NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

1 Legal status and principal activities

Oman Oil Marketing Company SAOG (the company) is registered in the Sultanate of Oman as a public joint stock company and is primarily engaged in the marketing and distribution of petroleum products. The company has its primary listing on the Muscat Securities Market, Sultanate of Oman.

The accounts of the company are consolidated in the financial statements of Oman Oil Company SAOC (the parent company), a closed joint stock company registered in the Sultanate of Oman. The company has entered into a 'Trademark License Agreement' with the parent company dated 22 September 2003, for the right to use the trademark 'Oman Oil', in exchange for an annual fee of 0.09% of all fuel sales.

2 Summary of significant accounting policies

The principal accounting policies are summarised below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

(a) The financial statements are prepared on the historical cost basis, except for available-for-sale investment that is measured at fair value, and in accordance with International Financial Reporting Standards (IFRS). The financial statements also comply with the Rules and Guidelines on Disclosure by Issuers of Securities and Inside Trading, with the Rules for Disclosure and Proforma issued by the Capital Market Authority and with the Commercial Companies Law of 1974, as amended.

(b) The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

(c) Standards and amendments effective in 2012 and relevant for the company's operations:

For the year ended 31 December 2012, the company has adopted all of the new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the IFRS Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for periods beginning on 1 January 2012.

The adoption of these standards and interpretations has not resulted in changes to the company's accounting policies and has not affected the amounts reported for the current period.

(d) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the company:

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the company's accounting periods beginning on or after 1 January 2013 or later periods, but the company has not early adopted them and the impact of these standards and interpretations is not reasonably measurable as at 31 December 2012:

IAS 1 (Amendments), 'Presentation of financial statements' (effective on or after 1 January 2013);
IAS 19 (Amendments), 'Employee benefits' (effective on or after 1 January 2013);
IFRS 9, 'Financial instruments' (effective on or after 1 January 2015);
IFRS 11, 'Joint arrangements' (effective on or after 1 January 2013);
IFRS 12, 'Disclosures of interests in other entities' (effective on or after 1 January 2013);
IFRS 13, 'Fair value measurement' (effective on or after 1 January 2013); and
IAS 32 (Amendments), 'Financial instruments: Presentation' (effective on or after 1 January 2014).

2 Summary of significant accounting policies (continued)

2.2 Property, plant and equipment

Items of property, plant and equipment except for assets under construction are stated at historical cost less accumulated depreciation and impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items, any other cost that is directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul expenditure, is capitalised. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance expenditure is charged to the statement of comprehensive income during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

	Years
Buildings	10 to 20
Plant, equipment and vehicles	2 to 13

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

Assets under construction are stated at cost. When the underlying asset is available for use in its intended condition and location, work-in-progress is transferred to the appropriate property, plant and equipment category and depreciated in accordance with depreciation policy of the company.

Gains and losses on disposals of property, plant and equipment are determined by comparing the proceeds with the carrying amounts and are taken into account in determining operating profit.

2.3 Investments in joint ventures

Joint ventures are contractual arrangements under which the parties to the contract undertake an economic activity that is subject to joint control.

Joint venture: jointly controlled assets

In respect of its interest in jointly controlled assets, the company recognises its share of the jointly controlled assets, classified according to the nature of the assets, any liabilities that it has incurred, its share of any liabilities incurred jointly with the other venturers in relation to the joint venture, any income from the sale or use of its share of the output of the joint venture, together with its share of any expenses incurred by the joint venture, and any expenses that it has incurred in respect of its interest in the joint venture.

Joint venture: jointly controlled entity

Investment in a jointly controlled entity is recognised using the equity method. Under the equity method, the investments are initially recorded at cost and the carrying amounts are subsequently adjusted to recognise the company's share of profit or loss in the investee company after the acquisition date. Dividends received from the investee company are deducted from the carrying value of the investment. The company discontinues the use of the equity method from the date on which it ceases to have joint control over, or have significant influence in, a jointly controlled entity.

2 Summary of significant accounting policies (continued)

2.4 Available-for-sale financial assets

Available-for-sale financial assets are those intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

Investments designated as available-for-sale financial assets are initially recorded at cost and subsequently measured at fair value, unless this cannot be reliably measured. Changes in fair value are recognised in other comprehensive income. Upon impairment, or upon derecognition, the accumulated fair value adjustments recognised in other comprehensive income are included in the statement of comprehensive income as 'gains and losses from available-for-sale financial assets'.

For available-for-sale financial investments, the company assesses at each year end whether there is objective evidence that an investment or a group of investments is impaired. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of comprehensive income - is removed from other comprehensive income and recognised in the statement of comprehensive income.

2.5 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories includes expenditures incurred in acquiring the inventories and bringing them to their existing location and condition. The inventories are valued as follows:

- Oil and lubricants: purchase cost on a first-in-first-out basis
- Stores and spares: at weighted average cost

Net realisable value is the estimated selling price in the ordinary course of business, after allowing for the costs of realisation. Provision is made where necessary for obsolete, damaged and defective items, if any.

2.6 Financial assets

The company classifies its financial assets into loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than twelve months after the end of the reporting period. These are classified as non-current assets. The company's loans and receivables comprise trade and other receivables and cash and cash equivalents in the statement of financial position (notes 2.7 and 2.8).

(b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within twelve months from the end of the reporting period.

2.7 Trade and other receivables

Trade and other receivables are stated at their cost less impairment losses. A provision for impairment of trade and other receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired.

2 Summary of significant accounting policies (continued)

2.7 Trade and other receivables (continued)

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the statement of comprehensive income within 'Operating and other expenses'.

2.8 Cash and cash equivalents

For the purpose of statement of cash flows, cash and cash equivalents include cash on hand and at bank with a maturity of less than three months from the date of placement, net of bank overdrafts, if any.

2.9 Impairment

Financial assets

Financial assets are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For financial assets, objective evidence of impairment could include:
- significant financial difficulty of the counterparty;
- default or delinquency in payments; or
- it becomes probable that the borrower will enter bankruptcy or financial reorganisation.

Certain categories of financial assets, such as trade receivables that are assessed not to be impaired individually, are subsequently assessed for impairment on a collective basis.

Objective evidence of impairment for a portfolio of receivables could include the company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period as well as observable changes in national or local economic conditions that correlate with default on receivables.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of a provision account. When a trade receivable is considered uncollectable, it is directly written off after obtaining appropriate approvals. Subsequent recoveries of amounts previously written off are credited to the statement of comprehensive income.

Non-financial assets

The carrying amounts of the company's non-financial assets other than inventories are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indications exist, the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or cash generating unit exceeds its value in use and its fair value less costs to sell. In assessing the 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. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2 Summary of significant accounting policies (continued)

2.10 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost. Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

2.11 Provisions

A provision is recognised if, as a result of a past event, the company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. An environmental provision is recognised when the company, through environmental assessments, identifies a requirement for environmental remediation as a result of a past event and the associated costs can be reliably estimated. Provision for site restoration and abandonment costs is made based on average cost per filling station and its useful life.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the economic benefits required to settle a provision are expected to be recovered from third parties, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

2.12 Trade creditors and other payables

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

2.13 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.14 Dividend distribution

Dividends are recommended by the company’s board of directors after considering the profit available for distribution and the company’s future cash requirements. Dividends are recognised as a liability in the year in which the dividends are approved by the company’s shareholders. Dividends that are approved after the statement of financial position date are dealt with as an event after the financial position date.

2.15 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer who manages the company on a day-to-day basis, as per the directives given by the board of directors that makes strategic decisions.

2 Summary of significant accounting policies (continued)

2.16 Revenue

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns, allowances and trade discounts, and is recognised when the significant risks and rewards of ownership have been transferred to the buyer, it is probable that future economic benefits will flow to the entity, the amount of revenue and associated costs can be measured reliably, and there is no continuing management involvement with the goods.

The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. Transfers of risks and rewards vary depending on the individual terms of the contract of sale.

2.17 Directors' remuneration

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

The Annual General Meeting determines and approves the remuneration and the sitting fees for the Board of Directors and its sub-committees provided that such fees shall not exceed 5% of the annual net profit after deduction of the legal reserve and the optional reserve and the distribution of dividends to the shareholders and provided that such fees shall not exceed RO 200,000. The sitting fees for each director shall not exceed RO 10,000 in one year.

2.18 End of service benefits

End of service benefits are accrued in accordance with the terms of employment of the company's employees at the statement of financial position date, having regard to the requirements of the Oman Labour Law 2003, as amended. The provision relating to end of service benefits is disclosed as a non-current liability.

Contributions to a defined contribution retirement plan and occupational hazard insurance for Omani employees in accordance with the Omani Social Insurances Law of 1991 are recognised as an expense in the statement of comprehensive income as incurred.

2.19 Foreign currency

Items included in the company's financial statements are measured in Rial Omani which is the currency of the Sultanate of Oman, and the primary economic environment in which the company operates (the functional currency). These financial statements are prepared in Rial Omani (the presentation currency).

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the transaction date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

2.20 Borrowing costs

Finance costs comprises of interest cost on borrowings. Finance cost is recognised in the statement of comprehensive income as it accrues, using the effective interest rate method.

Finance income comprises interest received or receivable on funds invested. Finance income is recognised in the statement of comprehensive income using the effective interest rate method.

2.21 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

2 Summary of significant accounting policies (continued)

2.22 Income tax

Income tax is calculated as per the fiscal regulations of the Sultanate of Oman.

Income tax on the profit for the year comprises current tax and deferred tax. Income tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using the tax rates enacted or substantially enacted at the statement of financial position date, and any adjustment to income taxes payable in respect of previous years.

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the statement of financial position date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits can be utilised. The carrying amount of deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis.

2.23 Earnings per share

Basic earnings per share is calculated by dividing profit or loss attributable to ordinary equity holders of the company by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share is calculated by adjusting the basic earnings per share for the effects of all dilutive potential ordinary shares. The company does not have any potentially dilutive shares at the statement of financial position date.

3 Financial risk management

3.1 Financial risk factors

The company’s activities expose it to a variety of financial risks including the effects of changes in market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The company’s overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the company.

Risk management is carried out by management under policies approved by the Board of Directors. The Board of Directors has overall responsibility for the establishment and oversight of the company’s risk management framework. The Board has entrusted the audit committee with the responsibility of the development and monitoring the company’s risk management policies and procedures and its compliance with them. These policies and systems are reviewed regularly to ensure that they reflect any changes in market conditions and the company’s activities. The company, through its induction and training program, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises where the value of a financial instrument changes due to changes in foreign exchange rates. The company is substantially independent of changes in foreign currency rates as its foreign currency dealings are principally denominated in United States Dollars (US Dollar) or currencies pegged to the US Dollar. Since the Rial Omani is pegged to the US Dollar, management believes that the exchange rate fluctuation would have an insignificant impact on the profit.

(ii) Interest rate risk

The company's interest rate risk arises from bank borrowings and bank deposits. The company analyses its interest rate exposure on a regular basis and reassesses the source of borrowings and renegotiates interest rates at terms favorable to the company. The company limits interest rate risk on bank deposits by monitoring changes in interest rates.

Management has estimated the effect on profit for the year due to increase or decrease in interest rates to be insignificant.

(iii) Price risk

The company is exposed to equity securities price risk because of investments held by the company and classified on the statement of financial position as available-for-sale investments. The company's investments are approved by the Board of Directors.

The company's investments in equity of other entities that are publicly traded are listed on the Muscat Securities Market (MSM). To manage its price risk arising from investments in equity securities, the company monitors the market price of the instruments on regular intervals and takes necessary actions to reduce exposure.

The company's market risk is affected mainly by changes to the actual market price of financial assets. At 31 December 2012, a +/- 5% change in the price of the instruments may result in a change in the value of company's available for sale investment, and unrealised gain recognised in the statement of other comprehensive income for the year, by RO 114,944.

(b) Credit risk

Credit risk is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from cash and cash equivalents, available-for-sale investments and credit exposures to customers. The company has a credit policy in place and exposure to credit risk is monitored on an on-going basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The company requires bank guarantees on higher credit risk customers. The company does not require collateral in respect of all other financial assets.

Investments are made in liquid securities and only with commercial banks in Oman. Management does not expect any counter party to fail to meet its obligations.

Concentration of credit risk arises when a number of counter-parties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the company's performance to developments affecting a particular industry or geographical location.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

Trade and other receivables

Credit is extended to corporate customers only with an objective of optimising the company's profits and the prime responsibility for providing credit to customers and the timely collection of all debts rests with the functional manager. Credit has a cost to the business and necessary controls and procedures are established to manage the company's credit risk and its working capital. It is, therefore, the company's policy to have effective credit control systems in place which are flexible enough to respond to changing market needs yet rigorous enough to ensure that customer credit limits are established and regularly updated on the basis of reliable up-to-date information.

Generally credits are not allowed in excess of agreed credit periods except for government customers and debts are collected within agreed credit terms and grace days. A stop supply mechanism is in place which will automatically inactivate customer accounts and stop further supplies in the event of a delay of payment beyond the credit period and the grace days. All exceptions and overrides are approved in line with the policy guidelines. Debtor positions are regularly monitored and reviewed to assess the overall risk and exposure. Though losses on account of default are infrequent, adequate provisions for impairment based on the ageing of the debts are made to reflect the debtors position as accurately as possible in the financial statements.

The maximum exposure to credit risk for trade and other receivables (considered as being the gross carrying value before impairment provisions) at the reporting date by type of customer was:

	Carrying amount	
	2012	2011
	RO	RO
Aviation	**2,282,410**	7,790,785
Commercial	**11,754,228**	11,352,542
Fuel card	**5,592,148**	4,725,277
Lubes	**2,196,432**	1,663,042
Retail	**2,352,558**	2,152,587
Others	**112,589**	195,429
	24,290,365	27,879,662
Less:		
Related party receivables	**(2,625,872)**	(3,135,501)
Others	**(218,031)**	(263,246)
Trade receivables	**21,446,462**	24,480,915

The company has accepted guarantees / collateral valued at RO 426,900 (2011 - RO 541,769) from customers to secure fully / partly their dues to the company.

The ageing of trade receivables at the reporting date is as follows:

	Gross	**Impairment**	Gross	Impairment
	2012	**2012**	2011	2011
	RO	**RO**	RO	RO
Not past due	**14,148,410**	**-**	19,014,979	-
Past due 1-90 days	**4,380,842**	**281,202**	2,749,205	89,853
Past due 91-360 days	**1,105,330**	**59,855**	1,047,262	83,946
More than one year	**1,811,880**	**246,913**	1,669,469	240,132
	21,446,462	**587,970**	24,480,915	413,931

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012 (continued)

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

Cash and cash equivalents

Credit risk on other financial assets, including cash and cash equivalents arises from the risk of default of the counterparty, with a maximum exposure equal to the carrying amount of these balances.

The table below shows the cash at bank balances with the all counterparties analysed by rating as issued by Moody's Investors Services, or by Fitch Ratings where specifically indicated:

	2012 RO	2011 RO
Banks with rating of A-1	**2,148,249**	3,065,960
Banks with rating of A-2	**1,299,438**	332,050
Banks with rating of A-3	**2,781,943**	1,731,578
Banks with rating of NP	**2,787**	3,687
Banks with rating of BBB+ (Fitch Rating)	**61,325**	175,382
Banks not rated	**6,516,471**	15,661,046
	12,810,213	20,969,703

The rest of cash and bank balance in the statement of financial position is cash in hand.

(c) Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company's approach to managing liquidity risk 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 company's reputation.

The company limits its liquidity risk by ensuring bank facilities are available. The company's terms of sales require amounts to be paid on an average of 30 days from the date of sale. Trade payables are normally settled within 15 days of the month of purchase.

The company uses local and international banks operating in the Sultanate of Oman to ensure that it has sufficient cash on demand to meet expected operational expenses and sufficient credit facilities to manage its liquidity risk. The company has a credit facilities amounting to RO 34.13 million (2011 - RO 71.51 million) from 5 banks (2011:7 banks) which are unsecured. Short term loans and overdrafts are, on average, utilised for period of 7 to 14 days to bridge the gap between collections of receivables and settlement of product purchase bills during the middle of every month.

The table below analyses the company's financial liabilities into the relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within twelve months equal their carrying balances, as the impact of discounting is not significant.

	Carrying amount RO	**6 months or less RO**	**6 - 12 months RO**	**1 - 2 years RO**	**More than 2 years RO**
31 December 2012					
Bank borrowings	**2,896,862**	**1,054,367**	**1,037,776**	**882,768**	**8,482**
Trade payables	**1,163,592**	**1,163,592**	**-**	**-**	**-**
Due to related parties	**21,633,762**	**21,633,762**	**-**	**-**	**-**
Accruals and other payables	**7,681,387**	**7,681,387**	**-**	**-**	**-**
	33,375,603	**31,533,108**	**1,037,776**	**882,768**	**8,482**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012 (continued)

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Liquidity risk (continued)

	Carrying Amount RO	6 months or less RO	6 - 12 months RO	1 - 2 years RO	More than 2 years RO
31 December 2011					
Bank borrowings	8,251,201	5,000,000	87,189	149,466	3,014,546
Trade payables	2,664,155	2,664,155	-	-	-
Due to related parties	21,550,700	21,550,700	-	-	-
Accruals and other payables	7,983,362	7,983,362	-	-	-
	40,449,418	37,198,217	87,189	149,466	3,014,546

3.2 Capital risk management

The Board of Directors' policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on equity, which the company defines as net profit divided by total shareholders' equity. The Board of Directors also monitors the level of dividends to ordinary shareholders.

There were no changes in the company's approach to capital management during the year. The company is not subject to externally imposed capital requirements.

3.3 Fair value estimation

The face value less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate to their fair values.

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities - Level 1.
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) - Level 2.
- Inputs for asset or liability that are not based on observable market data (that is, unobservable inputs) - Level 3.

	Level 1 RO	**Level 2 RO**	**Level 3 RO**
31 December 2012			
Available-for-sale investments	**2,312,830**	-	-

The Board of Directors believes that the fair values of financial assets and liabilities are not significantly different from their carrying amounts at the end of the reporting date.

4 Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS, requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the company's accounting policies. The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas requiring a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are set out below.

Depreciation

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, technological obsolescence and normal wear and tear using its best estimates.

Allowance for impaired debts

An estimate of the collectible amount of trade receivables is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

At the statement of financial position date, gross trade receivable were RO 21,446,462 (2011 - RO 24,480,915) and the provision for doubtful debts was RO 587,970 (2011 - RO 413,931). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the statement of comprehensive income.

Allowance for slow moving and obsolete inventory

Allowance for slow moving and obsolete inventory is based on management's assessment of various factors such as the usability, product life cycles, and normal wear and tear using its best estimates.

Environmental provision

Environmental provision is made for environmental remediation costs based on environmental contamination assessments made on delivery and storage sites.

Provision for site restoration and abandonment cost

Provision for site restoration and abandonment cost is based on management assessment of various factors such as average cost per filling station for restoration and abandonment, estimated life of filling station and discount rate to be used for discounting the expected cash flows over the estimated life of the filling stations.

Provisions for other costs

Included in the accrued expenses of the company are accruals for costs which are currently under discussion with the relevant ministries, customers and a supplier in the Sultanate of Oman. These accruals are based upon the amounts due to be paid to the supplier as per the pricing mechanism communicated by the relevant ministry.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012 (continued)

5 Property, plant and equipment

	Land and buildings RO	Plant, equipment and vehicles RO	Assets under construction RO	Total RO
Cost				
At 1 January 2012	9,359,527	27,221,781	3,234,412	**39,815,720**
Additions	-	26,803	7,616,583	**7,643,386**
Transfers	2,037,789	5,021,392	(7,059,181)	**-**
Disposals	(35,473)	(897,812)	-	**(933,285)**
At 31 December 2012	11,361,843	31,372,164	3,791,814	**46,525,821**
Depreciation				
At 1 January 2012	2,214,538	14,106,442	-	**16,320,980**
Charge for the year	552,353	2,806,222	-	**3,358,575**
Disposals	(19,776)	(747,970)	-	**(767,746)**
At 31 December 2012	2,747,115	16,164,694	-	**18,911,809**
Carrying amount				
At 31 December 2012	**8,614,728**	**15,207,470**	**3,791,814**	**27,614,012**

	Land and buildings RO	Plant, equipment and vehicles RO	Assets under construction RO	Total RO
Cost				
At 1 January 2011	7,700,049	22,514,711	3,111,046	33,325,806
Additions	-	31,270	6,544,640	6,575,910
Transfers	1,659,478	4,761,796	(6,421,274)	-
Disposals	-	(85,996)	-	(85,996)
At 31 December 2011	9,359,527	27,221,781	3,234,412	39,815,720
Depreciation				
At 1 January 2011	1,762,187	11,717,891	-	13,480,078
Charge for the year	452,351	2,470,442	-	2,922,793
Disposals	-	(81,891)	-	(81,891)
At 31 December 2011	2,214,538	14,106,442	-	16,320,980
Carrying amount				
At 31 December 2011	7,144,989	13,115,339	3,234,412	23,494,740

The company’s 50% share of plant and equipment and assets under construction at the main storage depot at Mina Al Fahal (the depot) at a cost of RO 1,125,657 (2011- RO 766,255) and RO 98,475 (2011- RO 27,344), respectively, are included in property, plant and equipment. Under an agreement dated 6 December 1995 between the company and Al Maha Petroleum Products Marketing Company SAOG (Al Maha):

- such assets are controlled jointly with Al Maha and cannot be sold without the mutual consent of the company and Al Maha;
- costs of this depot are shared equally with Al Maha; and
- the depot is operated by the company for an agreed management fees.

The land, on which the main storage depot and buildings are located, is leased from the Ministry of Oil and Gas jointly with Al Maha under an operating lease agreement.

6 Investment in joint venture

Investment in joint venture represents the company's participation in 50% of the equity interest of Omanoil Matrix Marine Services LLC (the joint venture), a company incorporated in the Sultanate of Oman on 28 April 2011. The other shareholder of the Joint Venture is Matrix Marine Holding GmbH, a company incorporated in Germany. The objective of the joint venture is to sell oil and their by-products and supply fuel at the port of Sohar.

Summarised financial information of the joint venture at the end of the reporting period is as follows:

	2012 RO	2011 RO
Non-current assets	**-**	-
Current assets	**800,156**	3,892,963
Total assets	**800,156**	3,892,963
Non-current liabilities	**-**	-
Current liabilities	**(574,295)**	3,747,850
Total liabilities	**(574,295)**	(3,747,850)
Net assets	**225,861**	145,113
Company's share in net assets of the joint venture	**112,930**	72,556
Income	**14,359,276**	9,232,249
Expense	**(14,278,528)**	(9,232,269)
Profit/(loss) of joint venture for the year	**80,748**	(20)
Company's share in profit/(loss) of the joint venture	**40,374**	(10)

There are no contingent liabilities relating to the company's interest in the joint venture, and no contingent liabilities of the venture itself.

7 Available for sale investments

Available for sale investment represents a 9.18% (2011 - nil) non-controlling interest in Muscat Gases Company SAOG (investee), a joint stock company incorporated in the Sultanate of Oman on 13 November 1989 under a trade license issued by the Ministry of Commerce & Industry. The investee is engaged in the manufacturing and selling of industrial and cooking gases.

8 Inventories

	2012 RO	2011 RO
Oil and lubricants	**5,937,587**	3,329,582
Stores and spares	**7,498**	7,498
Less: allowance for slow moving and obsolete inventory	**(15,000)**	(15,000)
	5,930,085	3,322,080

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012 (continued)

9 Trade and other receivables

	2012 RO	2011 RO
Trade receivables	**21,446,462**	24,480,915
Less: allowance for impaired debts	**(587,970)**	(413,931)
	20,858,492	24,066,984
Amounts due from related parties	**2,625,872**	3,135,501
Other receivables	**1,122,212**	957,929
Prepaid expenses	**1,871,545**	1,108,529
	26,478,121	29,268,943

Movements in the allowance for impaired debts during the year are as follows:

	2012 RO	2011 RO
At 1 January	**413,931**	751,144
Recognised/(reversed) during the year	**174,323**	(174,364)
Written off during the year	**(284)**	(162,849)
At 31 December	**587,970**	413,931

10 Cash and bank

	2012 RO	2011 RO
Cash at bank	**12,810,213**	20,969,703
Cash on hand	**29,203**	32,320
Cash and bank	**12,839,416**	21,002,023
Less: deposits having maturity of more than three months from the date of placement	**(3,500,000)**	-
Cash and cash equivalents	**9,339,416**	21,002,023

During the year 2012 the call accounts earned interest at rates ranging between 1.75% and 2.25% per annum (2011 - 0.750% and 2.250% per annum).

11 Share capital

The company's authorised share capital consists of 150,000,000 (2011 - 150,000,000) shares of 100 Baizas each (2011 - 100 Baizas each).

The company's issued and fully paid up share capital comprises 64,500,000 (2011 - 64,500,000) shares of 100 Baizas each (2011 - 100 Baizas each) as follows:

	Number of shares	
	2012	2011
Multi-vote shares	**3,225,000**	3,225,000
Ordinary shares	**61,275,000**	61,275,000
	64,500,000	64,500,000

In accordance with Article 5 of chapter two of the company's Articles of Association, the holder of each multi-vote share is entitled to two votes at the annual general meeting of the company. Multi-vote shares are considered as ordinary shares for purposes of basic and diluted earnings per share.

11 Share capital (continued)

Shareholders of the company who own 10% or more of the company's shares, whether in their name or through a nominee account, are as follows:

	Number of shares	
	2012	2011
Oman Oil Company SAOC - Multi-vote shares	**3,225,000**	3,225,000
- Ordinary shares	**28,380,000**	28,380,000
Civil Services Pension Fund - Ordinary shares	**8,352,027**	7,062,484
	39,957,027	38,667,484

12 Legal reserve

The Commercial Companies Law of 1974, as amended, requires that 10% of a company's net profit be transferred to a non-distributable legal reserve until the amount of legal reserve becomes equal to one-third of the company's paid-up share capital. This reserve is not available for distribution.

13 Employees' end of service benefits

Movement in the liability is as follows:

	2012	2011
	RO	RO
At 1 January	**198,190**	187,717
Provided during the year	**72,912**	35,870
End of service benefits paid	**(1,014)**	(25,397)
At 31 December	**270,088**	198,190

14 Provision for site restoration and abandonment cost

Movement in the provision is as follows:

	2012	2011
	RO	RO
At 1 January	**420,381**	367,085
Additional provision	**26,803**	31,270
Unwinding of discount (included in finance costs)	**25,223**	22,026
At 31 December	**472,407**	420,381

The key assumptions underlying the estimate of this provision are as follows:

- the average cost per filling station of restoration and abandonment is RO 4,000 (2011 - RO 4,000);
- the expected cash flows are discounted over the estimated life of the filling stations using an interest rate of 6% (2011 - 6%); and
- the estimated life of filling stations is 10 years (2011 - 10 years)

15 Trade and other payables

	2012	2011
	RO	RO
Trade payables	**1,163,592**	2,664,155
Due to related parties	**21,633,762**	21,550,700
Accrued expenses	**7,681,387**	7,983,362
Directors' remuneration payable	**108,000**	126,000
	30,586,741	32,324,217

15 Trade and other payables (continued)

The company in accordance with Capital Markets Authority (CMA) regulations transfers dividends unclaimed for a period of more than 6 months from the date they became due to the CMA's investor fund. Such unclaimed dividends transferred during the year amounted to approximately RO 26,039 (2011- RO 8,036). Eligible shareholders who have not received their dividends are entitled to claim them from the CMA. Trade and other payables are payable within 45 days on average from the end of the reporting date.

16 Income tax

	2012 RO	2011 RO
(a) Current liability:		
Current year	**1,303,718**	1,136,711
Prior years	**51,987**	80,495
	1,355,705	1,217,206
(b) Statement of comprehensive income:		
Current year	**1,303,718**	1,136,711
Prior years	**(60,236)**	-
Deferred tax relating to the origination and reversal of temporary differences	**(68,108)**	46
	1,175,374	1,136,757
(c) Deferred tax asset:		
At 1 January	**9,730**	9,776
Movement for the year	**68,108**	(46)
At 31 December	**77,838**	9,730

(d) The deferred tax comprises the following temporary differences:

	2012 RO	2011 RO
Provisions and other charges	**180,929**	151,483
Property, plant and equipment	**(103,091)**	(141,753)
	77,838	9,730

(e) The company is subject to income tax in accordance with the Income Tax Law of the Sultanate of Oman at the enacted tax rate of 12% (2011- 12%) of taxable income in excess of RO 30,000 (2011- RO 30,000). For the purpose of determining the tax expense for the year, the accounting profit has been adjusted for tax purposes. The reconciliation of tax as per accounting profit to effective tax is set out below:

Reconciliation of effective tax rate:

	Rate %	2012 RO	Rate %	2011 RO
Profit before tax		**10,198,926**		9,235,429
Income tax	**12**	**1,220,271**	12	1,104,651
Income not chargeable to tax		**(4,845)**		(3,316)
Expenses permanently disallowed		**20,184**		35,422
Provision written back on finalisation of prior period assessments		**(60,236)**		-
Effective tax	**11.52**	**1,175,374**	12.13	1,136,757

The adjustments are based on the current understanding of the existing tax laws, regulations and practices.

16 Income tax (continued)

The income tax assessments of the company for the years 2011 and 2012 have not been finalised with the Secretariat General of Taxation Affairs at the Ministry of Finance. The management considers that additional tax liability, if any, in respect of open tax years would not be material to the financial position of the company as at 31 December 2012. The deferred tax has been computed at the tax rate of 12%.

17 Bank borrowings

	2012 RO	2011 RO
Term loan I	**-**	5,000,000
Term loan II	**2,288,462**	2,802,801
Term loan III	**608,400**	448,400
	2,896,862	8,251,201
Current portion		
Term loan I	**-**	5,000,000
Term loan II	**1,615,385**	-
Term loan III	**400,000**	87,189
	2,015,385	5,087,189
Non-current portion		
Term loan II	**673,077**	2,802,801
Term loan III	**208,400**	361,211
	881,477	3,164,012

Term loan I

The short term loan is repayable within one year, unsecured and carries interest at market rates.

Term loan II

Term loan II represents facilities obtained from a local bank, for the purpose of financing the expansion of the company's business within the Sultanate of Oman. The loan is repayable in twenty six monthly installments commencing from 30 April 2012. The loan is unsecured and carries interest at a commercial rate.

Term loan III

Term loan III represents facilities obtained from a local bank, for the purpose of financing the acquisition of property, plant and equipment. The loan is repayable in twelve quarterly installments commencing after one year from the date of the loan agreement. The loan is unsecured and carries interest at a commercial rate.

18 Environmental provision

Movement in the provision is as follows:

	2012 RO	2011 RO
At 1 January	**626,765**	479,007
Provided during the year	**-**	177,925
Utilised	**-**	(30,167)
At 31 December	**626,765**	626,765

The company provides for environmental remediation costs based on environmental contamination assessments made on its delivery and storage sites. The entire provision of RO 626,765 (2011 - RO 626,765) is expected to be used as per site specific remediation plans drawn up by the company.

19 Segment information

Business units from which reportable segments derive their revenues

Information reported to the company's chief operating decision maker for the purposes of resource allocation and assessment of segment performance is more specifically focused on the category of business units. The principal categories of business units are retail, commercial and others.

Other operations are predominantly lubricants and aviation fuel.

Information regarding the company's reportable segments is presented below:

Segment revenues

	Segment revenue	
	2012	2011
	RO	RO
Retail	**179,646,647**	147,604,787
Commercial	**55,041,944**	54,068,283
Others	**43,833,935**	76,542,194
	278,522,526	278,215,264

The revenue reported above represents revenue generated from external customers. There were no inter-segmental sales during the year (2011 - nil).

Revenue from major products and services and geographical information

The company's operating revenues arise primarily from the marketing and distribution of petroleum products in the Sultanate of Oman.

20 Staff costs

	2012	2011
	RO	RO
Wages, salaries and allowances	**3,817,748**	3,400,909
Social security costs	**129,861**	110,289
End of service benefits	**72,912**	35,870
Other employee benefits	**231,548**	144,537
	4,252,069	3,691,605

21 Operating and other expenses

The operating and other expenses of the company include the following items:

	2012	2011
	RO	RO
Operating leases	**2,071,993**	1,879,306
Ministry of Oil and Gas license fees	**1,113,852**	1,113,462
Brand Royalty to parent company	**243,209**	244,505
Provision/(write back) for doubtful debts	**174,323**	(174,364)
Directors' remuneration	**135,000**	153,000
Board sitting fees	**27,200**	23,907
Audit and professional fees	**10,260**	8,000
Tax consultant fees	**6,927**	3,492
Provision for impairment of property, plant and equipment	**-**	5,490

22 Finance income - net

	2012 RO	2011 RO
Interest income	**340,553**	177,262
Interest expenses	**(236,260)**	(108,362)
	104,293	68,900

23 Dividends paid and proposed

The Board of Directors has proposed a cash dividend of RO 0.070 per share for 2012, amounting to RO 4,515,000, which is subject to the approval of the shareholders at the Annual General Meeting.

During the year, dividend of RO 0.062 per share totaling RO 3,999,000 relating to 2011 was declared and paid (2011 - RO 0.042 per share amounting RO 2,709,000 relating to 2010).

24 Related party transactions

Related parties comprise the shareholders, directors and business entities in which they have the ability to control or exercise significant influence in financial and operating decisions (other related parties).

The company has entered into transactions with entities over which certain Directors are able to exercise significant influence. In the normal course of business, the company provides services to related parties and avails services from related parties.

The volumes of significant related party transactions during the year and with parties with a shareholding of 10% or more in the company and / or related to Directors, were as follows:

	2012 RO	2011 RO
Revenue		
Fuel sales to filling stations owned by directors	**5,233,611**	3,499,227
Fuel sales to commercial customers related to directors	**12,818,394**	12,099,533
Fuel sales to Joint Venture	**726,421**	540,892
Costs		
Fuel Purchases from other related parties	**250,322,848**	250,700,795
Brand royalty to parent company	**243,209**	244,505
Remuneration to directors	**135,000**	153,000
Directors’ sitting fees	**27,200**	23,907
Net interest paid to other related parties	**9,849**	11,770
Balances		
Bank balances	**1,425,074**	599,172
Due from related parties (Note 9)	**2,625,872**	3,135,501
Due to related parties (Note 15)	**21,633,762**	21,550,700
Directors remuneration	**108,000**	126,000

The total remuneration paid to non-executive directors comprising sitting fees and remuneration is in accordance with the provisions, and within the limits of, the Commercial Companies Law; the CMA guidance; and the Articles of Association of the Company. Executive directors, if any, apart from their contractual benefits and performance linked pay are not eligible for any sitting fees or fixed remuneration. Director’s remuneration is recognised in the statement of comprehensive income.

25 Commitments

Operating leases

The company has entered into certain long-term non-cancellable operating leases. Under the terms of these leases the future rental payments are as follows:

	2012 RO	2011 RO
Future minimum lease payments:		
Not later than one year	851,838	940,474
Later than one year and not later than five years	940,983	1,494,900
More than five years	1,475,732	355,967
	3,268,553	2,791,341

Contracted commitments:

	2012 RO	2011 RO
At 31 December	1,974,734	2,378,974

26 Basic and diluted earnings per share

The par value of each share is RO 0.100. The basic and diluted earnings per share is calculated by dividing the net profit for the year by the weighted average number of shares outstanding during the year as follows:

	2012	2011
Net profit for the year (RO)	9,023,552	8,098,672
Weighted average number of shares (note 11)	64,500,000	64,500,000
Basic and diluted earnings per share (RO)	0.140	0.126

27 Net assets per share

Net assets per share is calculated by dividing the shareholders' equity of the company at the year end by the number of shares outstanding as follows:

	2012	2011
Shareholders' equity (RO)	39,156,664	34,132,112
Number of shares outstanding at the end of the reporting period (note 11)	64,500,000	64,500,000
Net assets per share (RO)	0.607	0.529

28 Contingencies

At 31 December 2012 the company had contingent liabilities in respect of guarantees and other matters arising in the ordinary course of business, from which it is anticipated that no material liabilities will arise, amounting to RO 1,935,345 (2011 - RO 1,685,384).

During the previous years, a supplier had charged the company an amount of RO 332,419 (2011 - RO 332,419) for the difference in prices pertaining to the period from August 2007 to May 2009 which is not recognised by the company as management considers that the claim is not tenable based on a legal opinion.

NOTES TO THE FINANCIAL STATEMENTS
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29 Corresponding figures

The corresponding figures included for comparative purposes have been reclassified to conform to the presentation in the current year; such reclassification did not affect the previously reported profit or shareholders' equity.

30 Approval of financial statements

These financial statements were approved by the Board of Directors and authorised for issue on 28 January 2013.

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