

## National Gas Company SAOG and its Subsidiaries

Notes to the separate and consolidated financial statements for the year ended 31 December 2023

### 6 Property, plant and equipment

#### Parent Company

	Freehold land	Building	Plant and equipment	Tractors and trailers	Motor vehicles	Furniture and fittings	Software	Capital work-in-progress	Total
	RO	RO	RO	RO	RO	RO	RO	RO	RO
<b>Cost / revalued amount:</b>									
At 1 January 2022	3,940,000	2,322,908	3,177,388	1,833,603	162,696	437,937	171,034	2,216	12,047,782
Additions	-	-	2,452	3,527	-	5,982	2,153	29,434	43,548
Revaluation	644,450	-	-	-	-	-	-	-	644,450
Transfers	-	3,140	-	20,297	2,234	4,750	-	(30,421)	-
Disposals	-	(667)	(36,577)	(30,386)	-	(57,959)	(119,039)	-	(244,028)
At 31 December 2022	4,584,450	2,325,381	3,143,263	1,827,041	164,930	390,710	54,148	1,229	12,491,152
At 1 January 2023	4,584,450	2,325,381	3,143,263	1,827,041	164,930	390,710	54,148	1,229	12,491,152
Additions	-	12,018	11,084	17,082	34,584	13,239	10,622	75,701	174,330
Transfers	-	-	-	76,593	-	-	-	(76,593)	-
Disposals	-	(229,010)	(204,289)	-	(24,854)	(10,578)	-	-	(468,729)
At 31 December 2023	4,584,450	2,108,389	2,950,058	1,920,716	174,660	393,373	64,770	337	12,196,753

#### Accumulated depreciation:

	Freehold land	Building	Plant and equipment	Tractors and trailers	Motor vehicles	Furniture and fittings	Software	Capital work-in-progress	Total
	RO	RO	RO	RO	RO	RO	RO	RO	RO
At 1 January 2022	-	1,796,896	2,741,771	1,527,444	160,240	377,208	163,182	-	6,766,741
Charge for the year	-	61,036	85,987	69,146	980	22,260	6,029	-	245,448
Related to disposals	-	(355)	(35,316)	(29,610)	-	(55,898)	(119,039)	-	(240,218)
At 31 December 2022	-	1,857,577	2,792,442	1,566,980	161,230	343,570	50,172	-	6,771,971
At 1 January 2023	-	1,857,577	2,792,442	1,566,980	161,230	343,570	50,172	-	6,771,971
Charge for the year	-	40,383	77,678	71,384	5,649	18,058	2,431	-	215,583
Related to disposals	-	(223,244)	(198,162)	-	(24,854)	(10,225)	-	-	(466,475)
At 31 December 2023	-	1,674,716	2,671,968	1,638,364	142,025	351,403	52,603	-	6,531,079

#### Net book value:

At 31 December 2023	4,584,450	433,673	278,000	282,352	32,635	41,970	12,167	337	5,665,674
At 31 December 2022	4,584,450	467,804	350,821	260,051	3,700	47,140	3,976	1,229	5,719,181

In the opinion of management, there is no objective evidence that the above assets are impaired as at 31 December 2023 (2022: Nil).

During the year 2022, Parent Company carried out its revaluation of land by an independent valuer resulting in the revaluation surplus of RO 644,450. If the land had been carried at cost, the carrying amount at 31 December 2023 would have been RO 154,531 (2022: RO 154,531).

National Gas Company SAOG and its Subsidiaries

Notes to the separate and consolidated financial statements  
for the year ended 31 December 2023

6 Property, plant and equipment (continued)

Group	Freehold land		Building		Plant and equipment		Tractors and trailers		Motor vehicles		Furniture and fittings		Software		Cylinders		Work-in-progress		Capital RO		Total RO
	RO	RO	RO	RO	RO	RO	RO	RO	RO	RO	RO	RO	RO	RO	RO	RO	RO	RO	RO	RO	
<b>Cost / revalued amount:</b>																					
At 1 January 2022	6,587,980	2,673,836	18,772,854	2,291,829	498,340	1,143,844	182,853	11,443,753	7,695,237	51,270,326											
Exchange difference on translation	(141,810)	(1,543)	(805,952)	-	(14,426)	(34,959)	(18)	(613,867)	(716,113)	(2,328,688)											
Additions	-	-	5,876	73,443	-	12,200	2,612	-	5,799,384	5,893,415											
Disposals	-	(667)	(142,124)	(232,141)	-	(69,613)	(119,039)	(8,262)	-	(571,646)											
Revaluation	644,450	-	-	-	-	-	-	-	-	644,450											
Derecognition on disposal of subsidiary	-	(1,672)	-	-	(23,207)	(9,364)	(161)	-	(10,478,651)	(10,513,055)											
Transfer to asset held-for-sale	-	(292,374)	(630,632)	(347,503)	(69,473)	(45,850)	(10,197)	(80,980)	-	(1,476,009)											
Reclassification	-	1,853	(13,276)	1	-	(1,853)	(1)	13,276	-	-											
Transfers	-	3,140	619,951	20,297	3,656	172,269	-	960,205	(1,779,518)	-											
At 31 December 2022	7,070,620	2,382,573	17,806,497	1,805,926	395,890	1,166,674	55,949	11,714,125	520,339	42,916,593											
At 1 January 2023	7,070,620	2,382,573	17,806,497	1,805,926	395,890	1,166,674	55,949	11,714,125	520,339	42,916,593											
Exchange difference on translation	(94,297)	(906)	(666,766)	-	(7,972)	(28,724)	-	(444,303)	(19,698)	(1,151,647)											
Additions	-	38,744	18,824	17,082	34,684	22,206	14,522	-	2,040,753	2,186,025											
Disposals	-	(229,010)	(240,032)	-	(27,728)	(19,240)	-	-	-	(616,011)											
Write off	-	-	(1,309)	-	-	-	-	-	-	(1,309)											
Transfers	-	573,236	76,592	76,592	32,968	59,975	-	1,409,116	(2,151,889)	(1,309)											
At 31 December 2023	6,976,323	2,191,402	17,601,458	1,899,600	427,741	1,200,891	70,571	12,678,940	389,525	43,436,451											

NGC Energy Malaysia's property, plant and equipment with a carrying amount of RM 162,129,255 (2022: RM 161,730,575) are pledged as security for the borrowings (Note 19).



National Gas Company SAOG and its Subsidiaries

Notes to the separate and consolidated financial statements for the year ended 31 December 2023

6 Property, plant and equipment (continued)

Group	Freehold land		Building		Plant and equipment		Tractors and trailers		Motor vehicles		Furniture and fittings		Software		Cylinders		Capital work-in-progress		Total		
	RO	RO	RO	RO	RO	RO	RO	RO	RO	RO	RO	RO	RO	RO	RO	RO	RO	RO	RO	RO	
<b>Accumulated depreciation:</b>																					
At 1 January 2022	-	2,046,011	-	10,460,156	-	1,721,252	-	331,488	-	992,199	-	173,639	-	6,403,690	-	-	-	-	-	22,129,035	
Exchange difference on translation	-	(798)	-	(423,653)	-	-	-	(6,260)	-	(31,471)	-	(13)	-	(375,245)	-	-	-	-	-	(837,480)	
Charge for the year	-	150,403	-	1,149,673	-	108,205	-	32,741	-	71,510	-	6,719	-	1,118,395	-	-	-	-	-	2,637,646	
Reclassification	-	1,077	-	801	-	-	-	(157)	-	(1,578)	-	-	-	(143)	-	-	-	-	-	-	
Related to disposals	-	(355)	-	(108,562)	-	(110,041)	-	(1)	-	(67,146)	-	(119,039)	-	(7,493)	-	-	-	-	-	(419,637)	
Derecognition on disposal of subsidiary	-	(1,526)	-	-	-	-	-	(4,948)	-	(3,329)	-	(136)	-	-	-	-	-	-	-	(9,939)	
Transfer to asset held-for-sale	-	(292,374)	-	(433,592)	-	(164,551)	-	(68,328)	-	(44,861)	-	(10,197)	-	(26,985)	-	-	-	-	-	(1,040,888)	
At 31 December 2022	-	1,993,038	-	10,646,783	-	1,545,895	-	284,535	-	915,324	-	50,973	-	7,112,219	-	-	-	-	-	22,458,737	
At 1 January 2023	-	1,993,038	-	10,646,783	-	1,545,895	-	284,535	-	915,324	-	50,973	-	7,112,219	-	-	-	-	-	22,458,737	
Exchange difference on translation	-	(482)	-	(316,731)	-	-	-	(4,868)	-	(22,367)	-	-	-	(286,802)	-	-	-	-	-	(631,250)	
Charge for the year	-	41,954	-	1,062,877	-	71,383	-	36,960	-	81,983	-	3,142	-	881,700	-	-	-	-	-	2,179,999	
Write off	-	-	-	(691)	-	-	-	-	-	(1)	-	-	-	-	-	-	-	-	-	(692)	
Related to disposals	-	(223,244)	-	(219,851)	-	-	-	(26,338)	-	(18,888)	-	-	-	-	-	-	-	-	-	(488,331)	
At 31 December 2023	-	1,721,266	-	11,172,377	-	1,617,248	-	290,299	-	956,061	-	54,116	-	7,707,117	-	-	-	-	-	23,518,463	

Net book value:

At 31 December 2023	6,976,323	470,136	6,429,081	282,352	137,452	244,840	16,456	4,971,823	389,525	19,917,988
At 31 December 2022	7,070,620	479,535	7,159,714	290,051	111,355	251,350	4,876	4,601,906	520,339	20,459,856

## National Gas Company SAOG and its Subsidiaries

Notes to the separate and consolidated financial statements  
for the year ended 31 December 2023

### 7 Right-of-use assets

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

	Parent Company		Group	
	2023 RO	2022 RO	2023 RO	2022 RO
<b>Gross carrying amount:</b>				
As at 1 January	418,643	418,643	3,517,428	5,251,643
Exchange rate differences	-	-	(119,972)	(400,825)
Addition	-	-	140,370	1,223,777
Modification	45,613	-	45,613	-
Disposal	(54,197)	-	(68,423)	(228,066)
Derecognition on disposal of subsidiary	-	-	-	(2,329,101)
At 31 December	410,059	418,643	3,515,016	3,517,428
<b>Accumulated depreciation and impairment:</b>				
As at 1 January	201,997	131,047	1,043,412	1,330,964
Exchange rate differences	-	-	(37,055)	(87,136)
Depreciation	49,665	70,950	329,884	423,185
Disposal	(21,679)	-	(35,905)	(196,998)
Derecognition on disposal of subsidiary	-	-	-	(426,603)
At 31 December	229,983	201,997	1,300,336	1,043,412
Carrying amount as at 31 December	180,076	216,646	2,214,680	2,474,016

The table below describes the nature of the Group's leasing activities by type of right-of-use assets recognised in the separate and consolidated statement of financial position:

Right-of-use assets	Number of right-of-use assets leased	Range of remaining term	Number of leases with extension option	Number of leases with termination options
Land	7	1-5 years	7	-
Building	9	1-5 years	9	-

(a) During the year, the Company modified the lease agreement for the Head Office building, resulting in adjustments to the right-of-use asset and corresponding lease liability, totaling RO 45,613 as of July 2023.

(b) During the year, the Company terminated the lease agreement for the Madha Plant, resulting in the derecognition of the right-of-use asset and corresponding lease liability, effective from 1 January 2023.

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

	Parent Company		Group	
	2023 RO	2022 RO	2023 RO	2022 RO
As at 1 January	1,080,033	877,053	1,080,033	877,053
Fair value changes	34,765	202,980	34,765	202,980
At 31 December	1,114,798	1,080,033	1,114,798	1,080,033

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

	Parent Company and Group		Parent Company and Group	
	Cost 2023 RO	Fair value 2023 RO	Cost 2022 RO	Fair value 2022 RO
Insurance	24,407	90,852	24,407	78,257
Industrial	40,000	61,000	40,000	61,600
Investment	14,143	246,024	14,143	210,634
Banking	159,541	301,540	159,541	312,713
Telecommunication	32,814	21,200	32,814	18,400
Services	323,637	394,182	323,637	400,429
At 31 December	594,542	1,114,798	594,542	1,080,033

## National Gas Company SAOG and Its Subsidiaries

Notes to the separate and consolidated financial statements  
for the year ended 31 December 2023

### 9 Investment in subsidiaries

	Parent Company	
	2023	2022
	RO	RO
Innovative Energy Holdings Mauritius Ltd, Mauritius	8,639,262	8,639,262
NGC Energy Saudi LLC, KSA	872,619	257,492
<b>At 31 December</b>	<b>9,511,881</b>	<b>8,896,754</b>

The ownership interest in subsidiaries are as under:

	Country of incorporation	Ownership interest	
		2023	2022
Innovative Energy Holdings Mauritius Ltd, Mauritius	Mauritius	100%	100%
NGC Energy Saudi LLC, KSA	KSA	100%	100%

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

During the year, following movements have occurred in subsidiaries:

	Parent Company	
	2023	2022
	RO	RO
At 1 January	8,896,754	11,282,501
Derecognised on disposal of subsidiary (Note 32)	-	(2,251,062)
Non-current assets held for sale	-	(134,685)
Addition	615,127	-
<b>At 31 December</b>	<b>9,511,881</b>	<b>8,896,754</b>

#### Summary of financial results of subsidiaries containing significant non-controlling interest (NCI)

Set out below is summarised financial information for each subsidiary that has non-controlling interests that are material to the group. The amounts disclosed for each subsidiary are before inter-company eliminations.

	NGC Energy SDN BHD	
	2023	2022
	RO	RO
Non-current assets	23,289,190	24,315,215
Current assets	10,717,071	10,447,520
Non-current liabilities	(3,728,026)	(4,103,341)
Current liabilities	(11,549,363)	(11,157,695)
<b>Net assets</b>	<b>18,728,872</b>	<b>19,501,699</b>
Net assets attributable to NCI	7,491,548	7,800,680
Revenues	66,304,964	79,346,333
Profit for the year	392,934	420,386
Other comprehensive income for the year	-	-
<b>Total comprehensive income for the year</b>	<b>392,934</b>	<b>420,386</b>
Profit for the year allocated to NCI	157,174	168,154
Other comprehensive income allocated to NCI	-	-

#### 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 value in use calculations using cash flow projections from financial budgets approved by management covering a five-year period. The pre-tax discount rate applied to the cash flow projections are 13.92% per annum (2022: 13.67%). Cash flow beyond the terminal period is extrapolated using the growth rate of 2% (2022: 2%).



## National Gas Company SAOG and its Subsidiaries

Notes to the separate and consolidated financial statements  
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### 9 Investment in subsidiaries (continued) Goodwill (continued)

Below is the carrying amount of goodwill:

	2023 RO	2022 RO
At 1 January	7,341,193	7,759,931
Net change in foreign exchange	(276,442)	(418,738)
<b>At 31 December</b>	<b>7,062,751</b>	<b>7,341,193</b>

### 10 Assets / liabilities of disposal group / non-current assets held-for-sale

#### Investment in subsidiaries

During the year 2022, the Board of Directors of the Parent Company resolved to dispose its investment in NGC Energy India Private Limited (India) (NGCEIPL), Arabian Oil LLC (UAE) (AOL), NGC Central Gas Systems LLC (NGCCGS) and also stop further operations in NGC Energy LLC (UAE) (NGCEL) by selling its assets. As detailed in note 2.2 to the separate and consolidated financial statements, NGCEIPL and AOL were subsequently disposed-off during the year 2022 and year 2023 respectively, NGCCGS is under liquidation currently.

#### Investment in joint venture

In 2009, the Group acquired 51% interest in Unigaz LLC, which is engaged in the distribution of gas and maintenance of cooking gas pipes in the Sultanate of Oman. During 2021, the Board of Directors of the Parent Company resolved to dispose its investment in Unigaz LLC and classified the investment as assets held-for-sale. During the year 2022, the Company disposed-off its investment in Unigaz LLC and the share transfer process was concluded in third quarter of 2022.

The assets and liabilities related to above mentioned disposals / disposal groups for the year ended 31 December 2023 and 31 December 2022 are as follows:

#### Parent Company

	2023 RO	2022 RO
NGC Energy LLC, UAE	31,527	31,527
Arabian Oil LLC, UAE	-	82,105
NGC Central Gas System, UAE	21,053	21,053
	52,580	134,685
Less: Loss on remeasurement to fair value less cost to sell	(52,580)	(134,685)
<b>Net non-current assets classified as held-for-sale</b>	<b>-</b>	<b>-</b>

#### Group

	2023 RO	2022 RO
<b>Assets:</b>		
Property, plant and equipment	280,516	435,121
Inventories	-	64,934
Trade and other receivables	360,607	786,751
Cash and bank balances	40,469	80,645
	681,592	1,367,451
<b>Liabilities:</b>		
Staff terminal benefits	4,224	66,987
Accounts payable and accruals	25,691	443,709
	29,915	510,696

**National Gas Company SAOG and its Subsidiaries**

Notes to the separate and consolidated financial statements  
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**11 Inventories**

	Parent Company		Group	
	2023 RO	2022 RO	2023 RO	2022 RO
LPG	66,683	143,089	496,404	685,618
Finished goods	419,315	287,292	419,315	287,292
Cylinders and accessories	40,874	37,334	40,874	37,334
Plant and other spares	185,992	151,990	286,351	225,385
Project inventory	95,423	139,233	146,433	194,413
Work-in-progress	22,354	16,910	124,617	49,338
	<b>829,641</b>	<b>775,848</b>	<b>1,513,994</b>	<b>1,479,380</b>

**12 Trade and other receivables**

**Non-current**

	Parent Company		Group	
	2023 RO	2022 RO	2023 RO	2022 RO
Trade receivables	-	-	244,633	254,277
Less: provision for expected credit losses	-	-	(244,633)	(254,277)
	-	-	-	-

**Current**

	Parent Company		Group	
	2023 RO	2022 RO	2023 RO	2022 RO
Trade receivables	2,257,449	2,366,858	4,664,220	5,744,009
Less: provision for expected credit losses	(570,639)	(571,310)	(990,398)	(979,850)
	1,686,810	1,795,548	3,673,822	4,764,159
Advance for purchases	136,005	415,650	286,823	682,462
Contract assets	-	-	475,993	-
Claims for Government subsidy	-	-	6,209,654	6,019,622
Amounts due from related parties (note 24)	1,119,036	2,043,058	-	-
Accrued income	565,414	427,463	966,659	537,136
Other receivables	120,546	242,758	267,580	675,513
Prepayments	27,005	26,935	137,411	130,676
Tax paid under appeal	3,487	3,487	3,487	3,487
Deposits	-	-	83,651	79,561
	<b>3,658,303</b>	<b>4,954,899</b>	<b>12,105,080</b>	<b>12,892,616</b>

Movement in the provision for expected credit losses are as follows:

	Parent Company		Group	
	2023 RO	2022 RO	2023 RO	2022 RO
At 1 January	571,310	495,052	1,234,127	1,370,026
Add: provided during the year	-	76,258	27,198	185,896
Provision write off	(671)	-	(4,717)	-
Exchange rate fluctuation	-	-	(22,678)	(39,404)
Transfer to asset held-for-sale	-	-	1,101	(282,391)
<b>At 31 December</b>	<b>570,639</b>	<b>571,310</b>	<b>1,235,031</b>	<b>1,234,127</b>

## National Gas Company SAOG and its Subsidiaries

Notes to the separate and consolidated financial statements  
for the year ended 31 December 2023

### 13 Cash and bank balances

	Parent Company		Group	
	2023 RO	2022 RO	2023 RO	2022 RO
Cash in hand	22,123	36,491	233,926	38,799
Cash at banks - current account	363,707	114,714	1,880,821	1,453,448
Cash at banks - short term deposits	-	-	211,055	-
	385,830	151,205	2,325,802	1,492,247
Bank overdrafts	(970,370)	(583,058)	(1,413,074)	(644,278)
Cash at banks - short term deposits	-	-	(211,055)	-
<b>Cash and cash equivalents</b>	<b>(584,540)</b>	<b>(431,853)</b>	<b>701,673</b>	<b>847,969</b>

Bank overdrafts are availed from a commercial bank for working capital requirements on revolving credit basis. Bank overdrafts are unsecured and repayable on demand and carry markup at 5.5% to 7.97% per annum (2022: 5.5% to 7.13% per annum).

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

### 14 Share capital

The authorised share capital comprises 120,000,000 shares of RO 0.100 each (2022: 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 (2022: 85,000,000 of RO 0.100 each).

The details of major shareholders, who hold 9% or more of the Parent Company's shares, at the reporting date, are as follows:

	Number of shares		% holding	
	2023	2022	2023	2022
A' Sharqiya Investments SAOG	10,937,856	10,937,856	12.87	12.87
Public Authority of Social Insurance	8,244,999	8,244,999	9.70	9.70

### 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	(478,248)
Bonus share issued in 2018	(1,000,000)
Bonus share issued in 2019	(1,000,000)
<b>At 31 December 2023</b>	<b>1,787,632</b>

### 16 Legal reserve

As required by the Commercial Companies Law of 2019, as amended, the Parent Company transfers 10% of its profit for the year to legal reserve until such time 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, the Parent Company has transferred RO 6,615 to legal reserve (2022: Nil).

### 17 Other reserves

- Other reserves include a general reserve of the Parent Company, which is created in accordance with the Commercial Companies Law of 2019, as amended. The annual appropriation is made at the rate not exceeding 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 Parent Company. This reserve is a distributable reserve.
- Other reserves also include statutory reserve of NGC Energy LLC, NGC Central Gas System LLC and NGC Energy SDN BHD amounted to RO 7,895, RO 3,626, RO 2,775 and RO 200,871 respectively.



## National Gas Company SAOG and its Subsidiaries

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### 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 asset have been disposed off.

### 19 Borrowings

	Parent Company		Group	
	2023	2022	2023	2022
	RO	RO	RO	RO
<b>Term loans</b>				
Revolving credits (Note 19.1)	-	-	1,590,230	4,349,797
Short term loans (Note 19.2)	1,612,889	2,059,105	1,612,889	2,059,105
<b>Total borrowings</b>	<b>1,612,889</b>	<b>2,059,105</b>	<b>3,203,119</b>	<b>6,408,902</b>

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

	2023	2022
	%	%
Revolving credits	5.01	4.35

19.1 This represents a revolving Islamic credit taken by a subsidiary. The facility is secured by charge over 100% shares of the Subsidiary, fixed and floating charges over all assets, assignment over the designated bank accounts and fixed charge over memorandum of lease for LPG filling plants of Subsidiary.

19.2 Short term loans are secured from commercial banks and carry interest ranging from 4.5% to 5.6% (2022: 4.5% to 5.6%) per annum. These are secured through minimum 20% sales turnover should be routed through current account.

#### Term loan and short term loan covenants

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

- Maintain annual debt service coverage ratio (DSCR) of 1.25 and current ratio of 1:1 at all times during the tenure of facility starting 31 December 2021. The Parent Company has not complied with DSCR covenant as of 31 December 2023.

#### Reconciliation of movements of liabilities to cash flows arising from financing activities:

	Parent Company		Group	
	Bank overdrafts	Loans and borrowings	Bank overdrafts	Loans and borrowings
At 1 January 2023	583,058	2,059,105	644,278	6,408,902
- Repayment of loan and borrowings	-	(446,216)	-	(3,205,783)
- Change in bank overdraft	387,312	-	768,796	-
<b>At 31 December 2023</b>	<b>970,370</b>	<b>1,612,889</b>	<b>1,413,074</b>	<b>3,203,119</b>

	Parent Company		Group	
	Bank overdrafts	Loans and borrowings	Bank overdrafts	Loans and borrowings
At 1 January 2022	1,097,853	6,753,969	1,102,729	18,251,253
Proceeds from loan and borrowings	-	-	-	-
- Repayment of loan and borrowings	-	(4,694,864)	-	(11,842,351)
- Change in bank overdraft	(514,795)	-	(458,451)	-
<b>At 31 December 2022</b>	<b>583,058</b>	<b>2,059,105</b>	<b>644,278</b>	<b>6,408,902</b>

### 20 Lease liabilities

	Parent Company		Group	
	2023	2022	2023	2022
	RO	RO	RO	RO
Current	61,480	27,677	237,856	186,682
Non-current	152,558	205,243	1,891,388	2,089,822
	<b>204,038</b>	<b>232,920</b>	<b>2,129,244</b>	<b>2,276,504</b>

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**20 Lease liabilities (continued)**

Parent Company	Minimum lease payments due						Total RO
	Within one year RO	1 - 2 years RO	2 - 3 years RO	3 - 4 years RO	4 - 5 years RO	After 5 years RO	
<b>31 December 2023</b>							
Undiscounted lease liabilities	53,345	49,556	36,308	39,074	48,425	-	226,708
Finance charges	(9,372)	(6,670)	(4,799)	(3,125)	(704)	-	(24,670)
<b>Lease liabilities</b>	<b>43,973</b>	<b>42,886</b>	<b>31,509</b>	<b>35,949</b>	<b>47,721</b>	<b>-</b>	<b>204,038</b>
<b>31 December 2022</b>							
Undiscounted lease liabilities	52,757	43,380	44,247	45,133	46,033	35,404	266,953
Finance charges	(10,570)	(8,875)	(6,918)	(4,831)	(2,580)	(158)	(34,033)
<b>Lease liabilities</b>	<b>42,187</b>	<b>34,505</b>	<b>37,329</b>	<b>40,302</b>	<b>43,453</b>	<b>35,246</b>	<b>232,920</b>
Group	Minimum lease payments due						Total RO
	Within one year RO	1 - 2 years RO	2 - 3 years RO	3 - 4 years RO	4 - 5 years RO	After 5 years RO	
<b>31 December 2023</b>							
Undiscounted lease liabilities	384,705	347,726	347,130	352,461	318,823	1,381,312	3,132,157
Finance charges	(157,792)	(142,692)	(127,758)	(110,960)	(92,999)	(370,712)	(1,002,913)
<b>Lease liabilities</b>	<b>226,913</b>	<b>205,034</b>	<b>219,372</b>	<b>241,501</b>	<b>225,824</b>	<b>1,010,600</b>	<b>2,129,244</b>
<b>31 December 2022</b>							
Undiscounted lease liabilities	367,055	347,305	337,443	350,582	362,742	1,615,060	3,400,187
Finance charges	(163,590)	(150,426)	(136,889)	(121,886)	(128,250)	(422,642)	(1,123,683)
<b>Lease liabilities</b>	<b>203,465</b>	<b>196,879</b>	<b>200,554</b>	<b>228,696</b>	<b>234,492</b>	<b>1,192,418</b>	<b>2,276,504</b>
Movement in lease liabilities	Parent Company		Group				
	2023 RO	2022 RO	2023 RO	2022 RO			RO
At on 1 January	232,920	285,451	2,276,504	2,179,144			
Modifications	43,019	-	183,389	1,223,777			
Disposals	(39,299)	-	(53,250)	(161,533)			
Payments	(43,287)	(66,575)	(370,548)	(316,788)			
Interest expense	10,685	14,034	176,580	173,393			
Exchange rate fluctuations	-	-	(83,431)	(169,436)			
Derecognition on disposal of subsidiary	-	-	-	(652,053)			
<b>At on 31 December</b>	<b>204,038</b>	<b>232,920</b>	<b>2,129,244</b>	<b>2,276,504</b>			

**21 Staff terminal benefits**

	Parent Company		Group	
	2023 RO	2022 RO	2023 RO	2022 RO
At 1 January	280,593	387,068	334,853	500,581
Charge for the year	76,768	52,164	92,428	140,987
Paid during the year	(105,726)	(158,639)	(146,947)	(237,309)
Derecognition on disposal of subsidiary	-	-	-	(2,419)
Transfer to liabilities directly associated with disposal group classified as held-for-sale	-	-	-	(66,987)
<b>At 31 December</b>	<b>251,635</b>	<b>280,593</b>	<b>280,332</b>	<b>334,853</b>

**22 Accounts payable and accruals**

	Parent Company		Group	
	2023 RO	2022 RO	2023 RO	2022 RO
Trade creditors	245,725	324,912	6,586,281	4,053,233
Accrued expenses	1,135,359	1,212,476	2,708,803	3,649,067
Other creditors	-	-	1,973,369	820,510
Amounts due to related parties	-	-	167,395	180,952
<b>Total</b>	<b>1,381,084</b>	<b>1,537,388</b>	<b>11,435,848</b>	<b>8,703,762</b>



## National Gas Company SAOG and its Subsidiaries

Notes to the separate and consolidated financial statements  
for the year ended 31 December 2023

### 23 Net assets per share

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

	Parent Company		Group	
	2023 RO	2022 RO	2023 RO	2022 RO
Net assets (RO)	17,116,939	17,016,025	18,536,289	19,226,338
Number of shares outstanding at 31 December	85,000,000	85,000,000	85,000,000	85,000,000
Net assets per share (RO)	0.201	0.200	0.218	0.226

### 24 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, are on the agreed terms and conditions. Details of related parties balances and transactions (including transactions and balances with related parties as a result of common directorship) for the year ended 31 December 2023 and 31 December 2022 are as follows:

	Parent Company		Group	
	2023 RO	2022 RO	2023 RO	2022 RO
Due from subsidiaries	1,141,360	2,065,382	-	-
Advance to subsidiaries	87,445	87,445	-	-
	1,228,805	2,152,827	-	-
Less: provision for expected credit losses	(109,769)	(109,769)	-	-
Amount due from related parties (net) - Note 12	1,119,036	2,043,058	-	-
Loan to related parties	609,365	366,571	-	-
Amounts due to related parties (Note 22)	-	-	167,395	180,952

Transactions with related parties during the year were as follows:

	Parent Company		Group	
	2023 RO	2022 RO	2023 RO	2022 RO
Sales to subsidiaries (revenue)	(98,727)	532,260	-	-
Expenses charged/(received)	(7,548)	85,494	-	-
Other expenses	25,671	31,893	-	-
Directors' remuneration and sitting fees	36,100	49,700	143,459	158,916

#### Provision for related party balances

Movement in the provision for expected credit losses for related parties are as follows:

	Parent Company	
	2023 RO	2022 RO
At 1 January	109,769	340,011
Less: written off	-	(230,242)
At 31 December	109,769	109,769

Details for the impairment loss written-off on due from NGC Energy LLC

	Parent Company	
	2023 RO	2022 RO
Transfer from provision for expected credit losses	-	230,242
Additional impairment written off during the year	-	1,245,073
<b>Total impairment</b>	-	1,475,315



## National Gas Company SAOG and its Subsidiaries

Notes to the separate and consolidated financial statements  
for the year ended 31 December 2023

### 24 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.

	Parent Company		Group	
	2023 RO	2022 RO	2023 RO	2022 RO
Senior management remuneration	194,417	222,237	660,338	640,521

**National Gas Company SAOG and its Subsidiaries**

Notes to the separate and consolidated financial statements  
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**25 Revenue**

	Parent Company		Group	
	2023	2022	2023	2022
	RO	RO	RO	RO
<b>Revenue from contracts with customers</b>				
Sale of LPG	8,158,011	8,052,676	73,775,237	82,762,358
Project income	789,615	624,676	1,714,784	2,638,897
Sale of NC+ and other industrial gas	189,504	321,279	216,336	464,958
Lubricant sales	874,260	599,003	874,260	599,003
Other income	27,904	67,802	3,850	41,191
Sale of new empty LPG cylinders and accessories	231,489	171,493	231,489	171,493
	<u>10,270,763</u>	<u>9,836,729</u>	<u>76,815,956</u>	<u>86,677,900</u>
<b>Revenue from other sources</b>				
Vehicle hire charges and rental income	51,793	44,672	712,699	151,103
	<u>51,793</u>	<u>44,672</u>	<u>712,699</u>	<u>151,103</u>
	<u>10,322,576</u>	<u>9,881,401</u>	<u>77,528,655</u>	<u>86,829,003</u>

**26 Cost of revenue**

	Notes	Parent Company		Group	
		2023	2022	2023	2022
		RO	RO	RO	RO
Opening stock		143,089	109,326	685,618	609,357
Local purchases		5,881,613	5,868,546	46,795,204	60,010,401
Imports		-	-	15,025,242	10,557,079
Closing stock		(65,683)	(143,089)	(496,404)	(685,618)
		<u>5,959,019</u>	<u>5,834,783</u>	<u>62,009,660</u>	<u>70,491,219</u>
<b>Other direct expenses</b>					
Direct labour costs	28.1	1,080,410	1,155,370	1,963,440	2,138,372
Project costs		527,510	479,747	1,070,138	2,089,548
Plant repair and maintenance expenses		29,195	35,137	1,525,909	1,517,023
Fuel and vehicle maintenance expenses		427,868	373,170	456,385	383,911
Other plant related expenses		173,012	182,518	1,684,055	1,067,615
NC+ and other industrial gas costs		84,788	205,537	84,788	309,040
Lubricant costs		708,419	494,090	708,419	494,090
Insurance expenses		125,747	127,054	162,265	144,366
Cost of cylinders sold	26.1	215,335	161,341	215,335	161,341
Transportation expenses		14,292	26,153	14,292	26,153
Utilities expenses		62,787	70,636	94,240	108,466
Short term lease rent expenses		630	-	11,060	16,106
		<u>9,409,012</u>	<u>9,145,536</u>	<u>70,009,986</u>	<u>78,949,250</u>

**26.1 Cost of cylinders sold**

	Parent Company		Group	
	2023	2022	2023	2022
	RO	RO	RO	RO
Opening stock	27,950	30,255	27,950	30,255
Purchases of new cylinders	218,875	159,036	218,875	159,036
Closing stock	(31,490)	(27,950)	(31,490)	(27,950)
	<u>215,335</u>	<u>161,341</u>	<u>215,335</u>	<u>161,341</u>

National Gas Company SAOG and its Subsidiaries

Notes to the separate and consolidated financial statements  
for the year ended 31 December 2023

27 Administrative expenses

	Note	Parent Company		Group	
		2023 RO	2022 RO	2023 RO	2022 RO
Employee related costs	28.1	556,134	620,366	1,757,172	1,894,511
Office expenses		133,528	130,238	376,917	283,278
Directors' remuneration and sitting fees		35,100	49,700	143,459	158,915
Communication expenses		35,700	41,859	131,503	134,487
Professional charges		20,399	63,782	223,706	250,618
Repairs and maintenance expenses		14,476	16,708	18,121	17,508
Marketing and publicity expenses		6,385	25,929	92,202	77,226
Printing and stationery expenses		3,413	5,857	13,992	15,783
General expenses		5,420	7,913	62,731	94,904
Business travel expenses		3,750	5,143	72,032	39,360
Withholding tax		3,308	5,164	3,308	5,164
Advertisement expenses		2,027	1,316	2,027	1,316
Rent expense		6,000	-	83,894	76,466
Donations		2,000	9,500	-	9,607
Transportation costs		-	-	1,584,217	1,696,802
Insurance expenses		-	-	100,485	110,707
		<b>828,640</b>	<b>984,275</b>	<b>4,665,766</b>	<b>4,866,652</b>

28 Employees costs

	Parent Company		Group	
	2023 RO	2022 RO	2023 RO	2022 RO
Wages and salaries	1,281,200	1,444,916	2,852,829	3,025,762
Other employee benefit costs	200,090	199,890	699,937	772,321
Social security costs	78,486	78,766	95,420	93,813
Provision for staff terminal benefits (Note 21)	76,768	52,164	92,426	140,987
	<b>1,636,544</b>	<b>1,775,736</b>	<b>3,740,612</b>	<b>4,032,883</b>

28.1 Allocation of employees costs

	Parent Company		Group	
	2023 RO	2022 RO	2023 RO	2022 RO
Cost of revenue (Note 26)	1,080,410	1,155,370	1,983,440	2,138,372
Administrative expenses (Note 27)	556,134	620,366	1,757,172	1,894,511
	<b>1,636,544</b>	<b>1,775,736</b>	<b>3,740,612</b>	<b>4,032,883</b>

29 Depreciation expenses

	Parent Company		Group	
	2023 RO	2022 RO	2023 RO	2022 RO
Depreciation - direct	190,880	217,159	2,063,438	2,342,173
Depreciation on right-of-use assets - direct	29,173	34,593	253,428	234,451
Depreciation expenses - indirect	24,703	28,289	116,561	95,847
Depreciation on right-of-use assets - indirect	20,492	36,357	75,456	99,039
	<b>265,248</b>	<b>316,398</b>	<b>2,509,883</b>	<b>2,771,510</b>

29.1 Depreciation expenses charged to discontinued operations

	Parent Company		Group	
	2023 RO	2022 RO	2023 RO	2022 RO
Depreciation - direct	-	-	-	105,906
Depreciation on right-of-use assets - direct	-	-	-	89,695
Depreciation expenses - indirect	-	-	-	93,720
	-	-	-	<b>289,321</b>



## National Gas Company SAOG and its Subsidiaries

Notes to the separate and consolidated financial statements  
for the year ended 31 December 2023

### 30 Other income - net

	Parent Company		Group	
	2023	2022	2023	2022
	RO	RO	RO	RO
Interest income	49,901	177,467	56,620	50,916
Dividend income	59,065	52,529	59,065	52,529
Miscellaneous income	31,293	24,512	205,346	198,864
(Loss) / gain on disposal of property, plant and equipment	53,574	(2,893)	65,003	13,718
	<u>193,833</u>	<u>251,615</u>	<u>386,034</u>	<u>316,027</u>

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

### 31 Income taxes

The Tax Authority 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% (2022: 15% to 24%) on the taxable income. 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.

	Parent Company		Group	
	2023	2022	2023	2022
	RO	RO	RO	RO

#### Separate and consolidated statement of profit or loss:

The tax charge for the year comprises:

Current year tax	-	179,251	354,476	370,793
Prior year tax reversal	(3,603)	-	-	-
	<u>(3,603)</u>	<u>179,251</u>	<u>354,476</u>	<u>370,793</u>
Deferred tax	2,369	(287,860)	(145,909)	(252,143)
	<u>(1,234)</u>	<u>(108,609)</u>	<u>208,567</u>	<u>118,650</u>

	Parent Company		Group	
	2023	2022	2023	2022
	RO	RO	RO	RO
<b>Deferred tax liability / (asset):</b>				
At 1 January	416,244	607,436	2,635,007	2,914,177
Movement through other comprehensive income	-	96,666	-	96,666
Movement through profit or loss	2,369	(287,860)	(145,909)	(252,143)
Exchange difference on translation	-	-	(81,289)	(123,695)
<b>At 31 December</b>	<b>418,613</b>	<b>416,244</b>	<b>2,407,809</b>	<b>2,635,007</b>

The deferred tax comprises the following temporary differences:

	Parent Company		Group	
	2023	2022	2023	2022
	RO	RO	RO	RO
<b>Separate and consolidated statement of other comprehensive income:</b>				
Revaluation of land	(664,488)	(664,488)	(757,820)	(761,500)
<b>Separate and consolidated statement of profit or loss:</b>				
Provision for expected credit losses	179,405	102,162	312,546	234,925
Provision for impairment on due from NGC Energy LLC	159,427	224,598	159,427	224,598
Provision for impairment of investments in subsidiaries	4,729	17,045	4,729	17,045
Others	-	-	21,453	-
Net book value of fixed assets	(97,686)	(95,581)	(2,148,144)	(2,350,075)
Deferred tax liability	245,875	248,244	(1,649,989)	(1,873,507)
<b>Deferred tax liability - net</b>	<b>(418,613)</b>	<b>(416,244)</b>	<b>(2,407,809)</b>	<b>(2,635,007)</b>

## National Gas Company SAOG and its Subsidiaries

### Notes to the separate and consolidated financial statements for the year ended 31 December 2023

#### 31 Income taxes (continued)

	Parent Company		Group	
	2023 RO	2022 RO	2023 RO	2022 RO
<b>Current liability:</b>				
Current year (net of refundable)	3,603	32,202	358,079	223,744
Prior years	(3,603)	3,602	(348,572)	(177,972)
	-	35,804	9,507	45,772

A reconciliation of tax charge is set out below:

	Parent Company		Group	
	2023 RO	2022 RO	2023 RO	2022 RO
(Loss) / profit before tax (including from discontinued operations)	64,915	(504,613)	95,545	494,870
Income tax expense at the rates mentioned above	(3,603)	179,251	354,476	370,793
Relating to (reversal) / origination of deferred tax liability	2,359	(287,860)	(145,909)	(252,143)
	(1,234)	(108,609)	208,567	118,650

The tax returns of the Parent Company for the years 2020 to 2022 have not yet been agreed with the Tax Authority at the Ministry of Finance.

Management is 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 December 2023.

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 December 2023.

#### 32 Discontinued operations

As detailed in note 2.2 and note 10 to the separate and consolidated financial statements, during the year 2022, the Parent Company / Group has disposed-off its investments in NCG Energy India Private Limited (a subsidiary) and Unigaz LLC (an associate) and classified investments in NGC Energy LLC, NGC Central Gas Systems LLC and Arabian Oil LLC (subsidiaries) as held-for-sale.

Summarised statement of profit or loss for the years ended 31 December 2023 and 31 December 2022 related to the above mentioned assets disposed-off and disposal groups are as follows:

	Parent Company		Group	
	2023 RO	2022 RO	2023 RO	2022 RO
Revenue	-	-	68,357	10,229,555
Cost of revenue	-	-	(96,205)	(10,071,434)
Gross profit	-	-	(27,848)	158,121
Administrative expenses	-	-	(70,845)	(364,533)
Operating loss before depreciation	-	-	(98,693)	(206,412)
Depreciation expenses	-	-	-	(289,321)
Operating loss after depreciation	-	-	(98,693)	(495,733)
Other income - net	-	-	98,623	55,313
Finance costs	-	-	(822)	(844,079)
Provision for expected credit losses	-	-	(1,101)	(362,876)
Loss before tax	-	-	(1,993)	(1,447,375)
Income tax	-	-	-	-
Loss after tax	-	-	(1,993)	(1,447,375)
<b>Loss on remeasurement and disposal</b>				
Loss on remeasurement to fair value less cost to sell	-	(134,685)	-	-
Gain before tax on disposal	-	1,409,375	-	2,340,424
Total gain / (loss) on remeasurement and disposal	-	1,274,690	-	2,340,424
Profit / (loss) for the year from discontinued operations	-	1,274,690	(1,993)	893,049



## National Gas Company SAOG and its Subsidiaries

Notes to the separate and consolidated financial statements  
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### 32 Discontinued operations (continued)

Details for the gain on disposal are as follows:

#### Parent Company

	2022		Total RO
	NGC Energy India Private Limited RO	Unigaz LLC RO	
Sale proceeds	6,011,434	407,000	6,418,434
Less: Settlement of loan provided to subsidiary on disposal	(2,682,997)	-	(2,682,997)
Net sale proceeds	3,328,437	407,000	3,735,437
Cost / carrying value of the investment at the date of disposal	2,251,062	75,000	2,326,062
<b>Gain on disposal</b>	<b>1,077,375</b>	<b>332,000</b>	<b>1,409,375</b>

#### Group

	2022 RO
<b>Unigaz LLC</b>	
Sale proceeds	407,000
Less: Carrying value of investment	(407,000)
<b>Gain on disposal</b>	<b>-</b>

	2022 RO
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#### NGC Energy India Private Limited

	2022 RO
<b>Assets</b>	
<b>Non-current assets:</b>	
Property, plant and equipment	10,503,116
Right-of-use assets	1,902,498
Deferred tax asset	1,691
<b>Total non-current assets</b>	<b>12,407,305</b>
<b>Current assets:</b>	
Trade and other receivables	1,840,000
Cash and bank balances	351,006
<b>Total current assets</b>	<b>2,191,006</b>
<b>Total assets</b>	<b>14,598,311</b>
<b>Liabilities</b>	
<b>Non-current liabilities:</b>	
Borrowings	7,314,809
Lease liabilities	652,053
Staff terminal benefits	2,189
<b>Total non-current liabilities</b>	<b>7,969,051</b>
<b>Current liabilities:</b>	
Trade and other payables	510,910
<b>Total current liabilities</b>	<b>510,910</b>
<b>Total liabilities</b>	<b>8,479,961</b>
<b>Less: Non-controlling interest</b>	<b>2,447,340</b>
<b>Net assets at disposal date</b>	<b>3,671,010</b>
<b>Sale proceeds</b>	<b>6,011,434</b>
<b>Gain on disposal</b>	<b>2,340,424</b>

Summarised statement of cash flows for the years ended 31 December 2023 and 31 December 2022 related to the above mentioned assets disposed-off and disposal groups are as follows:

	Parent Company		Group	
	2023 RO	2022 RO	2023 RO	2022 RO
Operating activities	10,297	(134,685)	10,297	(4,680,551)
Investing activities	154,605	3,735,437	154,605	(3,756,304)
Financing activities	-	-	-	2,332,162
<b>Cash flows from discontinued operations</b>	<b>164,902</b>	<b>3,600,752</b>	<b>164,902</b>	<b>(6,104,693)</b>



## National Gas Company SAOG and its Subsidiaries

### Notes to the separate and consolidated financial statements for the year ended 31 December 2023

#### 33 Earnings / (loss) 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 Owners of the Parent Company, by the weighted average number of shares outstanding.

	Parent Company		Group	
	2023 RO	2022 RO	2023 RO	2022 RO
Profit / (loss) attributable to equity holders of the Parent Company				
- From continued operations	66,149	(1,670,694)	(268,203)	(427,173)
- From discontinued operation	-	1,274,690	(1,993)	893,049
Profit / (loss) attributable to ordinary equity holders of the Parent Company	66,149	(396,004)	(270,196)	465,876
Weighted average number of shares	85,000,000	85,000,000	85,000,000	85,000,000
From continuing operations	0.001	(0.020)	(0.003)	(0.005)
From discontinued operations	-	0.015	(0.000)	0.011
Basic earnings / (loss) per share (RO)	0.001	(0.005)	(0.003)	0.005

As there are no dilutive potential shares, the diluted earnings per share is identical to the basic earnings per share.

#### 34 Segment reporting

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

#### Geographic information

##### Revenues from external customers

	Group	
	2023 RO	2022 RO
Oman	10,321,382	9,375,361
Other GCC countries	926,363	8,363,105
Asia	66,280,910	79,320,092
	77,528,655	87,058,558

This includes revenue earned by the entity classified as held for sale (note 32) as at the reporting date.

#### 35 Commitments

	Notes	Parent Company		Group	
		2023 RO	2022 RO	2023 RO	2022 RO
Capital commitments	35.1	56,224	17,124	515,297	1,946,303
Performance guarantees	35.2	969,832	3,051,914	969,832	3,051,914

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

35.2 Bank guarantees 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 On 1 November 2023, the NGC Energy Sdn. Bhd. had filed a suit in the High Court of Muar against a competitor distributor ("the Defendant") for unlawful detention of cylinders and unlawful interference with the Company's trade.

On 26 November 2023, the Court ordered by consent the ex-parte interim injunction ("Injunction Order") restraining the Defendant from moving, transporting and/or dealing with the said cylinders pending disposal of the Company's interim injunction.

The Defendant is counterclaiming for costs of the claim, interest on amounts found due to the Defendant and damages for the Injunction Order, loss of income or profit, costs of storing the said cylinders as well as damages to the Defendant's reputation, image and goodwill.

The hearing for the inter-parties interim injunction is fixed for 8 April 2024.

Based on the opinion of the solicitor, the Directors are of the view that the Company has a reasonable chance of success in its claims and in defending against the Defendant's counterclaim.

36.2 At 31 December 2023 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 969,832 (2022: RO 3,051,914).

## National Gas Company SAOG and its Subsidiaries

### Notes to the separate and consolidated financial statements for the year ended 31 December 2023

#### 37 Financial instruments risk

##### 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 separate and consolidated financial statements.

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

##### (a) Credit risk

Credit risk arises from bank balances, contractual cash flows of debt investments carried at amortised cost, 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 Group has following types of financial assets that are subject to the expected credit loss model:

- Trade receivables
- Amounts due from related parties
- Advances to related parties
- Loan 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 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 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.



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37 Financial instruments risk (continued)

(a) Credit risk (continued)

(ii) Impairment of financial asset (continued)

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 December 2023 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP, inflation rate and oil barrel rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

On that basis, the loss allowance as at 31 December, was determined as follows for trade receivable:

Parent

31 December 2023	Current	More than 30 days past due	More than 60 days past due	More than 120 days past due	Total
Expected credit loss %	1.47%	3.80%	7.71%	74.81%	25.28%
Gross carrying amount of trade receivables (RO)	1,215,919	182,811	144,005	714,714	2,257,449
Loss allowance	17,881	8,952	11,099	534,707	570,639

Group

Continued operations

31 December 2023	Current	More than 30 days past due	More than 60 days past due	More than 120 days past due	Total
Expected credit loss %	0.78%	2.43%	7.02%	62.84%	16.24%
Gross carrying amount of trade receivables (RO)	2,434,444	358,588	220,156	1,897,665	4,908,853
Loss allowance (RO)	18,486	8,663	15,445	1,192,437	1,235,031

Discontinued operations

31 December 2023	Current	More than 30 days past due	More than 60 days past due	More than 120 days past due	Total
Expected credit loss %	0%	0%	0%	65.03%	65.03%
Gross carrying amount of trade receivables (RO)	-	-	-	984,987	984,987
Loss allowance (RO)	-	-	-	640,550	640,550

Parent

31 December 2022	Current	More than 30 days past due	More than 60 days past due	More than 120 days past due	Total
Expected credit loss %	2.11%	4.58%	8.94%	68.44%	24.14%
Gross carrying amount of trade receivables (RO)	1,245,237	180,283	180,704	760,634	2,366,858
Loss allowance	26,324	8,264	18,154	520,568	571,310

Group

31 December 2022	Current	More than 30 days past due	More than 60 days past due	More than 120 days past due	Total
Expected credit loss %	0.77%	2.52%	6.19%	71.56%	20.57%
Gross carrying amount of trade receivables (RO)	3,678,472	338,302	339,518	1,643,994	5,998,286
Loss allowance	28,148	8,464	21,001	1,176,514	1,234,127



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37 Financial Instruments risk (continued)

(a) Credit risk (continued)

(ii) Impairment of financial asset (continued)

Discontinued operations

31 December 2022	Current	More than 30 days past due	More than 60 days past due	More than 120 days past due	Total
Expected credit loss %	0.00%	0.00%	0.00%	50.42%	45.53%
Gross carrying amount of trade receivables (RO)	31,503	67,184	38,626	1,279,856	1,417,170
Loss allowance (RO)	-	-	-	645,267	645,267

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the group, and a failure to make contractual payments for a period of greater than 120 days past due.

Impairment loss on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

**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.

**Due from related parties**

The Company applies IFRS 9 General Model approach to measure expected credit losses which uses 3 stage model to recognise expected credit loss depending upon the credit risk of the counter party.

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

(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	1 – 5 years RO
31 December 2023			
Trade creditors	245,725	245,725	-
Short term loans	1,612,889	1,612,889	-
Lease Liabilities	204,038	51,480	152,558
Bank overdraft	970,370	970,370	-
	3,033,022	2,880,464	152,558

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37 Financial instruments risk (continued)

(b) Liquidity risk (continued)

Parent

	Carrying amount RO	Contractual cash flows:	
		Less than one year RO	1 – 5 years RO
31 December 2022			
Trade creditors	324,912	324,912	-
Short term loans	2,059,105	2,059,105	-
Lease Liabilities	232,920	52,757	180,163
Bank overdraft	583,058	583,058	-
Amounts due to related parties	-	-	-
	<b>3,199,995</b>	<b>3,019,832</b>	<b>180,163</b>

Group

	Carrying amount RO	Contractual cash flows:	
		Less than one year RO	1 – 5 years RO
31 December 2023			
Trade creditors	6,586,281	6,586,281	-
Other creditors	1,973,369	1,973,369	-
Short term loans	1,612,889	1,612,889	-
Lease Liabilities	2,129,244	237,856	1,891,388
Bank overdraft	1,413,074	1,413,074	-
Amounts due to related parties	167,395	167,395	-
	<b>13,882,252</b>	<b>11,990,864</b>	<b>1,891,388</b>

Group

	Carrying amount RO	Contractual cash flows:	
		Less than one year RO	1 – 5 years RO
31 December 2022			
Trade creditors	4,053,233	4,053,233	-
Other payables	820,510	820,510	-
Short term loans	2,059,105	2,059,105	-
Lease Liabilities	2,276,504	367,055	1,909,449
Bank overdraft	583,058	583,058	-
	<b>9,973,362</b>	<b>8,063,913</b>	<b>1,909,449</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.

**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 34,863 (2022: RO 30,558) on the foreign currency translation reserve of the Group.

**Sovereign risk**

The LPG is made available to the Parent Company from four sources at different rates by the Ministry of Energy and Minerals. Presently, the Group is allocated more from the costlier source. Any further increase in allocation



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from the costlier source will adversely affect the profitability of the Group.

**37 Financial instruments risk (continued)**

**(c) Market risk (continued)**

**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.

**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.

**Sensitivity analysis - equity price risk (continued)**

	Effect on 5% increase RO	Effect on 5% decrease RO
31 December 2023	55,740	(55,740)
31 December 2022	54,002	(54,002)

**(d) 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 fixed interest rates.

The Group manages its exposure to interest rate risk by ensuring that significant borrowings are on a fixed rate basis. The Group borrows at interest rates on commercial terms and manages the interest rate risk by constantly monitoring the changes in interest rates and availing lower interest bearing facilities.

**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 2023.

**39 Fair value measurement**

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

**Fair value hierarchy**

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

**Parent and Group**

	Level 1 RO	Level 2 RO	Level 3 RO
<b>2023</b>			
Financial assets at fair value through OCI	1,114,798	-	-
Freehold land	-	4,584,450	-
Goodwill	-	-	7,062,751
<b>2022</b>			
Financial assets at fair value through OCI	1,080,033	-	-
Freehold land	-	4,584,450	-
Goodwill	-	-	7,341,193



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**39 Fair value measurement (continued)**

Asset	Valuation technique	Inputs used for the application	Category of impact to the fair value
Land	Open market basis considers the selling land within a reasonably recent period of time in determining the fair value of land being revalued. This involves evaluation of 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 increase / (decrease) if ; price per square feet increase / (decrease)

All the listed equity securities are denominated in RO and are publicly traded in Oman. Fair values have been determined by reference to their quoted bid prices at the reporting date.

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 separate and consolidated financial statements. Such reclassifications are immaterial and do not affect previously reported net profit or shareholders' equity.