

MUSCAT GASES COMPANY SAOG
Muscat – Sultanate of Oman

NOTES TO THE FINANCIAL STATEMENTS

1. STATUS AND ACTIVITIES

Muscat Gases Company SAOG (“the Company”) is an Omani Joint Stock Company incorporated in the Sultanate of Oman on November 13, 1989, under commercial registration no.1/16498/8.

The principal activities of the Company are manufacturing and distribution of various types of industrial and cooking gases.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Financial statements preparation framework

The financial statements have been prepared in accordance with International Financial Reporting Standards including International Accounting Standards and Interpretations, promulgated by the International Accounting Standards Board and applicable requirements of the Commercial Companies Law and the disclosure requirements of the Capital Market Authority.

The significant accounting policies consistently applied in the preparation of the accompanying financial statements are as follows:

b) Basis of preparation

The financial statements are prepared under the historical cost basis except for investments stated at their fair value.

c) Financial assets

Financial assets are recognized and derecognized on the trade date when the Company becomes party to the contractual provisions of the instruments. The financial assets are initially recognized at fair value plus transactions costs except for the financial assets classified as investments (refer (f) below). The financial assets which are non-derivative financial assets with fixed or determinable payments that are not quoted in active market. They are included in current assets, except for maturities greater than 12 months after the statement of financial position date. They are classified as non-current assets. The financial assets of the Company comprise of loan and receivables consisting of cash and cash equivalents and receivables. Loans and receivables are measured at amortized cost using the effective interest method less any impairment losses. Interest income if any is recognized by applying the effective interest rate except for short term receivables where the recognition of interest would be immaterial.

d) Receivables

Receivables with no stated interest rate are measured at the original invoice amount and presented in the statement of financial position net of any estimated provision for doubtful accounts. The Company’s management estimates doubtful accounts as of the statement of financial position date based on aging report of accounts receivable, individually analyzing each receivable.

e) Inventories

Inventories are stated at the lower of cost and new realizable value. Cost comprises direct materials and where applicable, direct labor costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realizable value represents the estimated selling price less all estimated cost to completion and costs to be incurred in marketing, selling and distribution.

f) Investments

The Company classifies the investments as available for sale investments. After initial recognition, investments which are classified “available for sale” are normally remeasured at fair value, unless fair value cannot be reliably determined in which case, they are measured at cost less impairment.

Fair value changes are reported as a separate component of equity until the investment is derecognized, or the investment is determined to be impaired. On derecognition or impairment the cumulative gain or loss previously reported as "cumulative changes in fair value" within equity, is included in the statement of comprehensive income for the year. Dividends if any are recognized in profit or loss when the Company's right to receive payments is established.

g) Investment in Associate

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial operating policy decisions of the investee but is not control or joint control over those policies. The Company's investments in its associate are accounted for using the equity method. The aggregate of the Company's share of profit or loss of an associate and a joint venture is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

h) Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives. Depreciation is provided over the estimated useful lives of the related assets using the straight-line method and assuming no salvage value. The estimated useful lives of various categories of property, plant and equipment are as follows:

	<u>Useful lives</u>
Buildings	25 years
Plant (Major)	20 years
Plant (Minor)	10 years
Semi-Trailers	20 years
Prime movers	8 years
Tools	4 years
Heavy vehicles	5 years
Light Vehicles	5 years
Computer Hardware	3 years
Computer Software	4 years
Office Equipment	4 years
Software	10 years
Furniture & fixtures	6 years

Land is not depreciated as it is deemed to have an indefinite life.

Expenditures for major additions and improvements are capitalized, while maintenance and repairs which do not enhance the economic lives of the assets, its capacity or reducing substantially operating costs are charged to expense when incurred. When items of property, plant and equipment are retired or otherwise disposed of the related cost and accumulated depreciation thereto are removed from the accounts and any resulting gain or loss is included in the statement of comprehensive income.

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

i) Payables and accruals

Payables with no stated interest rate are measured at the original invoice amount, in cases where the imputed interest is immaterial. However, in cases where the imputed interest rate factor is material, accounts payables are stated at amortized cost, through application of the discounted cash flows method at market interest rate available on short-term borrowings with comparable average periods of maturity.

j) **End of service benefits**

The end of service benefits for eligible Omani employees are provided in accordance with Social Insurance Law of 1991. For others, provision for end of service benefits is based on the liability which would arise in accordance with the terms of the employment and the Labour Laws of the Sultanate of Oman, if the employment of all employees were terminated at the statement of financial position date. It is of a long-term nature.

k) **Cash and cash equivalents**

For the purpose of preparing the statement of cash flows, cash equivalents comprise of highly liquid assets which are readily convertible into known amount of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents represent cash on hand and unrestricted balances with banks. Overdrawn balance that fluctuates from debit to credit during the year are included in cash and cash equivalents.

l) **Translation of foreign currencies**

Transactions in foreign currencies are translated to Omani Rials at the rates prevailing on the date of the transaction. Assets and liabilities denominated in foreign currencies are translated to Omani Rials at year end rates. Any gain or loss arising from changes in exchange rates subsequent to the date of the transaction is recognized in the statement of comprehensive income.

m) **Provisions**

Provisions are present obligations (legal or constructive) resulted from past events, the settlement of the obligations is probable, and the amount of those obligations can be estimated reliably. The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the statement of financial position date, that is, the amount that the Company would rationally pay to settle the obligation at the statement of financial position date or to transfer it to a third party.

Provisions reviewed and adjusted at each statement of financial position date. If outflows, to settle the provisions, are no longer probable, reverse of the provision is recorded as income. Provisions are only used for the purpose for which they were originally recognized.

n) **Related parties**

Related parties are considered to be related because they have the ability to exercise control over the Company or to exercise significant influence or joint control over the Company's financial and operating decisions. Further, parties are considered related to the Company when the Company has the ability to exercise control, significant influence, or joint control over the financial and operating decisions of those parties. Transactions with related parties, normally, comprise of transfer of resources, services, or obligations between the parties.

3. PROPERTY, PLANT AND EQUIPMENT - PARENT								
	Land	Plant Building	Plant & Machinery	Motor vehicles	Furniture & Fixtures	Office Equipment	Capital work in Progress	Total
COST								
At January 1, 2025	1,445,000	699,508	2,494,826	2,305,825	80,813	188,624	7,500	7,222,096
Additions	-	-	9,910	31,345	-	1,120	-	42,375
Disposals/Trf	-	-	-	-	-	-	-	-
At June 30, 2025	1,445,000	699,508	2,504,736	2,337,170	80,813	189,744	7,500	7,264,472
DEPRECIATION								
At January 1, 2025	-	572,703	1,970,118	1,812,949	74,832	162,263	-	4,592,864
Charge for the year	-	10,470	51,348	44,605	1,037	3,887	-	111,346
Disposals/Trf	-	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-	-
At June 30, 2025	-	583,172	2,021,465	1,857,554	75,869	166,151	-	4,704,210
NET BOOK VALUE								
At June 30, 2025	1,445,000	116,335	483,271	479,616	4,944	23,594	7,500	2,560,260
At June 30, 2024	1,445,000	138,514	570,785	536,864	8,506	27,691	24,104	2,751,464
Muscat Gases Co.SAOG								
3. PROPERTY, PLANT AND EQUIPMENT - GROUP								
	Land	Plant Building	Plant & Machinery	Motor vehicles	Furniture & Fixtures	Office Equipment	Capital work in Progress	Total
COST								
At January 1, 2025	1,595,000	699,508	2,550,861	2,395,620	127,725	213,399	25,269	7,607,382
Additions	-	-	11,642	31,345	-	1,223	406,654	450,863
Disposals/Trf	-	-	-	-	-	-	(344,341)	(344,341)
At June 30, 2025	1,595,000	699,508	2,562,503	2,426,965	127,725	214,621	87,582	7,713,904
DEPRECIATION								
At January 1, 2025	-	572,703	1,984,754	1,871,279	86,492	173,902	-	4,689,130
Charge for the year	-	10,470	59,425	53,585	5,168	6,793	-	135,438
Disposals/Trf	-	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-	-
At June 30, 2025	-	583,172	2,044,179	1,924,864	91,660	180,695	-	4,824,569
NET BOOK VALUE								
At June 30, 2025	1,595,000	116,335	518,325	502,101	36,066	33,926	87,582	2,889,337
At June 30, 2024	1,595,000	138,514	609,779	577,309	47,873	36,004	33,060	3,037,540

Unaudited Consolidated Financial Statements for the period ended 30-06-2025 were approved
by the Board of Directors on 05-08- 2025

4. RIGHT OF USE ASSETS				
	30 June 2025 (RO)		30 June 2024 (RO)	
	Parent	Group	Parent	Group
Cost	379,429	379,429	379,429	379,429
Less: Accumulated Depreciation	(182,735)	(182,735)	(168,335)	(168,335)
Total	196,694	196,694	211,094	211,094
5. INVESTMENT				
	30 June 2025 (RO)		30 June 2024 (RO)	
	Parent	Group	Parent	Group
Investment	2,004,118	-	2,004,118	-
Total	2,004,118	-	2,004,118	-
6. GOODWILL				
	30 June 2025 (RO)		30 June 2024 (RO)	
	Parent	Group	Parent	Group
Goodwill	-	996,800	-	996,800
Total	-	996,800	-	996,800
7. INVENTORIES				
	30 June 2025 (RO)		30 June 2024 (RO)	
	Parent	Group	Parent	Group
Gas Cylinders	330,303	338,927	386,436	389,256
Raw-materials and spare parts	549,068	691,789	351,307	463,372
LPG bulk	216,754	246,576	681,339	683,666
	1,096,124	1,277,291	1,419,081	1,536,294
Allowance for slow moving inventories				
Gas Cylinders	-	-	-	-
Spare parts	-	-	-	-
Total allowances (note below)	-	-	-	-
	1,096,124	1,277,291	1,419,081	1,536,294
The movement in allowances for slow-moving inventories during the period				
	30 June 2025 (RO)		30 June 2024 (RO)	
	Parent	Group	Parent	Group
Opening balance	-	-	-	-
Charge for the period	-	-	-	-
Write off	-	-	-	-
Closing balance (as above)	-	-	-	-

8. TRADE AND OTHER RECEIVABLES				
	30 June 2025 (RO)		30 June 2024 (RO)	
	Parent	Group	Parent	Group
Trade receivables	4,155,986	4,654,141	4,034,088	4,255,559
Trade receivables - Non current assets	-	-	-	-
Allowance for doubtful debts(note below)	(409,877)	(409,877)	(410,471)	(410,471)
Net trade receivables	3,746,109	4,244,265	3,623,617	3,845,088
Advance to suppliers	215	10,002	215	7,026
Due from related parties (note 21)	674,697	-	1,154,731	67,539
Due from employees	21,816	23,057	24,552	26,170
Other receivable	99,952	134,334	109,337	111,067
Prepaid expenses	52,774	73,946	58,494	69,648
Refundable deposits	1,397	1,397	3,392	3,392
Due from ex-partners - Al Aman Gas	-	-	-	-
VAT receivable	15,809	15,809	-	0
	4,612,769	4,502,810	4,974,338	4,129,932
The movement in allowance for doubtful debts:				
	30 June 2025 (RO)		30 June 2024 (RO)	
	Parent	Group	Parent	Group
Opneing balance	402,070	402,070	407,270	407,270
Add: charges during the period	7,807	7,807	-	-
Less: write off	-	-	-	-
Closing balance (as above)	409,877	409,877	407,270	407,270
9. CASH AND CASH EQUIVALENTS				
	30 June 2025 (RO)		30 June 2024 (RO)	
	Parent	Group	Parent	Group
Cash on hand	28,214	31,260	30,132	31,848
Bank balance:				
Current accounts & Term Deposits	1,159,136	1,316,286	1,437,990	1,494,181
	1,187,350	1,347,544	1,468,122	1,526,029

10. SHARE CAPITAL

Unaudited Consolidated Financial Statements for the period ended 30-06-2025 were approved
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		30 th June 2025 (RO)	30th June 2024 (RO)	
	Parent	Group	Parent	Group
Registered and paid-up capital	3,000,000	3,000,000	3,000,000	3,000,000
30,000,000 ordinary shares of 100 baizas each	3,000,000	3,000,000	3,000,000	3,000,000

The Company has one class of ordinary shares, which carry no right to fixed rate.

Details of shareholders of the Company who own 10% or more of the Company's shares and the number of shares they hold as on 30th June 2025 was as follows:

			2025	
			%	Number
Takamul Investment Co.			32.663	9,799,000
SAOG				
Civil Service Employees Pension Fund			15.000	4,500,000
Al Saud Co. Ltd (OAB)			10.092	3,027,525
			<u>57.755</u>	<u>17,326,525</u>

Management of capital structure:

The Company is not exposed to externally imposed capital requirement except in case the Company lost substantial paid up capital.

The Company's objective when managing capital is to safeguard the entities' ability to continue as a going concern. and to provide adequate return to shareholders.

The Company manages capital structure, by adjusting the amount paid as dividends, or increasing the paid-up capital, to have a decent debt equity ratio.

11. STATUTORY RESERVE

The statutory reserve, which is not a available for distribution, is calculated in accordance with Article 106 of the Commercial Companies Law. The annual appropriation must be 10% of the profit for each year after taxes, until such time as the reserve amounts to at least one third of the share capital.

12. SPECIAL RESERVE

This represents the balance amount transferred from the share premium in accordance with decision of the Board of Directors. This reserve is not available for distribution.

13. PROVISION FOR END OF SERVICE BENEFITS

The Company contributes to the Government of Oman Social Insurance Scheme, which is a defined contribution retirement plan.

The provision for end of service benefits for non-Omani employees is made in accordance with the requirements of Oman Labour Law. This is an un-funded defined benefits retirement plan and the movement during the year is as follows:

13. PROVISION FOR END OF SERVICE BENEFITS				
	30 June 2025 (RO)		30 June 2024 (RO)	
	Parent	Group	Parent	Group
Balance at January 1	117,977	142,433	126,533	134,641
Charge for the period	16,574	24,685	18,947	21,598
Amounts paid	(119)	(119)	(14,123)	(14,270)
Balance at June 30	134,433	166,999	131,358	141,969
14. TRADE AND OTHER PAYABLES				
	30 June 2025 (RO)		30 June 2024 (RO)	
	Parent	Group	Parent	Group
Trade payables	4,531,815	4,625,481	4,262,295	4,314,023
Due to Related Parties (note 21)	540,343	55,579	1,425,088	37,146
Accrued expenses and provision for leave&passage	109,571	145,535	126,198	144,856
Other Payable	634	9,626	562	11,623
VAT payable	-	3,678	8,313	5,219
Advance from Customers	98,763	98,763	100,827	109,911
	5,281,125	4,938,660	5,923,283	4,622,778
15. PROVISION FOR INCOME TAX				
	30 June 2025 (RO)		30 June 2024 (RO)	
	Parent	Group	Parent	Group
Profit for the period before tax	(94,038)	(92,976)	(71,508)	(157,793)
Tax at the domestic income tax rate of 15%	-	322	-	2,295
Tax charge for the period	-	322	-	2,295
Provision for taxation for the period is as follows:				
	30 June 2025 (RO)		30 June 2024 (RO)	
	Parent	Group	Parent	Group
Balance as of January 1	20,218	24,996	32,808	33,798
Charge for the period	-	322	-	2,295
Tax paid	-	(4,777)	(12,590)	(13,713)
Closing balance	20,218	20,541	20,218	22,381

The Company has provided for income tax in accordance with the income tax laws of the Sultanate of Oman at the rate of 15% on taxable profit.

The Company's income tax assessments finalized up to 2020. The management believes that additional taxes, if any, in respect of open tax years would not be material to the Company's financial position as of June 30, 2025.

16. NET ASSETS PER SHARE

Net assets per share are calculated by dividing the net assets attributable to the shareholders of the Company by the number of shares outstanding at the period end as follows:

16. NET ASSETS PER SHARE				
	30 June 2025 (RO)		30 June 2024 (RO)	
	Parent	Group	Parent	Group
Net assets as at June 30 (RO)	5,778,458	5,635,809	5,951,983	5,842,686
Number of shares outstanding at June 30 (Nos)	30,000,000	30,000,000	30,000,000	30,000,000
Net assets per share (RO)	0.193	0.188	0.198	0.195
17. COST OF SALES				
	30 June 2025 (RO)		30 June 2024 (RO)	
	Parent	Group	Parent	Group
Raw materials consumed (net)	10,839,148	11,233,262	7,705,234	7,844,494
Depreciation of property, plant and equipment	108,431	127,644	109,612	131,124
Depreciation of right of use assets	7,200	7,200	7,200	7,200
Salaries and related costs	290,355	472,983	331,783	476,374
Vehicle expenses	387,708	398,811	309,583	319,024
Sales Discount	11,330	11,330	65,590	65,590
Cylinder replacement and testing charges	16,394	16,394	43,252	43,252
Other operating expenses	317,106	279,221	252,582	228,487
	11,977,672	12,546,844	8,824,837	9,115,545

18. GENERAL, SALES AND ADMINISTRATION EXPENSES				
	30 June 2025 (RO)		30 June 2024 (RO)	
	Parent	Group	Parent	Group
Salaries and related costs	355,297	467,835	296,387	389,321
Directors sitting fees	21,300	21,300	21,300	21,300
Communication expenses	10,911	13,630	9,840	14,118
HO Depreciation	2,919	7,798	4,372	8,144
Depreciation of Right of use assets	-	-	-	-
Provision for doubtful debts	7,807	7,807	3,201	3,201
Allowance for slow-moving inventories	-	-	-	-
Travelling expenses	18,275	33,750	23,341	29,345
Sales promotion, advertisement and marketing expenses	32,775	33,319	10,804	11,797
Vehicle expenses	13,779	23,386	11,907	25,083
Insurance	1,701	1,701	1,619	2,791
Printing and stationery	382	559	731	731
Interest and bank charges	13,093	14,810	16,614	17,338
Interest on lease liabilities	9,184	9,184	9,184	9,184
Legal charges	5,373	5,802	2,930	3,365
Professional fees (Audit fees and consultancy charges)	9,850	14,507	12,821	16,957
IT, Utilities, software and General expenses	62,771	77,869	49,224	58,561
	565,415	733,258	474,276	611,237
19. INVESTMENT AND OTHER INCOME				
	30 June 2025 (RO)		30 June 2024 (RO)	
	Parent	Group	Parent	Group
Interest income from bank deposits	12,730	12,730	19,592	19,592
Investment income	-	-	-	-
Miscellaneous income	29,859	29,859	10,297	10,297
	42,588	42,588	29,889	29,889
20. EARNING PER SHARE				
	30 June 2025 (RO)		30 June 2024 (RO)	
	Parent	Group	Parent	Group
Profit for the period (RO)	(94,038)	(93,298)	(71,508)	(160,088)
Weighted average number of shares (Nos)	30,000,000	30,000,000	30,000,000	30,000,000
Earning per share (RO)	(0.003)	(0.003)	(0.002)	(0.005)

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21. RELATED PARTY TRANSACTIONS				
At June 30 balance with related parties were as follows:				
	30 June 2025 (RO)		30 June 2024 (RO)	
	Parent	Group	Parent	Group
Due from related parties/subsidiaries:				
Al Aman Gas	-	-	-	-
Muscat Power Pioneer	428,189	0	795,395	-
United Market Solution	(0)	-	176,190	-
Muscat Power Solutions Saudi Arabia	246,509	0	115,606	(0)
Oman Oil Marketing Co.	-	-	67,539	67,539
Note-8	674,697	0	1,154,731	67,539
	30 June 2025 (RO)		30 June 2024 (RO)	
	Parent	Group	Parent	Group
Due to related parties/subsidiaries				
Oman Oil Marketing Co.SAOG	55,579	55,579	37,146	37,146
Muscat Power Pioneer	0	0	709,058	-
United Marketing Solutions	36,018	-	264,776	-
Al Aman Gas	448,746	0	414,108	-
Note -14	540,343	55,579	1,425,089	37,146